

2023-2024 Adopted Mid-Biennial Budget Adjustments Summary

On November 21, 2023, following two months of review and discussion, the Seattle City Council approved a 2024 Adopted Budget by passing Ordinance 126955 with an 8-1 vote. As part of the City's budget process, the Council made a number of modifications to the Mayor's 2024 Proposed Budget Adjustments. The purpose of this Executive Summary is to highlight the most significant elements of these changes, with full details available in the *Council Changes* portion of each department's budget section.

Revenue

The 2024 Adopted Budget includes several changes to 2024 General Fund and other revenues resulting from the updated forecast provided to the City Council in October as well as policy decisions made by the Council during its budget deliberations. Based on the October forecast update, the City Council:

- increased General Fund resources by \$9 million in 2024;
- increased Payroll Expense Tax Fund resources by \$20 million in 2024;
- increased Admissions Tax resources by \$1 million in 2024;
- increased Short Term Rental Tax resources by \$69,000 in 2024; and
- decreased total Real Estate Excise Tax (REET) resources by \$1.7 million in 2024.

Additionally, the City Council passed a bill that increased the Payroll Expense Tax by approximately \$20 million annually (and initially dedicated those revenues to supporting mental health services for students in K-12 schools).

Finally, the Council passed a budget action to reduce the size of the City's contribution to the employees' retirement fund by approximately \$5.9 million in order to fund other priorities in 2024.

This improved revenue forecast in October revised the projected 2025 General Fund deficit from \$247 million to \$218 million from the proposed to the adopted budgets, respectively.

Investments

Many of the City Council's additions to the 2023-2024 Proposed Mid-Biennial Budget Adjustments were related to contracted human service provider equity and inflationary pay on top of the inflationary and equity pay adjustments contained in the Mayor's proposal. This includes a 2% equity pay increase and inflationary adjustments for contracts administered under the Continuum of Care, among others.

The council made a significant investment of \$1.4 million and 7.0 FTE to implement app-based worker and network company driver worker protections as a result of earlier policy frameworks that the City Council adopted by legislation.

Additional investments were also made for a myriad of purposes, including in workforce development, services for people experiencing homelessness (including additional investment in a RV storage facility), food access, domestic violence prevention and survivor support programs, support for Native youth, substance abuse treatment, gun violence prevention, eviction prevention programs, additional School Zone Traffic Cameras, and affordable housing. A total of \$44.1 million was added to the 2024 proposed budget adjustments (\$23.7M in one-time allocations and \$21.4M in recurring additions)

Introduction

Mayor Bruce A. Harrell's 2023-2024 Adopted Mid-Biennial Budget Adjustments is an update to the 2024 Endorsed Budget, adopted by the Seattle City Council in November 2022. As a mid-biennial update, the included adjustments are largely to align the budget with available revenues but otherwise do not make significant citywide shifts in planned expenditures for 2024.

The City of Seattle operates on a biennial budget basis, with a two-year spending proposal developed every other year. Though a biennial budget represents a two-year plan, in recent practice the City has historically developed a full, new proposed budget annually. The 2023-2024 Adopted Mid-Biennial Budget Adjustments represent a transition from that past practice of significant annual changes to one that instead focuses on the 2024 Endorsed Budget as the primary plan and makes slight modifications where necessary.

The 2023-2024 Adopted Mid-Biennial Budget Adjustments maintain the 2024 Endorsed Budget investments across the One Seattle priority areas established by Mayor Harrell: housing and homelessness, public safety, access to opportunity, healthy communities, climate and environment, safe and reliable transportation, and good government. In this second year of the biennium, the Mayor is addressing unanticipated and significant cost pressures and making targeted, strategic investments in key areas:

- Sustaining critical services;
- Bolstering public safety and public health;
- Investing in workers; and
- Furthering Economic Recovery.

There is more detailed information on these investment areas later in this summary.

Economy and Revenue

The unexpected strength of employment and Gross Domestic Product (GDP) growth in the national and regional Seattle economy in 2023 has avoided the recession predicted last fall and is yielding additional revenues for the City in 2023 and 2024. The 2023-2024 Adopted Mid-Biennial Budget Adjustments assume approximately \$74.1 million additional General Fund revenues over the 2023 Adopted Budget and a smaller \$63.0 million over the 2024 Endorsed Budget. Looking forward, however, the expectation is that the Federal Reserve's restrictive monetary policy (keeping interest rates high) will remain in place through the first half of next year, slowing overall economic growth, but also continuing to help control inflation. Thus, at this stage, it appears that the Federal Reserve is succeeding in its goal of managing the economy toward a "soft landing," where inflation is being brought under control, without a significant decrease in GDP or increase in unemployment. Current national projections for the remainder of this year and 2024 are consistent with that expectation. Growth will continue, but at a modest rate, with GDP expected to grow by just 1.5%, when measured in real, inflation-adjusted terms.

Regionally and for the City, like the nation, the regional economy is now expected to avoid a recession. That said, the cooling technology and professional and business services sectors, and the slowing demand for new construction and its effects on construction employment were not fully anticipated last fall and are a cause for concern, given the higher wages and ancillary economic activity generated by these activities. Nonetheless, while unemployment is expected to trend up modestly as hiring slows,

there is no expectation of net job losses as gains in other sectors, such as leisure and hospitality, government, and education and health care have led to a net gain of 11,000 jobs in the Seattle area since January 1, 2023.

These factors as well as general national trends have shifted the longer-term outlook toward slower economic and flatter revenue growth. To illustrate, last fall, the Office of Economic and Revenue Forecasts' regional model anticipated that regional personal income would grow at an average annual rate of about 4% from 2024 through 2028. The most recent forecast projects average income growth closer to 3% over this same period. This pattern of slower growth marks a distinct shift from pre-pandemic trends when the local economy experienced an extended period of robust expansion, driven by strong growth in the technology sector and sustained construction activity in both the commercial and residential sectors.

After years of revenue growth, the COVID-19 public health emergency and related economic downturn resulted in lower City revenues in 2020-2022. As of the fall of 2023, several of the City's revenue streams have still not yet fully rebounded. Simultaneously, though cooling now, generation-high inflation has created significant cost pressures on the City's expenditures, both capital purchases and in labor costs as the City's workforce has also felt the impacts of the increased costs of goods and services. As a result, the latest projections on future revenues and growth in City expenditures indicates that without significant intervention, the City will face a projected \$229 million deficit for the 2025 fiscal year.

Mayor Harrell has taken a multi-faceted approach to addressing this problem:

- In partnership with the City Council Budget Chair Teresa Mosqueda, Mayor Harrell convened the Seattle Revenue Stabilization Work Group in 2022-2023. This group of civic leaders met numerous times over the span of 10 months and issued a final report that recommends City staff examine some expanded or new revenue streams to help mitigate the projected deficit.
- The City Budget Office has started to work with City departments to examine current lines of business to ensure that they are aligned with the priorities and direction of the City's elected leadership.
- Mayor Harrell has emphasized to his direct staff and City departments the importance of identifying and applying for external funding opportunities, including our state and federal partners.

2024 Budget Development Considerations

The City Budget Office provided guidance in early Spring to City Departments that the 2024 Endorsed Budget was balanced and any changes in General Fund-backed spending needed to be paid for with offsetting reductions. Unlike in recent years, given that the budget was balanced as a starting point, departments were not asked to provide target reduction proposals, and were encouraged to work within their 2024 Endorsed budgets whenever possible.

To that end, many departments do not have any changes in their budgets other than adjustments for central costs the City will incur for 2024, such as changes in information technology, human resources, facilities or vehicle maintenance, and Judgement and Claims costs. Additional details on these central

changes can be found under the “Unanticipated or Significant Cost Pressures” section below, as well as in department budget chapters. For over half of the departments in the City, budget changes are only related to central costs or are budget neutral, either paid with an offsetting reduction within that department or using funding from a planning reserve established in anticipation of the spending need.

As 2024 is year two of the biennium, the budget materials presented look different this year and have a new name. The department chapters are shorter and focus on the changes to the 2024 Endorsed Budget. Summary tables are moved to a comprehensive appendix. What would historically have been referred to as the “2024 Adopted Budget” is instead referred to as “2023-2024 Adopted Mid-Biennial Budget Adjustments” to reflect that changes to the 2024 Endorsed Budget are limited in scope and scale.

Despite the additional resources available in 2023 and 2024, difficult decisions for this budget were made in the context of the looming \$229 million General Fund deficit that is currently projected for 2025. The City’s elected leaders will face difficult decisions in the upcoming year about how to reduce expenses and/or increase revenues to keep the City’s budget in balance, and decisions for 2024 should be made with this context in mind.

Support from JumpStart Payroll Expense Tax

The JumpStart Payroll Expense Tax (Payroll Expense Tax) was enacted by the City Council in 2020 and has been a critical tool to keep City programs operating during the pandemic and during this post-pandemic recovery stage. In addition to providing for specific areas of new spending, the law that governs the use of the payroll tax proceeds established that beginning in 2023, General Fund support will only continue if revenues fall below a nominal fixed amount. The Mayor’s Office and the City Council worked jointly on a plan to provide for a temporary change in the law regarding General Fund support that allows for transferring payroll tax proceeds to the General Fund to preserve city services and prevent reductions to certain programs over the biennium. The 2023 Adopted and 2024 Endorsed Budget included transfers from the JumpStart Fund of to the General Fund of \$100.6 million in 2023 and \$84.2 million in 2024, however, the ending unreserved General Fund balance in 2022 ended up higher than anticipated by \$34 million and the April revenue forecast showed a decline of \$62.6 million in 2023 and 2024 Payroll Expense Tax revenues. Therefore, the 2023 Revised Budget transfer from the JumpStart Fund to the General Fund will be \$71.0 million.

As a policy matter, the adopted budget adjustments use \$10 million of the 5% revenue stabilization reserve due to lower revenues than anticipated when the 2024 Endorsed Budget was approved. The 2023-2024 Proposed Mid-Biennial Budget Adjustments introduced a few new funds flexibility uses of the payroll tax proceeds, including \$7.4 million for human services provider pay. This use is funded in the proposed budget adjustments by reducing the transfer to the General Fund to support general government services expenses. Human Service Provider Pay items provide support to community partners that work most directly providing human services, support and outreach to people experiencing homelessness, child care services, and child health and development services.

The proposed budget adjustments maintain the other original spending allotments for JumpStart spending categories envisioned when the Payroll Expense Tax was signed into law, while also transferring \$74.2 million in 2024 to the General Fund in support of general government services, a \$10

million reduction from the endorsed budget. For full details on use of the payroll tax proceeds in the adopted budget, see the Multi-Department Revenue Summary section of the proposed adjustments.

Unanticipated or Significant Cost Pressures

Citywide Central Costs

The 2023-2024 Adopted Mid-Biennial Budget Adjustments include approximately \$19.5 million in budget increases across all funds related to Citywide central costs (including information technology (IT), fleet, facilities, and human resources). These costs are driven by high inflation, replacement costs for areas such as the City's fleet, and ongoing investments in IT infrastructure and security.

The Seattle IT Department will continue funding licensing costs for Geographic Information System, provide extended maintenance, backup and recovery services for existing servers, increased cloud storage services and security services.

Central costs for the Department of Finance and Administrative Services are increased to reflect higher fuel prices, increased contracting costs, and a technical adjustment for labor costs. The budget also refunds six vacant mechanic positions and reflects reclassification of one position to be focused on the Fire Department vehicles.

The Seattle Department of Human Resource's budget will increase by \$1.1 million for a two-year comprehensive review of the Classification Compensation (Class/Comp) Program to inform the scope, process, timeline, and estimated costs for an update to the system. The City's Class/Comp Program is responsible for classifying the City's positions to ensure fair and equitable compensation to employees for work performed. The industry standard for updates to job classifications and compensation is every 3-5 years. This program has not been reviewed since the 1990s and is outdated for current City personnel needs such as technology changes that are not reflected in job descriptions or the difficulty of employees trying to move between departments with specific titles that are tied to just one department, making it hard to understand potential career opportunities around the City. Continuing to delay investments in this space is not tenable as the cost impacts of operating with an outdated system far exceed the investment needed.

Judgment and Claims

The Judgment and Claims Fund provides for the payment of legal claims and suits brought against City government. Per [Resolution 31847](#), the budget level for the Judgment and Claims Fund must be set at the 90% confidence level of meeting actual expenditures as estimated by the City's actuaries every year. The 2023 Adopted and 2024 Endorsed Budget increased funding for the Judgment and Claims Fund by \$11.3 million and \$6.9 million, respectively. The 2023-2024 Adopted Mid-Biennial Budget Adjustments increase this figure by an additional \$9.3 million based on updated claims and litigation data, which continue to show an extraordinary level of outside counsel and settlement expenses primarily associated with lawsuits resulting from the racial justice protests of 2020.

Open Labor Contracts

The majority of the City’s labor contracts are currently up for renewal, which adds considerable uncertainty to the overall budget planning process. Reserves are maintained for this purpose, however, the exact details around the future settlements remain in negotiation at the time of this printing. [Seattle Municipal Code](#) 4.04.120 E requires the City to maintain confidentiality toward ongoing negotiations.

The Mayor continues to express his urgent and good faith commitment to getting a deal done and raising wages for City workers. Despite forecasts showing significant future revenue gaps, our approach will continue to be rooted in our values that every worker deserves a living wage and our gratitude for City employees and the service they provide to Seattle neighbors.

Social Housing PDA Start-up Costs

In early 2023, Seattle voters approved Initiative I-135 which created a new Seattle Social Housing Public Development Agency. The initiative did not include an independent revenue source and requires the City to provide 18 months of start-up costs. The 2023-2024 Adopted Mid-Biennial Budget Adjustments include \$850,000, which reflects the first 12 months of that 18-month requirement.

Sustaining Critical Services

In this second year of the biennium, the primary focus of this budget is in sustaining critical services, and the majority of changes are modifications within existing budget appropriation levels. The proposed mid-biennial budget prioritizes sustaining existing investments in critical services, including one-time investments in shelter and downtown outreach. These investments were increased with one-time funding in response to the pandemic impacts. The adopted mid-biennial budget also largely aligns with the 2024 Endorsed Budget, maintaining critical services within the base budget.

Housing / Homelessness

2023 is the final year of the 2016 Housing Levy. The 2023-2024 Adopted Mid-Biennial Budget Adjustments appropriate revenues from the 2023 Housing Levy, passed by Seattle voters in November 2023. The new levy generates an estimated \$88 million for affordable housing in 2024. When added to other funding sources, including \$140 million from the Payroll Expense Tax, the adopted budget adjustments include \$339 million for affordable housing in 2024, a 32% increase from the 2023 Adopted Budget.

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The adopted mid-biennial budget invests \$166 million in homelessness Citywide and continues the City’s investments in the King County Regional Homelessness Authority (KCRHA) as it enters its third full year of operations. Of the Citywide total, \$123 million is allocated to the Human Services Department in 2024 for homeless outreach, shelter, services, and administration. Approximately \$109 million (89%) of the adopted amount for HSD is in the budget for KCRHA. This represents a \$13 million (14%) increase in the

City's contribution to KCRHA over the 2023 Adopted Budget of \$97 million and a \$10 million (10%) increase over the 2024 Endorsed Budget of \$100 million.

The 2023-2024 Adopted Mid-Biennial Budget Adjustments to the City's investments in KCRHA include an added \$1 million in funding for behavioral health services, \$8.7 million of funding to support required inflationary increases to provider contracts to support wage increases, an additional \$2.2 million for further increases to human service provider wages, and \$2.25 million for inflation and provider wages for Federal Continuum of Care Contracts held by KCRHA

Most federal funding that was a direct response to the COVID-19 public health emergency has expired or will expire at the end of 2024. This was a known and expected horizon, but creates funding challenges for important services nevertheless. One of the City's top priorities is to ensure that no shelter beds are eliminated. At the Mayor's request, the King County Regional Homelessness Authority (KCRHA) examined its budget and identified program impacts of one-time funding expiring at the end of 2023. These impacts included the potential closure of up to 300 shelter beds. KCRHA has identified funding available within its existing budget to avert these program impacts on a one-time basis, ensuring that no shelter beds close in 2024 due to the expiration of federal funding.

In the fall of 2022, the City launched the Third Avenue Project in partnership with We Deliver Care to address and improve the public safety and order concerns along Third Avenue in Downtown Seattle. We Deliver Care outreach workers establish relationships and earn the trust of individuals while offering care and treatment service to individuals suffering from substance use disorder and using drugs in public places along Third Avenue. The 2023-2024 Adopted Mid-Biennial Budget Adjustments includes an additional year of funding for this program from the City's General Fund, extending operations through the end of 2024.

Safe and Reliable Transportation

The 2023-2024 Adopted Mid-Biennial Budget Adjustments maintain nearly all of the 2024 Endorsed Budget investments in transportation with a continued focus on safety and equity. Continued adverse economic impacts of declining revenues and historically high inflation levels have created significant fiscal constraints for the Seattle Department of Transportation (SDOT) limiting delivering transportation priorities for the City.

Meeting basic transportation needs and commitments, within a context of ongoing financial challenges and funding gaps resulting from declining revenues in the Transportation Fund, requires moving monies within and between transportation funds and funding sources. In addition to filling funding gaps, the budget increases staffing capacity within the Seattle Department of Transportation (SDOT) to meet these needs and commitments. Changes in the 2023-2024 Adopted Mid-Biennial Budget Adjustments recognize that the 2025-2026 Adopted Budget will be the next opportunity to attempt to solve structural challenges facing SDOT. Consequently, many funding options are one-time, including expanded use of Seattle Transit Benefit District (STBD) funds (Vehicle License fees and Seattle Transit Measure tax) that are being directed to funding First Hill Streetcar operations (a funding gap resulting from a Sound Transit operating subsidy sunset) and basic needs such as bridge maintenance. Nonetheless, the adopted budget supports safe and reliable transportation.

Increased severity of winter storms and ice, and other emergency incidents have had significant impacts on the City's roads and increased the demand for emergency response. The adopted budget includes \$1.5 million to support pothole repair, which is one of the core functions of SDOT in responding to conditions to secure safe passage for City and County services including not only first responders, transit, and other high-priority transport - both commercial and private - as well as the general public. In addition, SDOT is the City's primary responder for emergency events that affect the right-of-way. The City continues to see increasing severity of winter storms and ice, windstorms, traffic incidents, spills, encampment-related incidents, and landslides. Given SDOT's budget has been historically challenged to meet the increasing incidence, severity, and cost to respond, the adopted budget adds \$2 million for this purpose.

Budget adjustments include several changes relating to bridge maintenance including adding \$500,000 to expand SDOT's ability to plan bridge maintenance and deliver more work with SDOT crews and adding \$300,000 to support 3 FTE positions for bridge maintenance using Vehicle License Fees. Also included in the 2024 budget adjustments is authority to spend against four Federal Highway Administration grants that are accepted as part of the 2023 Year End Grant Acceptance legislation, including \$2.5 million for S. Spokane Street Viaduct bridge repair. Facing reductions in bridge maintenance funding in the Real Estate Excise Tax (REET) Fund, SDOT is prioritizing staffing investments now that can build SDOT's capacity to implement complex bridge maintenance activities on improved timelines and realigning planned spending accordingly. REET budget and planning assumptions for the Bridge Painting and Structures Major Maintenance capital projects are reduced by \$2 million in 2024 and \$1.8 million in 2026, deferring some maintenance work in these projects, though City Council offset some of these reductions by adding back \$1.6 million in General Fund to restore bridge maintenance reductions. Even with these reductions, SDOT will meet maintenance work planning expectations without impacting service levels or commitments relating to any grant awards.

Further, the adopted budget includes \$25 million in bond issuance to fund completion of the construction of the Alaskan Way Main Corridor project, which has experienced significant impacts on project activities, schedule, work windows, and extended overhead costs due to the concrete strike in late 2021 and early 2022. The concrete strike required significant changes in the project delivery plan and has extended the project's schedule into late 2024. The potential risk of cost overruns has been planned for by the Office of the Waterfront and Civic Projects (OWCP) along with SDOT partners; and Commercial Parking Tax (CPT) funds have been reserved in anticipation of cost increase risks, like the concrete strike, and are available to fund debt service costs.

The 2023-24 Adopted Mid-Biennial Budget Adjustments also contain legislation that will increase minimum and maximum parking charges to reflect city parking policies and climate goals. These rate increases are supported by parking data that shows an increase in the demand for parking throughout the city. The Paid Parking program at SDOT includes the Paid Parking Maintenance Program that pays for the expenses associated with pay stations and Pay-by-Phone services, the application that allows paying parking fees with a cell phone rather than at the station. Additional detail on the above changes can be found in SDOT's budget chapter.

General Fund Baseline for Parks and Recreation Services

Since the establishment of the Seattle Metropolitan Park District (Park District) in 2014, an interlocal agreement (ILA) between the City and the Park District has set out several responsibilities for both

parties. These included a specific baseline of General Fund support for parks and recreation services, commonly referred to as the “General Fund floor,” and required the City to allocate General Fund resources to Seattle Parks & Recreation (SPR) in each annual budget at or above that baseline. Prior to 2024, the ILA required the City to adjust that floor for inflation annually using the Consumer Price Index (CPI) for Seattle, which for 2023 was an unprecedented 7.6%. This would have required an allocation of \$123 million in General Fund resources to SPR in 2024.

The City and the Park District both have an interest in ensuring the long-term stability of revenues to the park and recreation system and avoiding unilateral termination of this ILA during a challenging fiscal environment. Therefore, the 2023-24 Proposed Mid-Biennial Updates included legislation that amended the ILA and adjusted the inflation factor for 2024 only from CPI to 3%. This legislation was passed along with the 2024 Adopted Budget, and creates a General Fund floor of \$118 million in 2024. This also aligns SPR’s General Fund floor in 2024 with financial policies governing a similar floor in the Seattle Department of Transportation, which uses a 3% inflator. SPR’s 2024 Adopted Budget includes nearly \$120 million of General Fund, an increase of \$2.1 million above the 2023 Adopted Budget.

Bolstering Public Safety and Public Health

Comprehensive Public Safety continues to be the top priority for Mayor Harrell’s Administration. The 2023-2024 Proposed Mid-Biennial Budget Adjustments establish the Community Assisted Response and Engagement (CARE) Department, formerly known as Community Safety and Communications Center (CSCC). The renamed and expanded CARE Department will improve public health and safety by unifying and aligning the City’s community-focused, non-police public safety investments and services to address behavioral, substance abuse, and non-emergent, low-risk calls for service, crime victim support, and crime intervention through diversified programs that are equitable, innovative, evidence-based, compassionate, and effective. The 2024 adopted budget adjustments incorporate ongoing funds for the new Dual Dispatch pilot, launched at the end of 2023, consisting of teams of behavioral health professionals that respond to low acuity calls with a mental and behavioral health nexus. In addition, the proposed budget adjustments add planning resources for the department to consider how the City delivers community-focused services unrelated to the criminal justice system. The CARE Department’s budget changes for Dual Dispatch are supported by planning reserves that were established in the 2024 Endorsed Budget for alternative response, as well as increased levels of E-911 revenues supporting existing call taker positions.

As the Dual Dispatch program is getting off the ground, the Seattle Police Department (SPD) continues efforts around the recruitment and retention plan, improved branding and marketing materials, and hiring bonuses for new and lateral officers. With record-low numbers of police officers in 2023, the City must use technological support to boost the effectiveness of public safety strategies. Mayor Harrell is reinvesting \$1.8 million of salary savings in the SPD into a new crime prevention pilot to implement automatic license plate readers, CCTV cameras, and acoustic gunshot locator systems to deter criminal behavior and hold offenders accountable. These technologies will be most successful when strategically integrated with SPD’s Real Time Crime Center to triage and coordinate patrol/emergency responses to crime events. These technologies will require an assessment to comply with the City’s surveillance ordinance and approval by the City Council.

In 2012, the City of Seattle and the U.S. Department of Justice (DOJ) entered into a settlement agreement (“Consent Decree”) that requires Seattle to implement reforms to ensure that police services are delivered to the people of Seattle that comply with the Constitution and laws of the United States. On September 7, 2023, the federal court overseeing the Consent Decree found that SPD had sustained full and effective compliance across all of its core commitments under that order with the exception of use of force, force investigation, and force review in large-scale crowd management events. Additionally, the Court ruled that the City had further work to do in the area of accountability. The Court, as did the Monitor in his May 2022 Comprehensive Assessment, again highlighted the lack of officers available to the community as a significant barrier to continued improvement and providing essential core public safety functions.

The proposed budget adjustments include new positions in the three accountability departments. In the Office of Police Accountability (OPA) a Deputy Director position is added to provide internal staffing management and day-to-day investigative capacity, allowing the OPA Director to focus on high level investigation responsibilities and external relationships. A Deputy Director is also added to the Community Police Commission (CPC) to assist in managing the operations of the office, facilitate strategic planning, and ensure the ongoing structural integrity of CPC commission administration and operations. Three new positions are added to the Office of Inspector General for Public Safety for assuming the federal monitor’s oversight and assessment related to the 2012 Consent Decree as well as a half-time Communication and Community Engagement Specialist to provide racial equity expertise in scoping work projects, as well as strategic engagement with community. Communication and Community Engagement Specialist to provide racial equity expertise in scoping work projects, as well as strategic engagement with community.

During the closure of the West Seattle Bridge in 2020, funding was added to support additional Seattle Fire Department operations in West Seattle on a temporary basis. To reduce reliance on use of overtime, this budget adds 24 FTEs to maintain the West Seattle operations and make these temporary services permanent at Fire Station 26 and 37.

In June 2023, the Mayor announced \$27 million investment in efforts to improve addiction treatment. The 2023-2024 Adopted Mid-Biennial Budget Adjustments program resources from the Opioid Settlement Proceed Fund, which is for the City’s portion of settlement proceeds from the state’s settlement agreements with opioid distributors and pharmacies. Funds will be used for several purposes, including drug user health and harm reduction services previously funded with one-time funds, to expand Health One’s Overdose Response Team, and for post-overdose facility services.

In addition, as mentioned above, the 2023-2024 Adopted Mid-Biennial Budget Adjustments also provide for an additional year of funding for the Third Avenue Project, where We Deliver Care outreach workers establish relationships and earn the trust of individuals while offering care and treatment service to people suffering from substance use disorder and using drugs in public places along Third Avenue. Additional details about planned opioid investments and the extension of the Third Avenue Project can be found in the Human Services Department budget chapter.

Investing in Workers

The largest new investments in this year's budget adjustments support the people doing some of the toughest work in Seattle. In total, the 2023-2024 Adopted Mid-Biennial Budget Adjustments provide new funding of over \$26 million to support human services workers and child care workers.

The City of Seattle is the only government entity in our state with a mandate in code ([Seattle Municipal Code \(SMC\) Section 3.20.060](#)) to provide inflationary increases at CPI-W (a government measure of local inflation) to human service provider contracts. In 2023, base contracts were inflated at 7.6% and for 2024, that amount is at 7.5% or over the 2023 Adopted Budget and is supported by the City's General Fund. This amounts to a \$15.7 million inflationary increase over 2023. However, the City is not the only funder of these providers and cannot support this workforce in isolation. In addition to the City's investment, a joint commitment from state, local, and federal governments is needed to ensure that those doing the hardest work can earn a living wage.

In 2023, the University of Washington completed a City-funded wage equity study and Council adopted Resolution 32094 concerning human services provider pay. In the resolution, the Council stated its intent to consider increases to HSD-administered contracts in addition to inflationary adjustments required under the SMC. In response to the study, the Mayor is proposing to add a 2% increase (\$4.2 million) to support increasing pay for human services providers, including those providing support and outreach to people experiencing homelessness. This amount is in addition to the 7.5% 2024 inflationary increase. Because DEEL and DON hold some human services contracts, their budgets include adjustments of approximately \$327,000 and \$12,000, respectively, to align with the HSD inflationary and provider pay increases.

The adopted budget also adds \$2.9 million to support one-time retention bonuses for child care workers. Since 2021, DEEL has invested more than \$8 million in child care workers to provide financial relief for them, which helps mitigate ongoing pandemic impacts to staffing within the industry. These investments help support a critical industry that is a stabilizing force for our City's economy. The funding for both the 2% additional human services wage increase and the child care worker retention bonuses comes from Payroll Expense Tax resources originally slated to help support General Fund operations in the 2024 Endorsed Budget.

The 2023-2024 Adopted Mid-Biennial Budget Adjustments also includes investments in review for the City's Classification and Compensation system which has not been reviewed in over 30 years. Progress in this space will help support retention and attraction of employees, promote pay equity and compliance with pay equity laws, and follow industry best practices. In addition, reserves are maintained to support the outcome of ongoing negotiations for the City's labor contracts. The Mayor continues to express his urgent and good faith commitment to getting a deal done and raising wages for City workers.

Furthering Economic Recovery

Mayor Harrell's budget increases investments in efforts to promote economic resiliency, activate our Downtown, and advance opportunity and equity for all. Investments in this budget sustain and enhance safe, healthy, and thriving communities by increasing funding to implement recommendations in the Future of Seattle Economy report and in supporting the Creative Economy, which was significantly impacted by the pandemic.

Future of Seattle Economy Investments

In 2023 the Office of Economic Development (OED) finalized the Future of Seattle of Economy (FSE) report, which provides a community-driven investment framework for the City to promote inclusive economic growth. The FSE framework, adopted by the City Council in [Resolution 32099](#), is intended to guide investments in the JumpStart Payroll Expense Tax Economic Revitalization spending category. The report focuses on five key pillars: investing in diverse talent and building our workforce, supporting small, women and minority-businesses, building BIPOC community wealth, investing in neighborhood business districts, and growing businesses and key industries.

The 2023-2024 Adopted Mid-Biennial Budget Adjustments appropriate resources from the \$13 million Economic Revitalization Reserve, established in the 2023 Adopted Budget, in alignment with the FSE framework. These appropriations provide \$10 million in OED for new items that support commercial affordability, downtown and neighborhood economic recovery, and workforce development. In alignment with the FSE framework, the adopted budget adjustments add dedicated staffing in OED for Community Wealth Building, funded by the Jumpstart Payroll Expense Tax Economic Revitalization Reserve. This position will support interdepartmental coordination and implementation of community wealth building programs, guided by recommendations in the Department of Neighborhood's Generational Wealth Initiative final report, presented to Council in September 2023.

Appropriations from the Economic Revitalization Reserve fund several items to support the Downtown Activation Plan, the Mayor's plan to revitalize and transform Downtown Seattle as the city continues to recover from the impacts of the COVID-19 pandemic. The Downtown Activation Plan's goal of making Seattle's downtown a more vibrant, inclusive, and resilient hub for residents, workers, and visitors aligns with the FSE framework. The proposed budget adjustments make Downtown Activation Plan investments in the Office of Economic Development, the Human Services Department, the Office of Planning and Community Development, and the Seattle Department of Transportation. Downtown Activation Plan investments include: public space activations, supports for small, women and minority owned business, extension of the Third Avenue Project in partnership with We Deliver Care, transformation of the Special Events Office, and right-of-way management. The proposed budget adjustments also provide resources for continued community engagement related to the Downtown Activation Plan, and resources for the development of long-term, transformational program and policy ideas focused on Downtown.

The budget also includes two Downtown Activation Plan investments funded by the Admissions Tax and included in the Office of Arts and Culture budget. These investments are focused on activation of King Street Station and the downtown core as well as extending the Hope Corps grant program with a focus on the downtown.

Support Increased Events at Seattle Center

Due to pandemic related revenue reductions, the 2023 Adopted Budget unfunded 6.75 FTE event related positions with the intention that as events and their associated revenues returned to the campus, the positions would again be necessary to support events and events revenues would be used to refund the positions.

Seattle Center is projecting increased revenues as event activity recovers and as a result this budget includes refunding some positions. The 2023-2024 Adopted Mid-Biennial Budget Adjustments refund two laborer positions and adds a new Event Service Representative position to support an increased level of events at Seattle Center. The budget also includes the elimination of Stage Tech Lead position because the types of events that are returning to campus require more direct cline support and less stage lead work.

Arts and Culture Investments

Due to higher projected Admissions Tax revenues, this budget makes key structural and short-term investments to strengthen Seattle's Creative Economy. These investments include \$1 million in one-time funding for Office of Arts & Culture (ARTS) to partner with the Office of Economic Development (OED) on activation of King Street Station and the Downtown Core. The budget also includes \$1 million in one-time funding to extend Hope Corps with a focus on downtown activations. Hope Corps is a grant program designed to connect under- and unemployed workers in creative industries with career opportunities. ARTS estimates that this budget will support 50-70 creative projects in 2024.

The adopted adjustments include increases to the ARTS' grant programs. The budget adds an ongoing inflationary adjustment of \$400,000 and adds \$650,000 in one-time funding for grant programs to support arts and cultural institutions that have not yet fully recovered from pandemic-caused economic pressures and who are facing the loss of federal funding. The adopted budget also includes support for multiple cultural projects, public space improvements, and funding for strategic planning efforts. Additional details on all the Admissions Tax increases included in the budget can be found in the Office of Arts and Culture budget book section.

Real Estate Excise Tax

Real Estate Excise Tax (REET) is an excise tax imposed on the sale of real property and those revenues fund a portion of the capital investments in the City's Capital Improvement Program (CIP).

Projected REET revenue available for the 2024-2029 Adopted CIP reflects the ongoing impact that elevated interest rates are having on the local real estate market. Actual REET revenue collections in 2022 were lower than forecasted by approximately \$3 million and forecasted REET for 2023 are projected to be \$18.9 million below the 2023 Adopted CIP. For the 2024-2029 Adopted CIP, revenues are projected to be approximately \$62.7 million lower than 2023-2028 Adopted CIP estimates over the

same window. To balance the decreased forecast capital departments were asked to reduce expenditures and reallocate expenditures to later years in the CIP.

The City's REET policy (Resolution [32075](#)) requires a \$10 million REET fund balance reserve to protect against unexpected downturn in REET revenue collection and forecast. The REET funds continue to maintain the reserve levels established in the policy but could potentially dip into those reserves if the forecast continues to decline in the near term. Additional details on the uses of REET can be found in the Capital Improvement Plan (CIP) overview and in department CIP chapters.

Reserves

The City maintains two financial reserves to draw upon in the event of certain unanticipated expenditure or revenue pressures: the Emergency Fund (EMF) and the Revenue Stabilization Fund (RSF). The EMF is the principal reserve for the City to draw upon when certain unanticipated expenses occur during the fiscal year. During the COVID-19 pandemic and related economic downturn, the City withdrew \$33 million from the EMF over two years, reducing the reserve balance to \$33.7 million at the end of 2021. The 2022 Adopted Budget initiated the five-year rebuilding cycle by contributing \$10 million to the EMF. The 2023 Adopted and 2024 Endorsed Budget included a contribution of \$6.5 million in each year to the EMF, and anticipated contributions of \$15 million in both 2025 and 2026 to rebuild the fund to a projected target balance of \$87 million within the prescribed five-year timespan. The 2023 Year End Supplemental Budget Ordinance and the 2023-2024 Adopted Mid-Biennial Budget Adjustments increase the contributions to EMF by \$8.5 million in each year, reducing the reliance on outyear contributions to refill the reserve and reducing the projected General Fund deficit by \$17 million over the 2025-2026 biennium.

During the COVID-19 pandemic and related economic downturn, the City withdrew \$54.7 million from the RSF, reducing the reserve balance to \$6.0 million at the end of 2021. The RSF, or "Rainy Day Fund," was recently replenished in 2022 via the 2021 year-end fund balance in the General Fund. The 2023 Adopted and 2024 Endorsed budgets build on this reserve with the maximum contributions under current policy of \$3.6 million in 2023 and \$1.7 million in 2024, to reach an ending fund balance of \$67 million. The 2023-2024 Adopted Mid-Biennial Budget Adjustments add \$2.3 million, to reach an ending fund balance of \$67.6 million. The total amount of reserves in the adopted budget at the end of 2024 is \$140.4 million.

City Utilities

The 2023-2024 Adopted Mid-Biennial Budget Adjustments for both Seattle City Light (SCL) and Seattle Public Utilities (SPU) continue to build on each utility's six-year Strategic Business Plan. In the provision of essential services to utility customers, each utility maintains a strong commitment to its financial health, affordability, and efficiency in service delivery while meeting all regulatory requirements. SCL's \$1.5 billion budget makes only minor, primarily technical adjustments to the 2024 Endorsed levels. SPU's \$1.6 billion budget makes technical adjustments across the three primary funds and includes additional investments in the Trees for Neighborhoods program and Duwamish Valley resilience work.