

2023 Adopted and 2024 Endorsed budgets Summary

Introduction

The City of Seattle's 2023 Adopted and 2024 Endorsed budgets are the first under Mayor Bruce A. Harrell's administration. The adopted budget includes approximately \$7.4 billion in appropriations overall, including \$1.6 billion in General Fund and \$321.4 million in JumpStart Payroll Expense Tax (payroll tax). This is the first biennial budget since the onset of the COVID-19 pandemic. The City operates on a biennial budget, with a two-year spending proposal developed every other year. However, that practice was suspended during the pandemic to allow the City to react rapidly to changing economic circumstances.

The 2023 Adopted and 2024 Endorsed budgets investments focus on taking action to address our City's most urgent needs, getting the basics right, and focusing on our responsibilities, while grappling with a significant deficit in the General Fund. Despite the deficit coming into 2023, this budget aims to support our most vulnerable community members, particularly recovering from the pandemic and resulting economic conditions, and makes investments in OneSeattle key priority areas: housing and homelessness, public safety, access to opportunity, healthy communities, climate and environment, safe and reliable transportation, and good government. The biennial budget is balanced in part using a portion of the new payroll tax, as was done in 2021 and 2022, and bends the curve on new spending. Though inflation continues to be at a 40-year high, growth in General Fund expenditures is effectively flat, increasing at 1.3% over 2022 Adopted levels.

Economy and Revenue

2022 has proven to be a year of considerable economic instability and uncertainty that will continue to play out across the 2023-2024 biennium. On one front, the overall economic recovery, nationally and in the Seattle region, from the COVID-19 disruptions and recession has been quite strong with employment levels, as of August, matching pre-pandemic levels and job creation and consumer spending remaining strong.

At the same time, although there are continued effects from ongoing COVID-19 variants, the war in Ukraine, and the various federal fiscal stimulus measures, the question that remains and the greatest source of uncertainty going forward is whether inflation can be brought under control without significant contraction of economic activity and rising unemployment – in short, without pushing the economy into another recession. The consensus among national forecasters is that inflation can be brought under control and back to more recent trends by the latter part of 2023. But a mild recession is likely to begin in the last quarter of 2022 and continue through the second quarter of 2023. Growth is expected to return by 2024, and the forecasts indicate that the impacts on jobs will be modest, with total employment declining by roughly 2% from current levels before employment growth returns. Conditions will continue to evolve, but the uncertainty regarding the economy and City revenues will likely remain well into next year as the Fed continues its efforts to rein in inflation.

The effects of inflation on the City's revenues and expenses are mixed, but largely negative. Inflation can lead to increased revenues for those taxes and fees imposed as a percent of the price of goods, services and wages, such as the sales tax. Many City revenues, however, such as the property tax, will not automatically increase with price changes. Moreover, high general price inflation puts continuous

pressure on department's buying power and budgets. Ultimately high inflation will result in structural deficits in the General Fund and other funds, even as the City is already trying to contend with maintaining balanced budgets in the face of increased service demands in this period.

The City's General Fund revenues continue to be marked by the extended economic recovery from the pandemic lows of 2020 and 2021, while at the same time by the transition away from emergency government grants, internal transfers of one-time reserves and property sale proceeds. The 2022 Adopted Budget assumed \$1.645 billion in General Fund revenue, including over \$200 million of one-time transfers, grants and property sale proceeds. The 2023 Adopted and 2024 Endorsed budgets are balanced to a revenue forecast of \$1.623 billion in 2023 and \$1.634 billion in 2024. While critical to supporting City expenditures in 2022, these one-time factors also distort an assessment of how the underlying City revenues are recovering as the pandemic eases. Focusing on those core revenues, and again excluding fund balance transfer, grants and property sales, the updated forecasts for year-end 2022 revenues anticipate somewhat lower revenue growth, at just over 4.8%. Looking forward, a comparable growth of 3.4% is projected for these core revenues in 2023, while a slower rate of just 2.6% is expected for 2024. These lower growth rates reflect national and regional forecasts that anticipate slower overall economic growth in the post-pandemic period. Growth in core revenues is countered, however, by an expected decrease in federal grants and one-time resource transfers of roughly \$150 million between 2022 and 2023.

In the absence of sufficient core revenue growth in the General Fund and until ongoing work to identify a progressive revenue source yields significant new revenues to support general government service costs, General Fund resources will need to rely on transfers of Payroll Expense Taxes, especially under the pressure of high general price inflation – in addition to other strategies outlined in the next section. As one-time grants and transfers are unavailable, the 2023 Adopted and 2024 Endorsed budgets include transfers of \$100.6 million in 2023 and \$84.19 million in 2024 from the JumpStart Payroll Expense Tax Fund to the General Fund in support of general government services. The budget also transfers \$7.9 million in 2023 and \$8.1 million in 2024 to support the administration and evaluation work anticipated as part of the overall programming of the payroll expense tax. In total, transfers to the General Fund are \$108.5 million in 2023 and \$93.0 million in 2024. Throughout this budget across departments and funds, similar issues of expenditure and revenue imbalances have been resolved, sometimes due to revenues not recovering as quickly as needed to maintain spending levels. Circumstances change from fund to fund. While City rate-based utility revenues have remained steady, other revenues, such as the Commercial Parking Tax or Sweetened Beverage Tax, or those based on construction permits have not recovered fully, even if they have grown relative to pandemic low points.

The risks and conditions identified here will be monitored during the course of 2023 with quarterly updates provided to the City Council and adjustments will be recommended as necessary to maintain a balanced budget.

Approach for Developing the 2023 Adopted and 2024 Endorsed budgets

General Fund budget deficit

From the end of the Great Recession through early 2020, the City enjoyed a remarkably long period of economic expansion. However, though the City's revenues were growing, expenditures were growing even faster. During that time, the City greatly expanded the number of departments to address

emerging needs of a growing population, as well as considerable new spending – particularly, though not exclusively, -- in efforts to address the homelessness crisis. Further compounding this issue, new revenue sources created over the last several years have been passed for specific and important uses-only, and not available to the broader General Fund to meet basic City needs. This mismatch between expenditures and revenues, and restricted revenue streams created small but growing deficits in the years leading up to the pandemic and as a result, the budget was balanced annually with one-time solutions.

When the COVID-19 pandemic hit, revenues declined precipitously and the City was faced with critical decisions around how to bring the budget back into balance. While many jurisdictions around the country introduced extensive austerity measures and numerous layoffs, the City was able to temporarily defy fiscal gravity due to the timely passage of the payroll tax and the emergency COVID-related funding support from the Federal Government. With one-time strategies to balance largely exhausted in 2022, coming into the 2023 budget, the City was facing a gap of roughly \$140 million.

One budget in one year cannot solve a problem that has been over a decade in the making. However, this budget takes steps to bend the spending curve, finds savings wherever possible, and adds flexibility to restricted funding sources.

Steps to close the deficit

Upon entering office, the Harrell administration immediately recognized the need to act quickly in identifying strategies to close the deficit. Working in close partnership with the City Council, the below strategies were used:

1. 2022 Spending Holds. The first strategy was a review of the 2022 Adopted Budget for opportunities to pause or reduce new spending that had recently been authorized. In partnership with the City Council, approximately \$20 million of new spending was identified to hold, pending more favorable revenue forecasts. Unfortunately, the General Fund outlook did not improve, so those funds are repurposed in this budget as a one-time tool to help balancing.
2. Department target reductions. Departments were asked to prepare reduction proposals equating to 3-6% in their proposed budgets. After thorough review, the adopted budget incorporated certain reductions to realize departmental efficiencies.
3. Vacancy Review. Departments critically reviewed all vacant positions and the assumptions for those positions including hiring timelines. These assumptions determine the proper amount of budget to be allocated for salaries and benefits in the budget.
4. Review of General Fund-adjacent revenue sources. In recent years, the Council has established several new revenue streams, each with their own separate fund and dedicated uses. The City Council approved temporary flexibility within these revenues for the 2023-2024 biennium to assist in achieving a balanced budget:
 - a. **Transportation Network Companies (TNC) Tax**: Due to the Washington state preemption of City's TNC driver regulations and minimum compensation and benefits for drivers regulations, the City Council approved a reduction to the city's per-trip fee as well as to allow TNC tax proceeds to be used only to administer the tax and to support transportation related expenditures during 2023 and 2024. After this biennium, the TNC tax proceeds would be available for use to support investments in affordable housing

opportunities to improve City services; at the same time, they can initially disrupt productivity, require upfront costs, change ongoing funding requirements, require new skillsets, and increase risk. Examples of this include the adjustments for the Municipal Court Information System (MCIS) project, which began in 2016 and is replacing a 30+ year-old legacy municipal court information system with a modern and adaptable case management solution. Costs for this project have escalated by \$17 million from \$37 million to \$54 million overall.

Coming into 2023, the majority of the City's labor contracts are also up for renewal, which adds considerable uncertainty. Reserves are maintained for this purpose, however, the exact details around the future settlements remain in negotiation at the time of this printing.

Budget Priority Highlights

Housing and Homelessness

The 2023 Adopted and 2024 Endorsed budgets reflect the demands of the people of Seattle calling for urgent and compassionate action to address the homelessness crisis. This budget recognizes that core to making progress on this crisis is access to housing – both a symptom and a solution to homelessness. The adopted budget includes an unprecedented investment in affordable housing in Seattle.

The Office of Housing's (OH's) budget has reached a remarkable milestone, now at over a quarter of a billion dollars per year – the highest in City history. This increased funding level is primarily driven by an investment of \$138 million from the payroll tax. Of the total \$253 million budget going to OH, investments include \$221 million for multifamily housing investments; \$24 million for homeownership, sustainability, and weatherization; and \$8 million for administration. Since 2016 the Office of Housing has produced over 2,150 units of new affordable housing, served 481 rental housing units with Operating and Maintenance funds, helped 3,312 individuals and families with Homelessness Prevention & Housing Stability Services Programs, and assisted 280 low-income homeowners gain entry to an important foothold to increase intergenerational wealth and prevent displacement.

While the City works to establish new affordable housing options, it is inhumane for people to live outside without access to sanitation, heat, and running water. In addition to historic investments in housing, the budget includes investments aimed at sustaining and expanding shelter capacity – ensuring the City will meet its goal to identify 2,000 new units and providing a wider array of options of spaces and support for people experiencing homelessness.

The City of Seattle remains committed to a regional solution to homelessness. The 2023 Adopted Budget invests \$153.7 million in homelessness City-wide and continues the City's investments in the King County Regional Homelessness Authority (KCRHA) as it enters its second full year of operations. Of the City-wide total, \$111.4 million is allocated to the Human Services Department in 2023 for homeless outreach, shelter, services, and administration. Approximately \$97 million (87%) of the amount proposed for HSD will be transferred to the KCRHA. Excluding one-time federal funding received in 2022, this represents a \$19.4 million (25.1%) increase in the City's contribution to KCRHA over the 2022 revised amount of \$77.5 million. Also available to KCRHA for approved uses will be any unspent money from a \$40.6 million infusion of one-time Federal funding that was first made available as a lump sum in the 2022 budget to support programs through 2024. The 2023 Adopted and 2024 Endorsed budgets' new investments in KCRHA include \$5.7 million in 2023 and \$7 million in 2024 to sustain existing

homelessness programs and services previously funded with one-time funding, \$2.4 million for new Tiny Home Villages, and \$5.1 million for new safe parking lots, \$1 million for recreational vehicle parking and storage associated with non-congregate shelter, and \$1.9 million for unsheltered outreach and behavioral services.

The remaining \$14.5 million of homelessness spending proposed in HSD's budget will support City managed homeless programs (\$12 million), contract oversight and administration (\$1.1 million), and expanded outreach support to connect unsheltered people sleeping in public spaces to shelter and housing (\$1.3 million).

Public Safety

In ***One Seattle***, every person has an inherent right to safety. Mayor Harrell believes communities thrive in the presence of life, vibrancy and resiliency, and in the absence of fear, violence and economic decay. Achieving effective public safety begins with a commitment to a comprehensive approach – swift responses to emergencies and crime, support for victims and survivors, community-based programs and partnerships, innovative advancements and long-term solutions. Built with common sense and our common values, the budget responds to immediate safety needs and positions Seattle to continue to drive innovation, reform, and community-driven progress.

As a result of many complex factors, the City's public safety departments are currently experiencing vacancies at levels not previously seen. A key challenge in the proposed budget is supporting effective recruitment and retention strategies, as well as ensuring public safety departments have the skills and tools they need to be successful. Highlights in the proposed budget for public safety include:

- **The Seattle Fire Department (SFD)** is increasing investments in hiring and training of firefighters and paramedics in the face of historically high vacancy levels. In 2023, the budget will support a total of 90 fire fighter recruits, which is an increase of 30 recruits, and a total of eight paramedic students, which is an increase of three recruits in their base budget to bring up these critical staffing levels. The adopted budget also includes capital investments in the Department of Finance and Administrative Services budget for the design and construction of a new Fire Station 31 (FS31), located in North Seattle. The new FS31 include minimizing call response times while maximizing firefighter health and safety and designing a facility with the flexibility to meet operational needs for the next 30 years.
- **The Seattle Police Department (SPD)** makes multiple investments to improve the capacity for SPD to respond to community needs and deliver services efficiently. In alignment with staffing projections, salary savings from officer vacancies are reinvested in SPD's budget for equipment and technology upgrades, strategies to improve recruitment and retention, improvements to internal trainings and supportive services, overtime, and other community safety program enhancements. With the focus from the Mayor's recruitment and retention plan, the investments in the budget aim to shift SPD hiring projections from a loss of 113 officers per year on average to a net gain of 30 officers over the biennium. Additional investments are made to shift capacity within the Office of Police Accountability (OPA) to assist with drafting OPA findings for investigations and alleviate the backlog of Director Certified Memos (DCMs). They also include funding to support additional marine patrol for Harbor Patrol to better provide public safety services for the city's waterways during the summer boating season.

- **Park Rangers:** The Seattle Park District levy funds will support an expansion of the Park Ranger program to enhance safety and promote voluntary compliance of park rules. Park Rangers will begin 2023 downtown and will expand to neighborhood parks (subject to bargaining).
- **Seattle Public Libraries Security:** The proposed budget includes funding for two full-time Security Officers to increase patrols in high-need branches. This funding will allow the security team to help deter and deescalate adversarial situations and respond quickly to violent incidents, which have increased during the COVID-19 pandemic.
- **Parking Enforcement Officers:** The budget includes a transfer of Parking Enforcement Officers (PEOs) from the Department of Transportation (SDOT) to SPD. This transfer reverses a decision from 2020 to relocate the PEOs out of SPD, after recognizing that operational and administrative efficiencies would be better realized under SPD. This move would allow access to law enforcement databases, would eliminate the basis for PEOs unfair labor practice (ULP) complaints and SPDs disciplinary system (Office of Police Accountability) would provide full access to information needed for misconduct investigations. Additionally, this move will save \$5.5 million in functional overhead and overtime expenses and eliminate annual special commission requirements for PEOs and allows PEOs to continue utilizing SPD facilities and resources for regular work assignments.

The budget also includes investments to help address the impact of violence and in prevention efforts. Additional resources are provided in the budget to **support survivors of intimate partner violence** and victims of non-domestic violence-related crimes. For the Law Department, more protection orders are anticipated as a result of House Bill 1901 that expanded the definition of domestic violence to include coercive control. It's likely that survivors will petition for more orders under the more expansive definition, requiring an additional Assistant City Prosecutor (ACP). Further, a Victim Advocate is added to support victims of non-domestic violence related crimes. The budget also invests \$326,000 to increase victim advocacy staffing in the Human Services Department to support survivors of sexual assault, and \$176,000 for staffing to assess the current gaps in victim support advocacy and charged with developing a 5-year strategic plan.

The budget includes investments that allow community-led organizations to develop and lead on **violence prevention initiatives**. The proposed budget for the Human Services Department includes \$4.3 million for the Seattle Community Safety Initiative (SCSI). This ongoing investment supports regional and ongoing gun violence prevention, serving youth and young adults of color (ages 12-30) and their families from Black and Brown neighborhoods who live, go to school, or work in Southeast Seattle, Central District, and West Seattle. The budget also invests \$1.5 million in the King County Regional Peacekeepers Collective, which supports restoration services for youth and families impacted by gun violence and referred to community-based care by King County's Hospital Based Intervention Team at Harborview Medical Center.

A Revitalized City with Access to Opportunity for All

At the center of Mayor Harrell's **One Seattle** vision is a belief that by working together we can inspire the best in one another. After more than two years of pandemic uncertainty, Seattleites deserve every opportunity to succeed and reach their full potential – whether that means access to a good job, education, support for their business, or City services and resources. Through thoughtful investments and meaningful partnerships, the City can marshal resources to unlock and expand opportunities for

every neighbor and revitalize our economy from Downtown to neighborhood business districts across Seattle.

Resources from the payroll tax provide the opportunity to take on many of these important investments – supporting \$32 million in total spending in 2023 for economic revitalization. OED proposes using this new funding source to advance a series of investments that will revitalize our local economy by focusing on quality jobs, vibrant neighborhoods, and growing small businesses. Key investments in support of economic revitalization include \$16.8m to OED to support commercial affordability, downtown and neighborhood economic recovery, workforce development and capital for small business development.

Additionally, using Park District Levy resources, \$900,000 is provided to expand **Seattle Conservation Corps** in Parks. Conservation Corps is a jobs training program for homeless adults. This investment will return enrollment to pre-pandemic levels and add 10, for a total of 60 participants.

The City is constantly looking to find ways to help reduce barriers to accessing City services, improve responsiveness to resident needs and concerns, and provide opportunities for every Seattleite to fulfill their potential. To that end, the City Budget Office's Innovation and Performance Team and Seattle Information Technology Department (Seattle IT) have teamed up to expand the support behind **CiviForm**, the City's one-stop shop for residents and their trusted intermediaries (e.g., Community Based Organizations) to find and apply for City of Seattle benefits and discounts. These investments will help CiviForm expand to more programs throughout the City, connecting residents to the full suite of Affordable Seattle programs and decreasing the time and effort needed to apply. Further, the Seattle Department of Construction and Inspections receives significant new investments to **address permitting bottlenecks**, including support for continuous improvement and additional civil engineers.

In order to continue to provide access to clean and safe parks, rights of way, and other public spaces, the 2023 Adopted and 2024 Endorsed budgets include \$13.8 million in new funding and 53 new FTE to maintain increased levels of cleaning begun under the pandemic and enhance Seattle Public Utilities' services, coordinated under the **Unified Care Team (UCT)/Clean Seattle**. The 2023 Adopted and 2024 Endorsed budgets will shift the way the UCT approaches the work from one team looking city-wide, to a geographic-area-focused multi-team approach. This will allow the teams to track their progress and build relationships with the community, neighbors (both housed and unhoused), outreach teams and businesses within their region. The budget provides ongoing funding for cleaning up trash and debris and addressing the impacts of encampments. The budget also increases funding for outreach to people experiencing homelessness. Lastly, the proposed budget formalizes the UCT team's role in providing operational and administrative support – providing much-needed resources required to ensure stability and continuity of operations and effectiveness as the City goes through inevitable leadership changes in future years. For 2023, the total UCT/Clean Seattle work is supported by total of \$37 million and 87 FTE across the Human Services Department, Facilities and Administration Services, Seattle Department of Transportation, Seattle Parks and Recreation, and Seattle Public Utilities.

Major one-time investments from the payroll tax will also go to the Human Services Department to support the development of an early learning campus, and to the Department of Education and Early Learning (DEEL) to support a childcare workforce compensation program. The proposed budget includes \$5 million to support construction of the **UW Rainier Valley Early Learning Campus**. Once completed,

anticipated programs on site will include: child care for infants and toddlers, Seattle Preschool Program classrooms for three- and four-year-olds, adult classrooms, indoor/outdoor play areas, kitchen, and admin offices; family support services; UW BA/MA degree programs in early learning with full scholarships; professional development for existing workers, mentorship programs, national training; and paid internships for Franklin High students. This project is a joint investment with the Federal Government, the State of Washington, and philanthropy.

The proposed budget also allocates \$5.3 million in payroll tax revenues toward one-time **hiring and retention bonuses for child care workers**. This proposal continues the City's recent efforts to support such a critical labor force during the COVID-19 pandemic, including three rounds of funding the DEEL has provided to child care providers and workers in 2021 and 2022. DEEL also repurposes FEPP Levy underspend from service disruptions and transitions to remote and hybrid learning in 2020 due to the COVID-19 pandemic. This funding held in reserve will be allocated to key equity-focused areas, including \$5.7 million over the biennium for **maintaining Seattle Promise investments in educational equity** and \$4 million for K-12 investments **supporting an expansion of culturally specific and responsive programming** that target BIPOC and other underrepresented youth.

Healthy Communities

Healthy, thriving communities make for a healthy and thriving city. Mayor Harrell's priorities reflect his commitment to making Seattle the country's healthiest city – investing in quality fundamental services and new initiatives to help Seattle residents receive the care and resources they need for an active, vibrant, safe, and healthy lifestyle.

- **Abortion access:** Access to safe reproductive healthcare is essential. The budget includes \$250,000 of ongoing appropriation to fund expanded access to reproductive healthcare by making an investment in the Northwest Abortion Access Fund through the City's public health contract with King County, Public Health-Seattle & King County (PHSKC).
- **Parks and open spaces** are key to healthy and vibrant communities. Following months of community and stakeholder engagement, the Mayor's proposed Park District financial plan invests approximately \$118 million in 2023 and \$122 million in 2024 toward ensuring Seattle's nearly 500 parks, playfields, and community centers remain welcoming places for recreation, learning, and healthy communities.
- **Mental health support for K-12 students:** In response to student advocacy efforts following recent incidences of school violence, the 2023 Adopted and 2024 Endorsed budgets provide a total of \$4 million over the biennium for mental health resources for K-12 students in schools and School-Based Health Centers. The School-Based Health Centers, administered in partnership with DEEL, PHSKC, and healthcare providers, are located within 29 Seattle Public Schools, and provide increased access to mental health resources, improve health equity, and strengthen screening, intervention, and prevention efforts for students in need. These funds may also provide resources for students within schools provided by community-based organizations, which offer non-clinical mental health supports for youth that are culturally responsive, localized to their communities, and directly informed by youth and family needs. The increased funding will help ensure the behavioral health and well-being of Seattle youth.

Climate and Environment

Seattle continues to set an example as a leading climate-forward city – driving a ***One Seattle Climate Agenda*** based on reducing fossil fuels, creating green jobs, and supporting communities most impacted by pollution and climate change. Mayor Harrell’s budget proposal makes needed and bold investments to take on the climate crisis, enhance climate resilience, and advance clean air, fresh water, and accessible open spaces for every community.

Resources from the payroll tax provide the opportunity take on these bold investments – supporting \$20.5 million in 2023. These Climate and Environment investments include:

- **Investments in Healthy, Climate Resilient Communities:** The Office of Sustainability and Environment (OSE) receives \$1.5 million for Community Resilience Hubs, as well as \$3.7 million for Indigenous-led climate resiliency projects. OSE also receives \$2,000,000 to support the Environmental Justice Fund and the Duwamish River Opportunity Fund. These investments aim to provide immediate and long-term funding for community-based efforts to address health disparities through investments in food access and environmental justice, youth leadership, environmental restoration, and green jobs. In addition, Seattle Parks and Recreation (SPR) and the Seattle Public Library (SPL) both receive \$1 million to support decarbonizing libraries and community centers in conjunction with planning and development for Community Resiliency Hubs.
- **Ensuring a Just Transition Away from Fossil Fuels:** The budget includes \$2.6 million for the Clean Heat Program, supporting electric heat pump conversions of oil-heated homes. This includes \$800,000 for rebates at OSE, as well as \$1.8 million in funding at the Office of Housing (OH) for fully funded oil-to-electric conversions for eligible low-income households. Additionally, \$2.8 million is allocated to the Office of Sustainability and Environment (OSE) for Building Emissions Performance Standards for large commercial and multifamily buildings. Funding will support the Building Accelerator program, which provides technical assistance to under-resourced building owners. It will also support policy development, capacity building, and compliance efforts for large commercial and multifamily buildings in the City of Seattle. The budget includes \$1 million in ongoing funding for Electric Vehicle rebates for industrial and commercial heavy-duty fleets, including drayage trucks and school buses.
- **Equitable Clean Energy Economy Investments:** Workforce investments are critical to ensuring the clean energy economy provides equitable benefits. The budget invests \$1 million for Green Jobs Pathways Pre-Apprenticeship Scholarships and \$200,000 to continue workforce investments and climate-aligned small business support in the Duwamish Valley, and \$160,000 to fund a Climate Justice Workforce Advisor.

Collectively, both the Climate and Environment investments in the 2023 Adopted Budget and the 2022 Green New Deal Opportunity Fund legislation, which allocated \$6.5 million of 2022 payroll tax resources, are closely informed by recommendations from the Green New Deal Oversight Board, including recommendations around funding for Resilience Hubs and decarbonization, increased funding for the Clean Heat Program, climate justice workforce development investments, and support for electric vehicle electrification.

The Mayor will be launching a **One Seattle Tree Strategy** that will provide a framework for actions needed to maintain the City’s commitment to a 30% tree canopy cover goal. This initiative will inventory, protect and maintain existing trees to promote canopy growth; plant new trees in

communities with low canopy; pilot innovative approaches to managing multiple needs in limited spaces like rights-of-way and private property; engage residents and business owners on tree planting and care to foster and sustain trees on private land; coordinate opportunities for planting and maintenance across departments and with community, school district and other partners. The proposed budget includes \$320,000 to increase urban forestry tree crews' capacity to plant trees in parks, \$300,000 for greening industrial properties, \$150,000 at OSE for a Tree Canopy Equity and Resilience Plan.

Safe and Reliable Transportation

Safe, reliable, and affordable transportation options create new possibilities by allowing neighbors to get where they need to go across the city with ease, comfort, and security. Mayor Harrell believes we must lead with equity and a Vision Zero agenda, maintain and repair critical infrastructure, and uphold a steadfast commitment to creating a transportation system that works for every neighbor – no matter how they choose to get around.

Continued adverse economic impacts of the pandemic on revenues and historically high inflation levels have created significant fiscal constraints for the Seattle Department of Transportation (SDOT) in delivering transportation priorities for the City. In many ways, the 2023-2024 budget is an understatement of the full picture of investments that will ultimately be made over the upcoming biennium and beyond, as the vast majority of Federal resources anticipated from the Bipartisan Infrastructure Law are not yet available. These are resources which, when also coupled with new revenue from the potential renewal of levy beginning in 2025, will be critical for SDOT to meet its mission.

Among the investments in the budget:

- **Move Seattle Investments:** \$11.8 million in 2023 and \$29.0 million in 2024 for Sidewalk Safety Repair, Transit Corridor Improvements, Arterial Asphalt and Concrete projects, New Sidewalk Program, Protected Bike Lane improvements, Greenways, Arterial Major Maintenance, Heavy Haul Network improvements, and investments in the Market / 45th Multimodal Corridor project.
- **Emergency Response:** Due to worsening storms as a result of climate change and other transportation-disrupting events including the increasing complexity of the transportation network, an additional \$4 million is added to base investments of \$4 million to ensure SDOT holds enough budget to respond quickly to emergency events.
- **Vision Zero:** An additional \$1.3 million is added to base investments of \$6 million in 2023 and an additional \$2 million to a base of \$6.5 million in 2024 to support Vision Zero investments for Rainier Corridor safety projects in 2023, transit improvement projects along MLK, concept planning for the 130th West project, and other transit-related projects that will be identified in the coming months.
- **West Seattle-Ballard Link Extension Staffing:** The City will invest almost \$3 million annually from the Transportation Benefit District to support 14 positions that will help develop, review, and plan Sound Transit's major light rail extension project through Downtown Seattle. This project represents the largest infrastructure investment in Downtown in the city's history and will require close coordination with Sound Transit to ensure the work best meets Seattle residents' needs.

The budget also includes changes to the Restricted Parking Zone fees. The fees will increase from \$65 per two years to \$95 per two years, along with other fee changes for guest passes and temporary passes. Low-income passes will remain the same. The change is required to offset increasing costs of administering the restricted parking zone program, which was last updated in 2009. This increase represents a 3.2% annualized increase per year and is in line with numerous other cities of similar size.

Good Government

The ability of government to deliver critical services depends upon an effective and efficient team that is managing both current resources as well as is attentive to the long-term needs of the City. This budget invests in infrastructure to support sound fiscal management, technology needs and asset preservation.

With nearly \$300 million in new revenue from the payroll tax and recognizing the increased workload and current turnover rates in department staffing, the budget provides funding for department capacity to manage, track and evaluate the effectiveness of these payroll tax resources. The budget includes a \$8 million transfer to cover specific administrative and evaluation expenses identified in the City Budget Office, Department of Neighborhoods, Office of Economic Development, Office of Housing, Office of Sustainability and Environment, Department of Finance and Administrative Services, Department of Human Resources, and Legislative Department.

The City is rapidly responding to new and urgent challenges that drive the delivery of new services to constituents, new investments in community recovery, and new initiatives to improve the quality of life for all. The need for Seattle IT and City departments to be agile in developing and onboarding the technology solutions to support these new programs is critical. The budget invests new resources in priority needs such as cybersecurity, a hybrid workforce, public records, and core technology investments, such as the conversion of the City to network-based phones and replacing the Seattle Municipal Court's IT system.

In addition to maintaining critical technology infrastructure, the preservation and improvement of capital assets is a priority in this budget. The budget invests Real Estate Excise Tax (REET) in multiple departments to maintain and improve significant capital assets. Projects receiving new investments include the rebuild of Fire Station 31, and further electrifying the City's fleet.

Fiscal 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. The proposed budget included \$20 million in replenishment to the EMF over the biennium; however, the adopted budget reduces this amount to \$11 million, to make progress on the five-year replenishment plan. The total reserve amount is rebuilt to \$56.7 million over the biennium. Contributions of \$15 million in both 2025 and 2026 will be needed to rebuild the fund to a projected target balance of \$86.7 million within the prescribed five-year timespan. 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 total amount of reserves in the adopted budget at the end of the biennium is \$123.7 million.

City Utilities

The 2023 Adopted and 2024 Endorsed budgets for both Seattle City Light (SCL) and Seattle Public Utilities (SPU) continues 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. During the acute phase of the COVID-19 pandemic, SCL and SPU worked to support customers in need of financial assistance, and they continue affordability measures intended to ensure utility customers access to electric, water, solid waste and drainage and wastewater services. SCL's \$1.5 billion budget maintains investments at current service levels; changes are net-zero reprioritizations (after technical and inflationary adjustments), necessary to support the business strategies outlined in the approved 2023-2028 Strategic Business Plan and remain within the funding levels proposed in the 2023 rate ordinance. SPU's \$1.4 billion budget provides reliable, efficient and environmentally conscious utility services that enhance the quality of life and livability in all communities SPU serves. SPU's budget pays for Clean Cities, including the provision of crucial public hygiene services for the unsheltered population, and UCT/Clean Seattle programs (see above.)

