

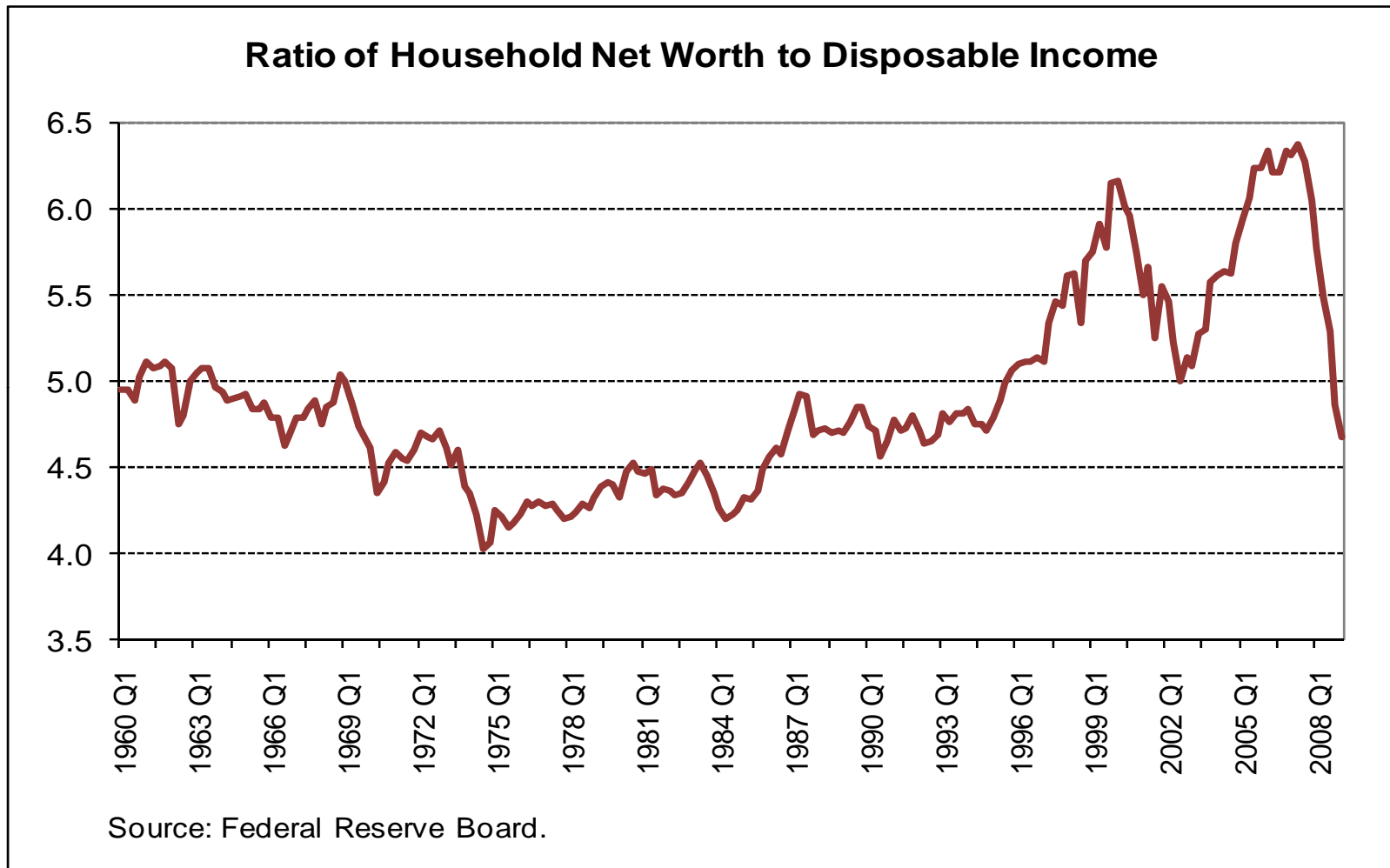
Mayor's 2010 Proposed Budget

City of Seattle
Department of Finance

September 30, 2009

Economic and Revenue Overview

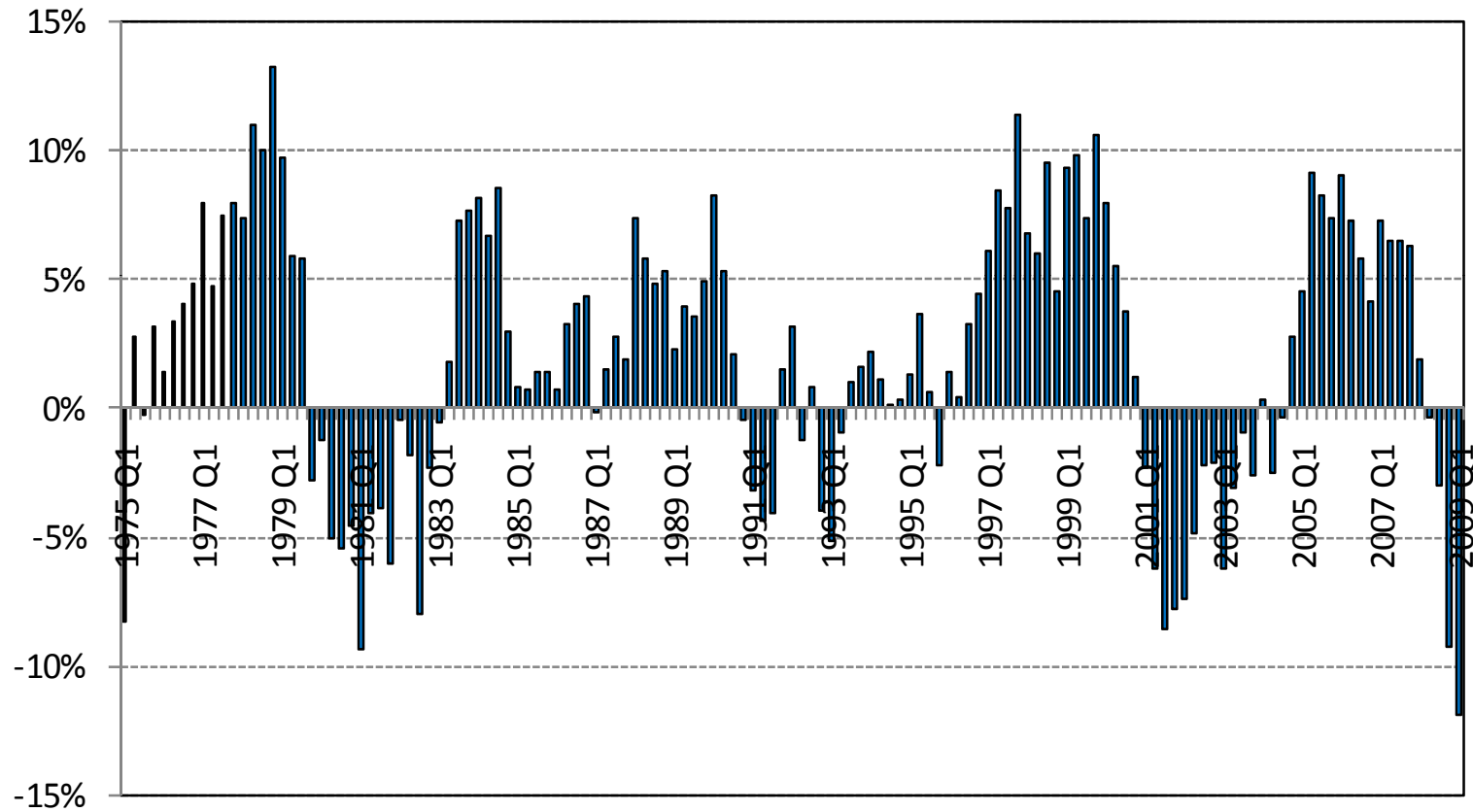
- U.S. is emerging from worst recession since the 1930s
 - Recession began 21 months ago in Dec. 2007
 - 6.9 million jobs have been lost, 5.0% of total
 - Household wealth has declined by more than \$13 trillion
 - GDP growth is expected to resume in the current quarter
 - Employment to turnaround in 2010 Q2
- The recovery is expected to be weak
 - Credit will be tight
 - Consumers are under stress due to job loss and decline in wealth
 - Housing market remains weak, plagued by foreclosures



- Decline from 2007 Q2 peak to 2009 Q1 is 26.6%.

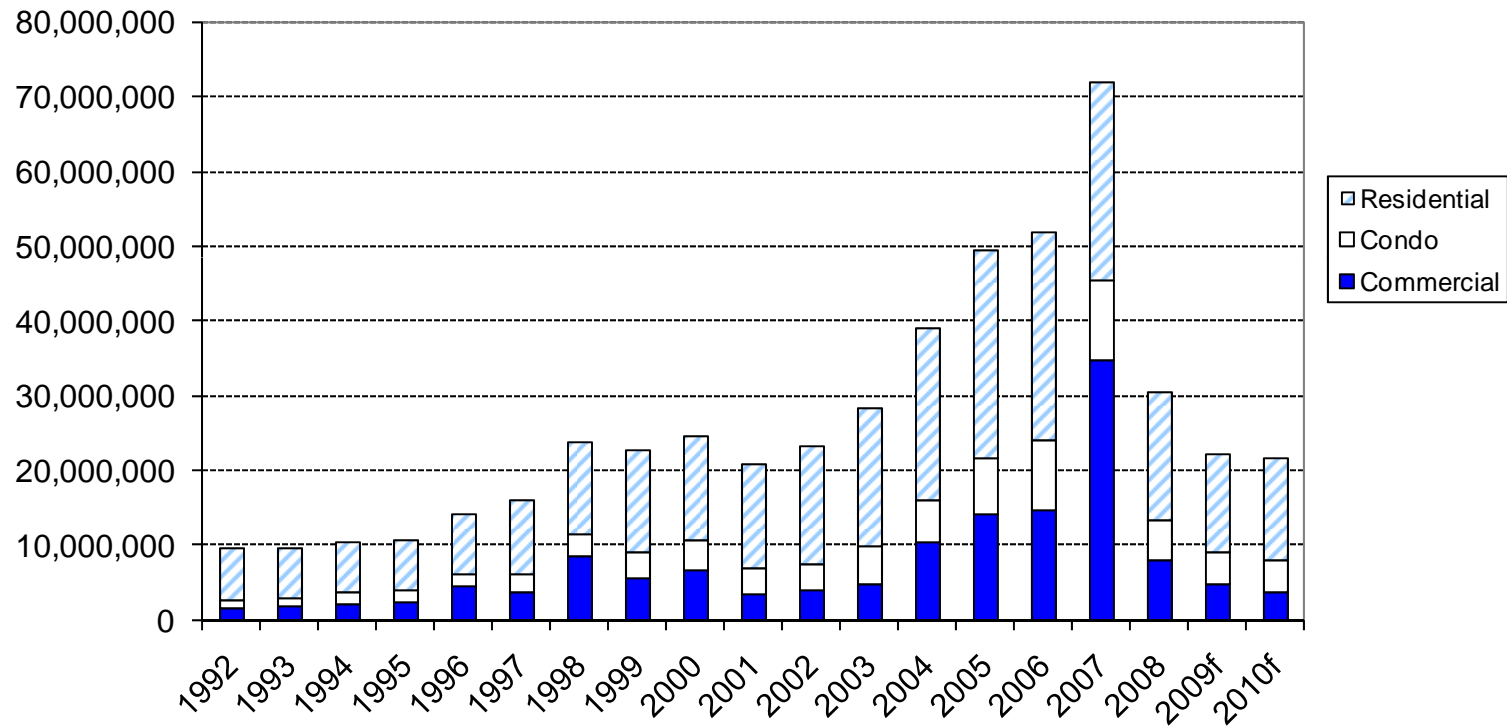
- Local downturn has been comparable to U.S.
 - Through August 93,300 jobs (5.0%) lost in 4-county region
 - Job loss steepest in blue collar industries
 - Housing downturn has been less severe in region than U.S.
- Local recovery is expected to progress slowly
 - Expect 2010 to be weak with improvement in 2011
 - Construction will be slow to rebound
- Recession's impact on City revenue has been severe
 - Through July, 2009 sales tax revenue is down \$10.7 mil. (12.0%) from same period in 2008
 - City expects a \$30.7 mil. decline in sales and B&O tax revenue in 2009
 - Real estate excise tax (REET) revenue has fallen by 70% from 2007

Real* Taxable Retail Sales: Year-over-Year Growth Rate

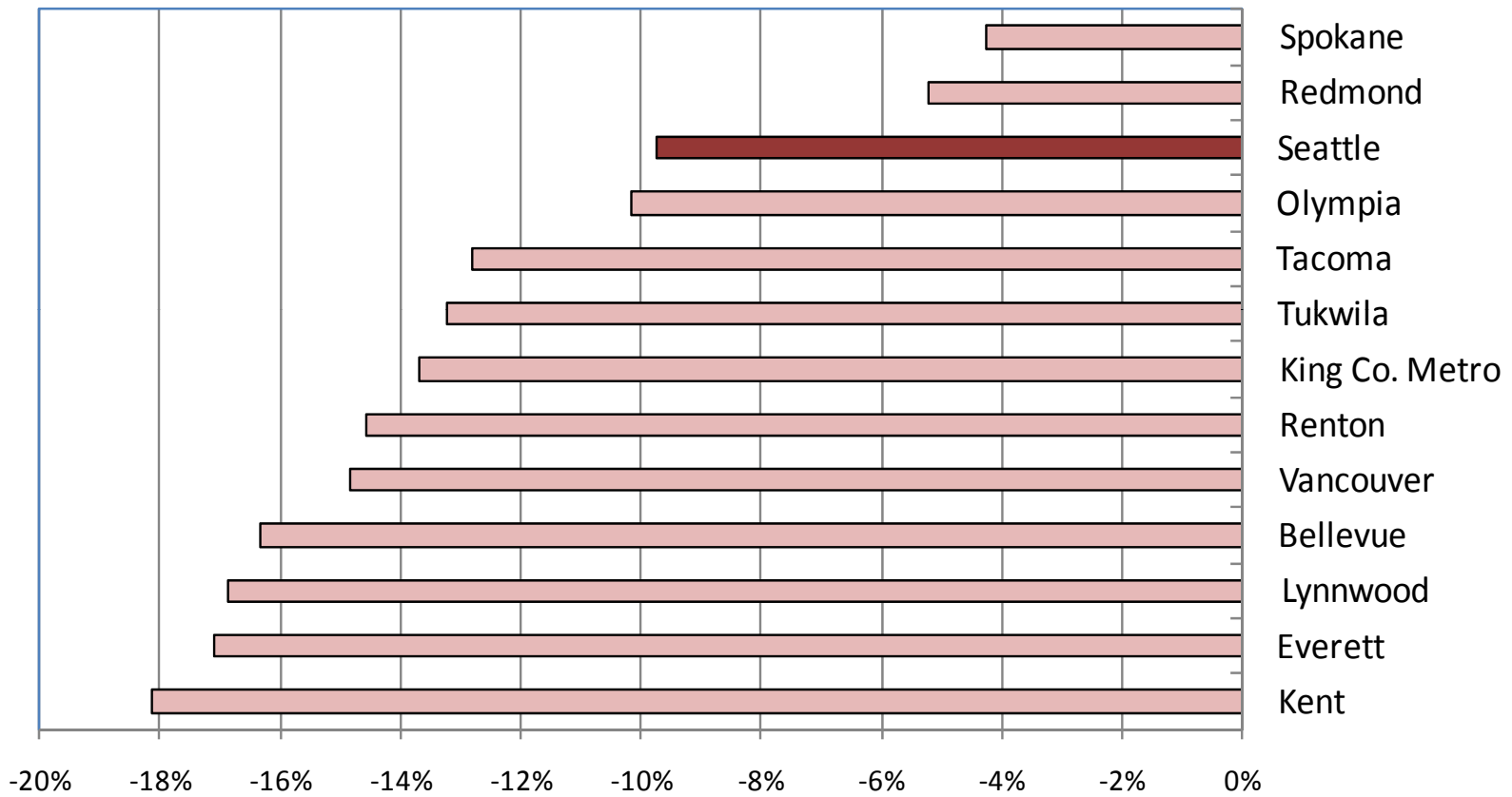


* Inflation adjusted.

REET Revenue and Forecast by Sector



Sales Tax Revenue: Year-over-Year Growth Rate For Most Recent 3 Quarters*



*2008 Q4 - 2009 Q2. Source: WA Dept. of Revenue.

Forecast Revisions

How much did forecasts for 2010 change from Sept. 2008 to Sept. 2009?

<u>Retail sales tax</u>	<u>Sep-08 Forecast</u>	<u>Sep-09 Forecast</u>	<u>Percent Change</u>
Seattle	161.1 mil.	136.4 mil.	-15.3%
Washington*	8.03 bil.	6.87 bil.	-14.4%
King Co. Metro	458.6 mil.	392.8 mil.	-14.3%
Bellevue	55.6 mil.	46.3 mil.	-16.7%
 <u>REET</u>			
Seattle	42.9 mil.	21.6 mil.	-49.7%
Washington*	668 mil.	441 mil.	-34.0%
King County	5.00 mil.	3.34 mil.	-33.2%

*State forecasts are for July – June fiscal year; all others for calendar 2010.

Mayor Nickels' overall approach to the 2010 Proposed Budget:

- Make public safety & direct human services General Fund's highest priority
- No general tax increases
- Assess potential effects of budget changes on historically disadvantaged communities and neighborhoods
- Keep utility rate increases to a minimum
- Review of span of control & eliminate management positions where possible
- Reduce the size of the vehicle fleet (approximately 193 vehicles cut); focus on energy-efficient vehicles
- Maintain conservative financial practices, including funding the Emergency Subfund at the maximum level allowed under state law (\$46.6 million for 2010)
- Freeze department-head salaries at 2008 levels for both 2009 and 2010
- Use Real Estate Excise Tax (REET) funds mostly for asset preservation ("major maintenance")
- Use federal stimulus funds mostly for new efforts that will create jobs, rather than replacing existing City funds

Fiscal Assessment

- Budget gap for the General Subfund in the current Biennium is roughly \$72.5 million, after counting the 2009 midyear budget reductions
 - Gap represents approximately 8% of the 2010 Endorsed Budget
- Proposed Furlough for 2010 saves approximately \$6.5 million in General Subfund costs, and \$11.6 million in costs for other funds
- City's "rainy day" fund (the Revenue Stabilization Account) has \$30.6 million; \$25.4 million is used to balance 2009-2010
- Using fund balances like the rainy day fund and one-time savings (about \$9.4 million) to balance the budget in 2010 creates a significant potential gap for 2011

Balancing the 2009-2010 GF Budget

	2009 Revised	2010 Proposed
Beginning Unreserved Fund Balance	25,300,000	1,096,311
2008 expenditures carried fwd	<u>(8,770,669)</u>	<u>-</u>
Total Unreserved Fund Balance	16,529,331	1,096,300
Revenues		
GSF Revenue Forecast	875,836,021	888,478,000
Fund balance transfers	6,385,979	-
Use of Rainy Day Fund	<u>8,874,000</u>	<u>16,480,000</u>
Total Revenues	891,096,000	904,958,000
Expenses		
GSF Appropriations	(873,323,480)	(873,314,347)
One-time reductions		(9,423,576)
Ongoing reductions		(16,239,673)
2010 furloughs		(6,498,805)
	<u>subtotal</u>	(905,476,401)
Expenditure Adjustments		
2009 1st Quarter Supplemental Ordinance	(1,246,000)	
2009 2nd Quarter Supplemental Ordinance	(2,100,000)	
2009 2nd Quarter Supplemental Ordinance – PRF	(39,190,313)	
2009 3rd Quarter Supplemental Ordinance	6,078,747	
2009 Other Ordinances	(14,315,000)	
2009 midyear reductions	9,204,000	
Expected Savings	8,363,026	
Total Expenses	(906,529,020)	(905,476,401)
Ending Fund Balance	1,096,311	577,899
Reserves against fund balance	<u>-</u>	<u>(464,000)</u>
Ending unreserved fund balance	1,096,311	113,910

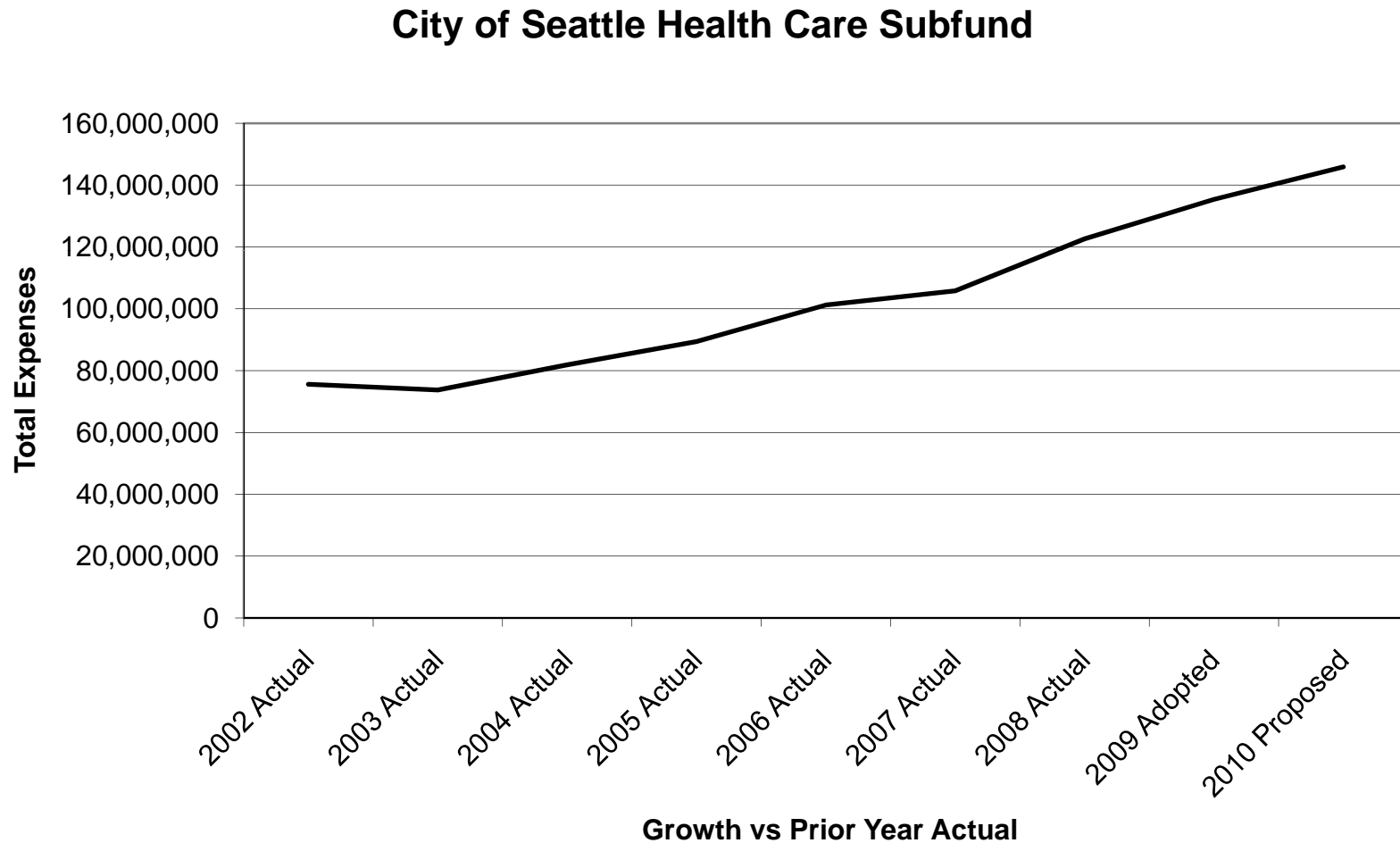
General Fund Budget Changes 2010 Endorsed – 2010 Proposed

Fire	+0.2%
Police	-1.9%
Law	-3.7%
General Fund Total	-4.4%
Municipal Court	-4.7%
Library	-5.2%
Parks	-5.7%
Legislative	-5.9%
Human Services Dept.	-5.9%
Dept. of Executive Admin.	-6.1%
Dept. of Finance	-6.1%
Executive Offices	-6.2%
Dept. of Planning & Development	-6.5%
Personnel	-7.9%
Seattle Center	-8.7%
Dept. of Neighborhoods & NMF	-9.5%
Seattle Dept. of Transportation	-10.5%
All Other	-11.6%

General Fund Budget Changes 1997 – 2010

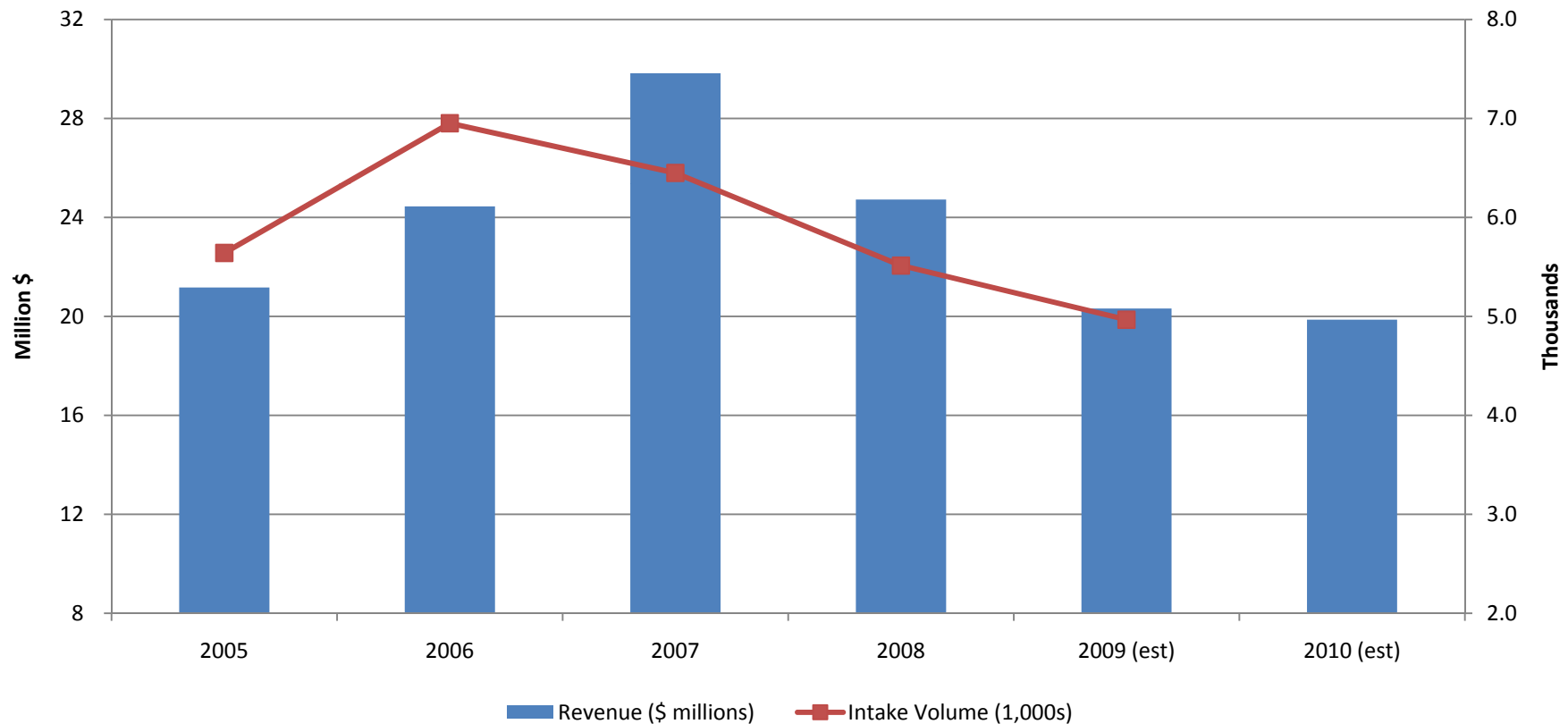
Seattle Dept. of Transportation	291.1%
Library	97.3%
Fire	95.4%
Police	94.2%
Parks	89.4%
Human Services Dept.	86.3%
 General Fund Total	 78.6%
 Municipal Court	 66.3%
Dept. of Planning & Development	61.4%
Law	55.9%
Internal Services	23.1%
Debt Service	12.0%

Healthcare costs continue rising despite prudent management

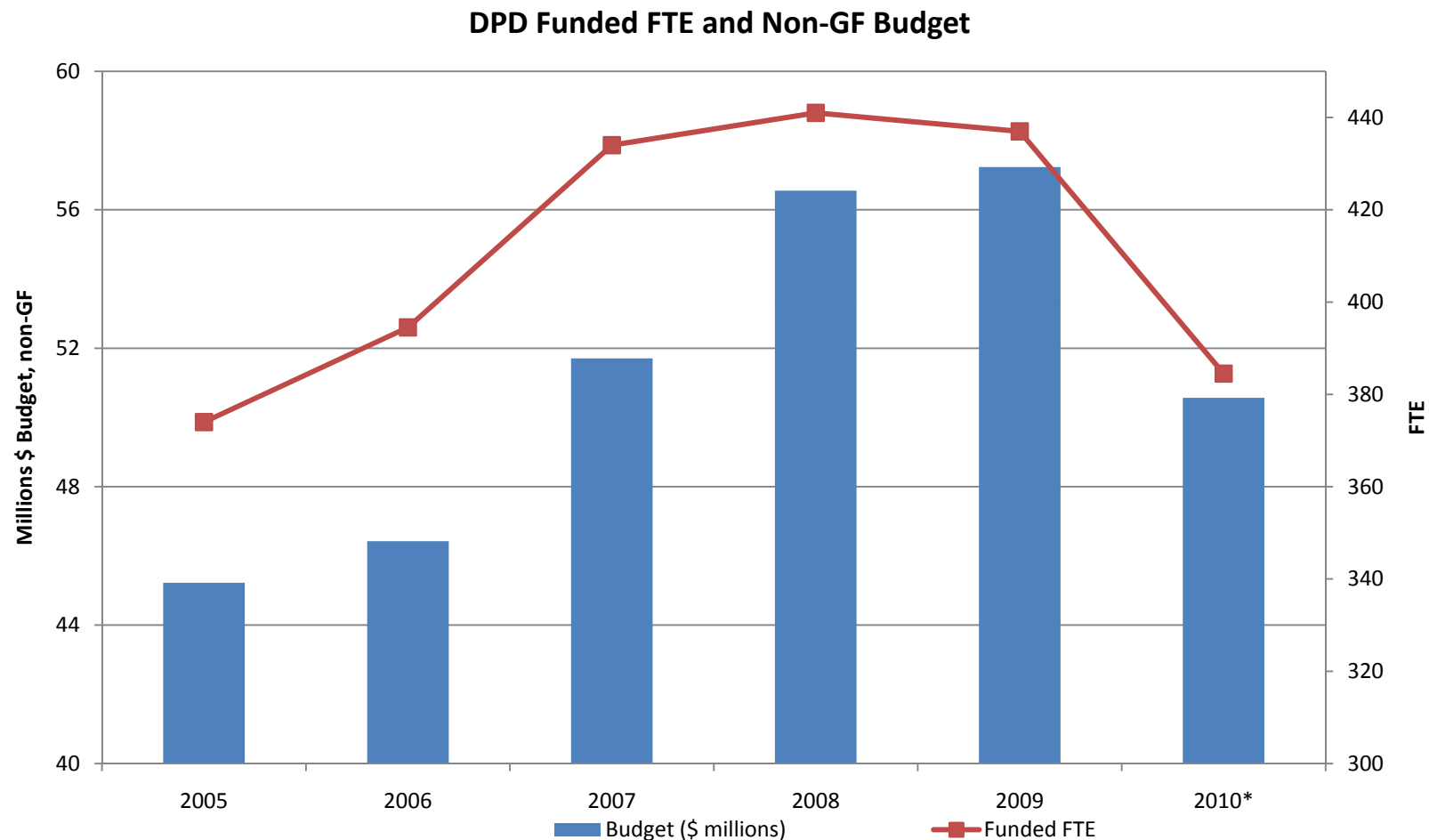


DPD permit activity has declined

DPD Building Development
Actual Permit Revenue & Intake Volume



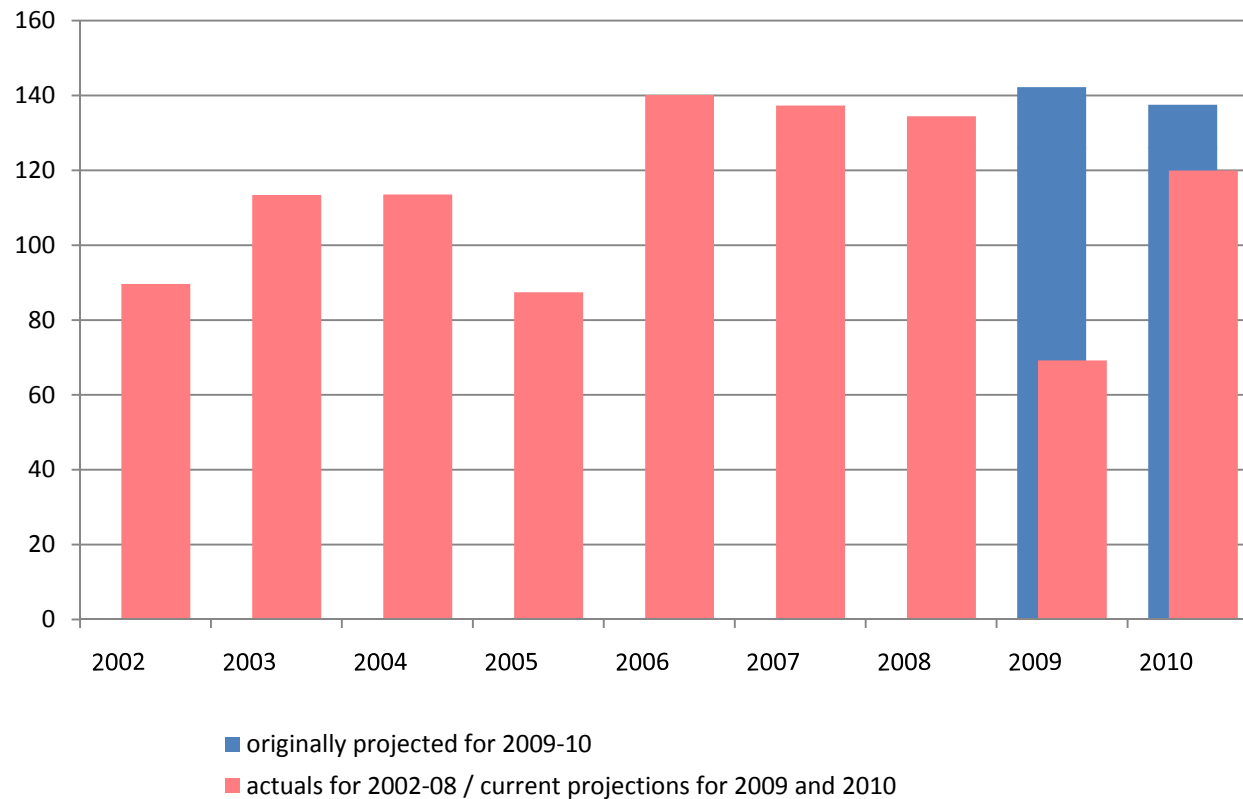
DPD budget cut as a result



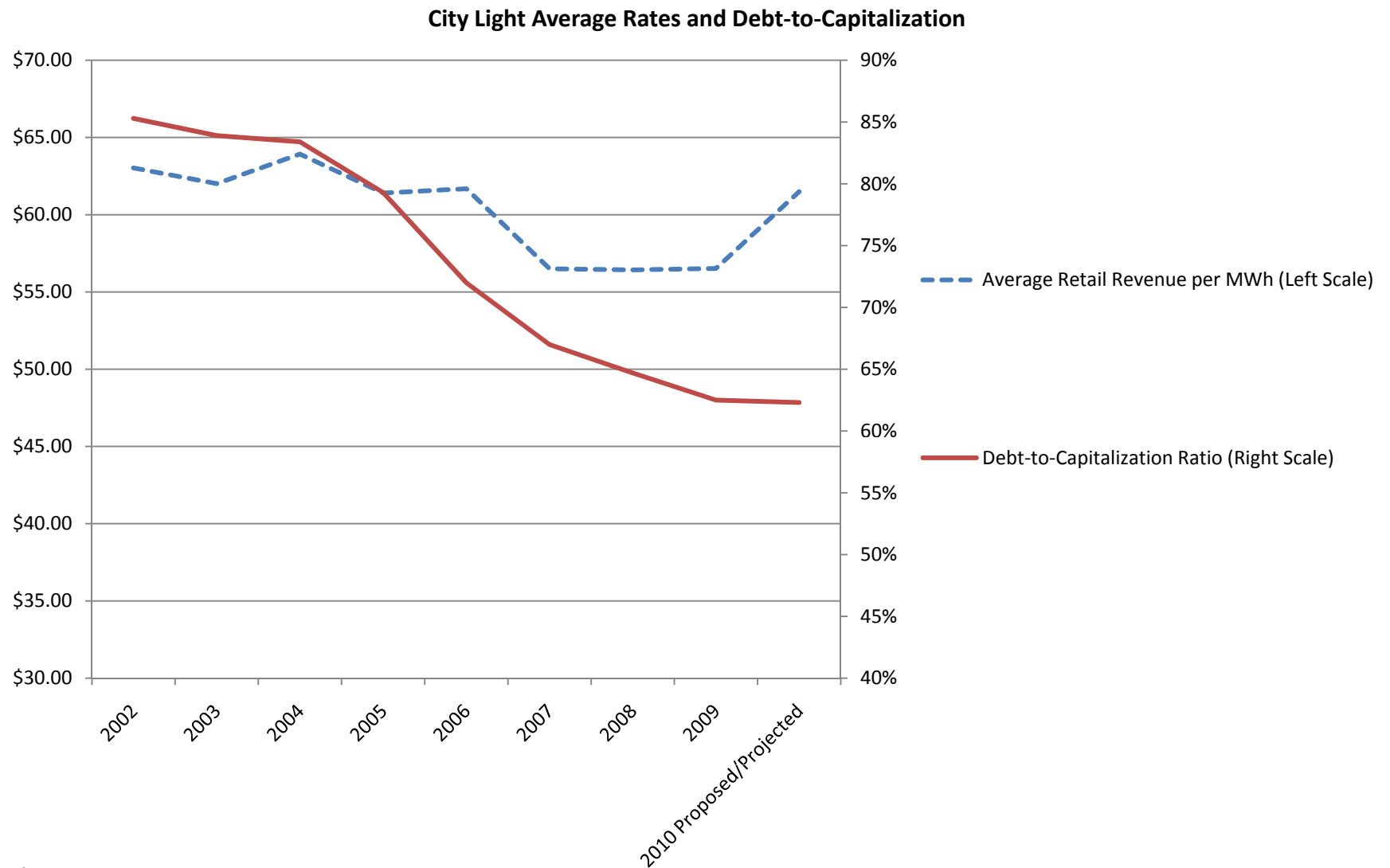
*NOTE: 22.5 FTE are proposed to be unfunded in 2010 and have been removed from the FTE display.

Recession byproduct: City Light's wholesale energy sales lower than forecast

Net Wholesale Energy Revenue (\$ millions)



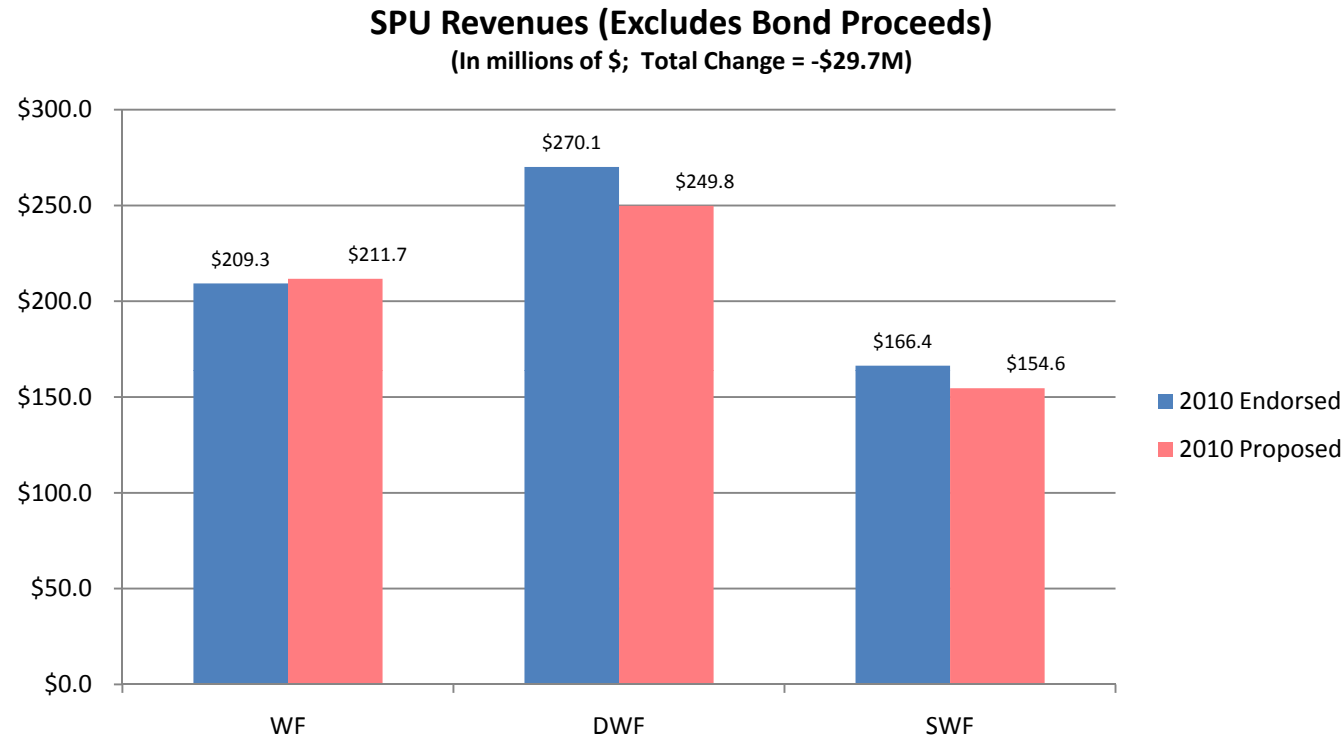
City Light has dramatically improved its financial situation since the West Coast power crisis in 2000 and 2001



City Light rate proposal

- Rate increase of 8.8% effective January 1, 2010
- Power Revenue Adjustment Mechanism (PRAM)
- Financial policy changes
- Significant operating and capital budget reductions

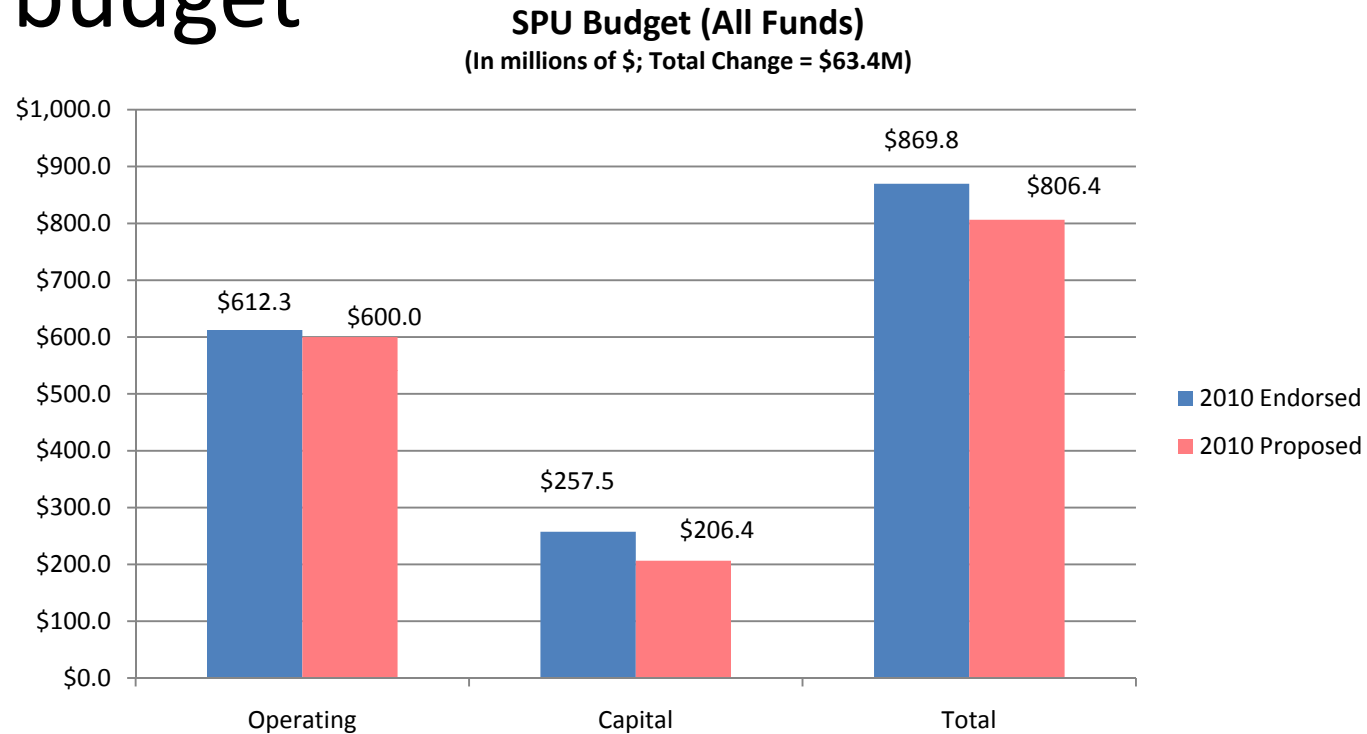
SPU facing financial challenges too



Primary revenue drivers:

- All Funds: continued economic downturn
- Water Fund: \$12.9M in additional revenue related to Lane v. City of Seattle
- Drainage & Wastewater Fund: no rate increase in 2010
- Solid Waste Fund: Loss of about \$3 million in expected Green Fee revenue

Recession required cuts throughout SPU's budget

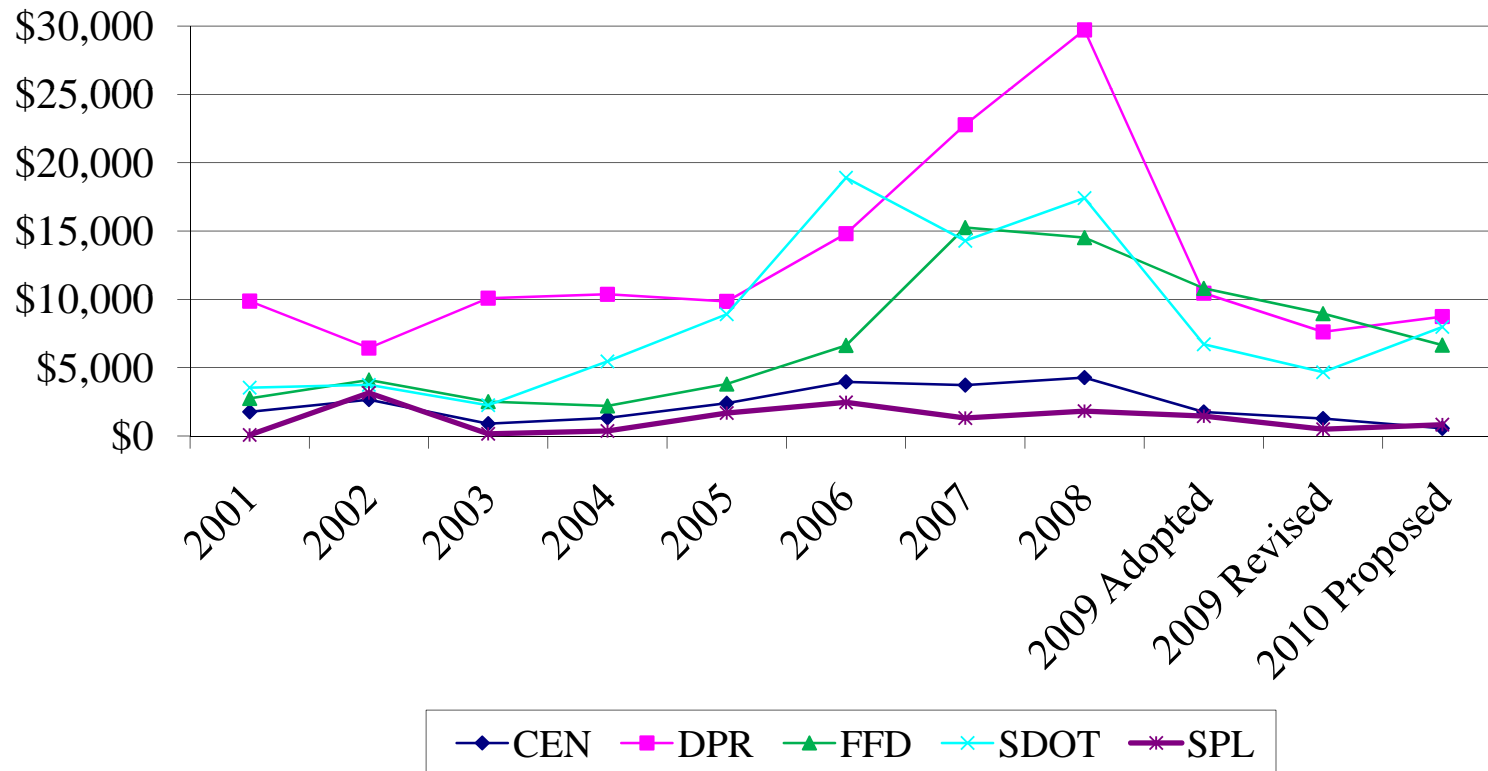


Budget Reduction Highlights:

- Eliminate 40 vacant positions
- Significant cuts to Solid Waste operating programs
- Significant cuts to Drainage & Wastewater capital projects
- Furlough savings

REET is focused on major maintenance of the City's capital facilities

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



Position abrogations in 2010 Proposed Budget

Department	Represented		Non-Represented		Total
	Filled	Vacant	Filled	Vacant	
City Light	18	23	19	8	68
Executive Administration (DEA)	1	3	2	1	7
Fire	0	8	1	0	9
Fleets & Facilities (FFD)	13	5	7	1	26
Human Services (HSD)	2	8	4	8	22
Information Technology (DoIT)	1	0	4	3	8
Law	0	1	0	4	5
Municipal Court	2	8	2	2	14
Neighborhoods (DON)	0	2	2	2	6
Parks & Recreation	9	13	2	3	27
Personnel	0	0	2	1	3
Planning & Development (DPD)	5	24	0	0	29
Police	7	2	4	2	15
Seattle Center	2	8	5	0	15
Seattle Public Utilities	0	30	0	10	40
Transportation (SDOT)	1	9	0	4	14
All Other	0	0	1	1	2
TOTAL	61	144	55	50	310

Includes positions cut in mid-2009 and additional ones eliminated for 2010 Proposed Budget.

- 116 estimated layoffs at this time
- Furloughs save an estimated \$6.5 million from the General Fund; about \$18 million across all funds