



City of Seattle

Budget 101

Jeanette Blankenship, City Budget Office

August 3, 2017

Agenda – SMA Back to Basics: Budget 101

- Intro (5 mins)
- How the City's budget process works (10 mins)
- City budget sources (20 mins)
- City budget uses (10 mins)
- Questions (10 mins)

How the City's Budget Process Works

*Result: You will know how the City's budget is created
and ways to influence the budget.*

City Budget Office – Citywide fiscal oversight

- Manage the annual budget process
 - Assess the impact of wage increases, inflationary pressures and one-time funding on current services budget.
 - Provide guidance to departments for budget submittals
 - Evaluate departmental proposals and review with Mayor for alignment with policy and with financial constraints
 - Support Council and Council Staff during public deliberations.
- Manage the quarterly supplemental budget process
 - Evaluate emerging issues
 - Respond to changes in revenue
- Manage revenue forecast

City budget process – high level overview

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

Baseline Budget Process

Current Services

- Revenue Forecast
- Wage increases
- Inflation
- One-time items

Executive Budget Process

Proposed Budget

- CBO Guidance
- Dept Proposals
- Mayor's Priorities
- Revenue Forecast
- Balancing

Council Budget Process

Adopted Budget

- Council Review
- Issue Identification
- Public Participation
- Revenue Update
- Budget Legislation

Process for submitting and approving budget changes

- **Executive Budget Process**

- Department Finance Managers submit memos in April with ideas for budget proposals, receive feedback by early May.
- Department budget proposals (Budget Issue Paper/BIP) are finalized in May, submitted to budget office in early June.
- Decisions finalized by Mayor by end of August.

- **Council Budget Process**

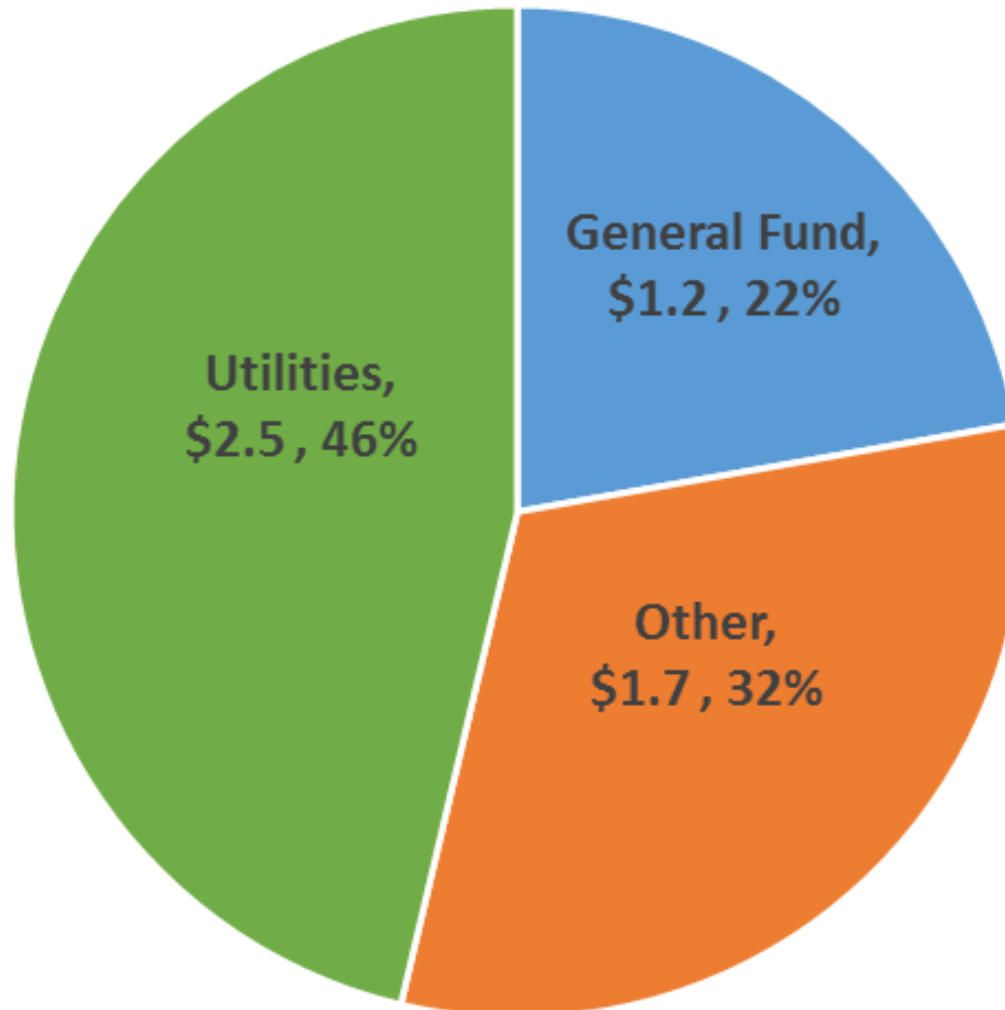
- Council receives proposed budget from the executive typically on the last Monday in September.
- Council holds budget hearings in October and November to consider the Proposed Budget and make changes via “green sheets”, the Council BIP-equivalent.
- Budget is typically adopted Monday before Thanksgiving.

City Budget Sources

Result: You will know the sources of revenue that fund the City's budget.

Sources of revenue

2017 Adopted Revenues - \$5.4 billion
(in billions of dollars)



Sources – example revenue sources

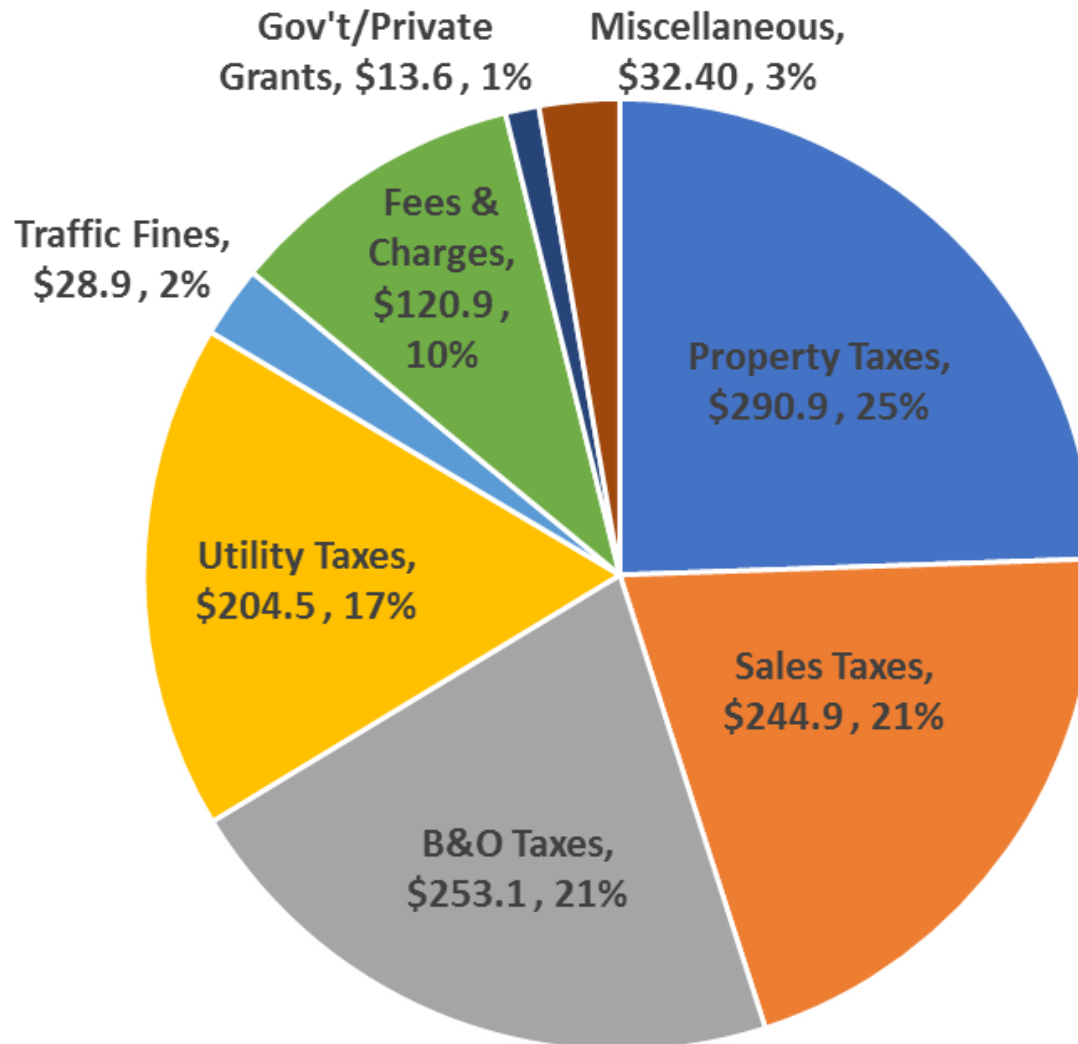
- General Fund
 - Property Tax
 - Sales Tax
 - Business Tax
 - Utility Tax
 - Other
- Other
 - Levies – Housing, Transportation, Education, Library, etc.
 - Fees – Building Permits, Parks, etc.
 - Grants
 - Misc – Vehicle License Fee, Commercial Parking Tax, Gas Tax
- Utility Charges

Funding sources – restrictions on use

- Levies are for passed by voters for specific purposes
 - Seawall levy, for example, can only be used for costs associated with replacement of that infrastructure.
- Fees are limited to cost recovery for services provided
- Utility revenue can only be used for utility purposes
- Transportation revenues have many restrictions
 - Commercial Parking Tax cannot be used to purchase transit service.
 - \$60 Vehicle License Fee can only be used to purchase/improve transit service
- Competition is intense for General Fund resources.

General Fund Revenue Sources

2017 Adopted General Fund Revenues - \$1.2 billion
(in millions of dollars)

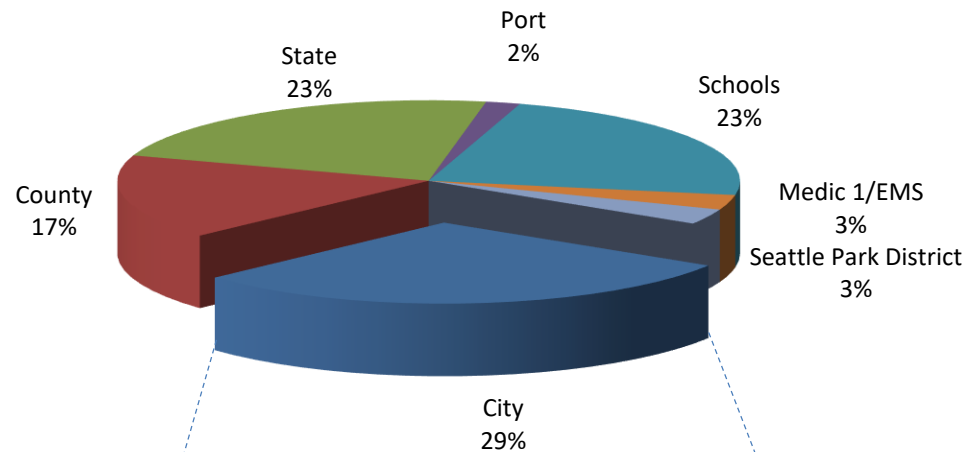


General Fund issues

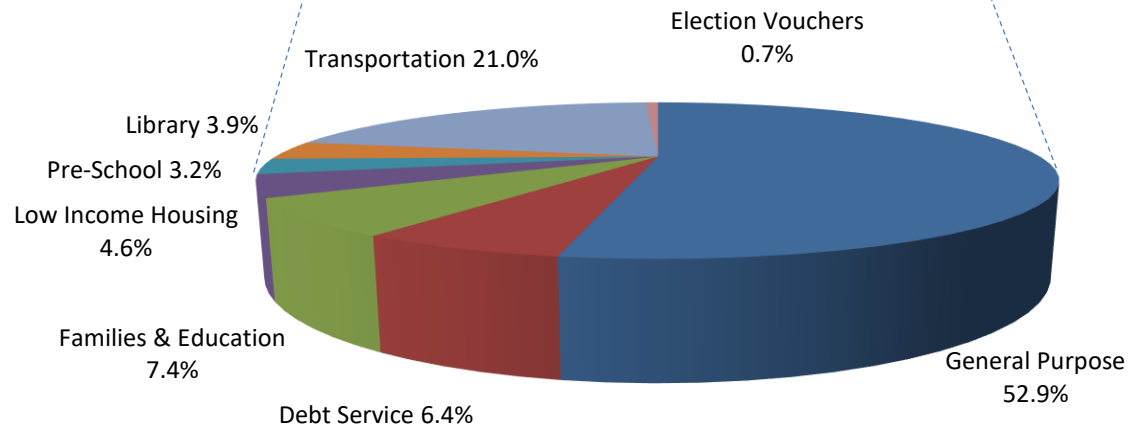
- Sales Tax Volatility
 - Sales Tax between 20% and 28% of overall General Fund revenue
 - In 2017, construction will generate approximately 25% of sales tax or 5% of overall General Fund revenue
 - In 2017, new construction will generate approximately 10% of the business and occupation tax, or 2% of overall General Fund revenue
 - Construction is cyclical; there will be a dropoff
- Inflation has averaged 2% over the past 10 years
 - The City competes in the same market for goods, services and labor as other private sector companies
- Property tax limitation
 - Initiative I-747 limits annual property tax collection increase to 1% per year (excluding impact of new construction)
 - Property tax provides 25% of overall General Fund revenue

Property Tax Levy for 2016

Components of Total Property Tax Levy for 2016
(tax rate = \$9.19 per \$1,000 assessed value)



Components of City's Property Tax Levy for 2016
(tax rate = \$2.77 per \$1,000 assessed value)



Property Tax Levy for 2016

	2012	2013	2014	2015	2016	2017	2018	2019	2020
City Lid Lifts/Special									
-Metropolitan Parks District				\$48M*					
-Public Finance Election Vouchers					\$30M				
-Move Seattle					\$930M				
-Housing Levy						\$290M			
-Family & Education	\$232M							\$232M	
-Pre-K								\$58M	
-Library		\$123M							\$123M
County Lid Lifts/Special									
-Vets & Human Services	\$18M*						\$51M*		
-Best Starts for Kids				\$65M*					
-Automated Fingerprinting ID System		\$20M						\$20M	
-Parks Operating Levy			\$396M						\$396M
-Medic 1/EMS			\$695M						\$695M
Other/School Lid Lifts/Special									
-Sound Transit 3						\$98M*			
-Education Programs and Operations Levy			\$552M			\$758M			\$758M
-Capital Levy			\$695M						\$695M
-Buildings, Technology, Athletic Fields						\$475M			
-McCleary?							\$???		

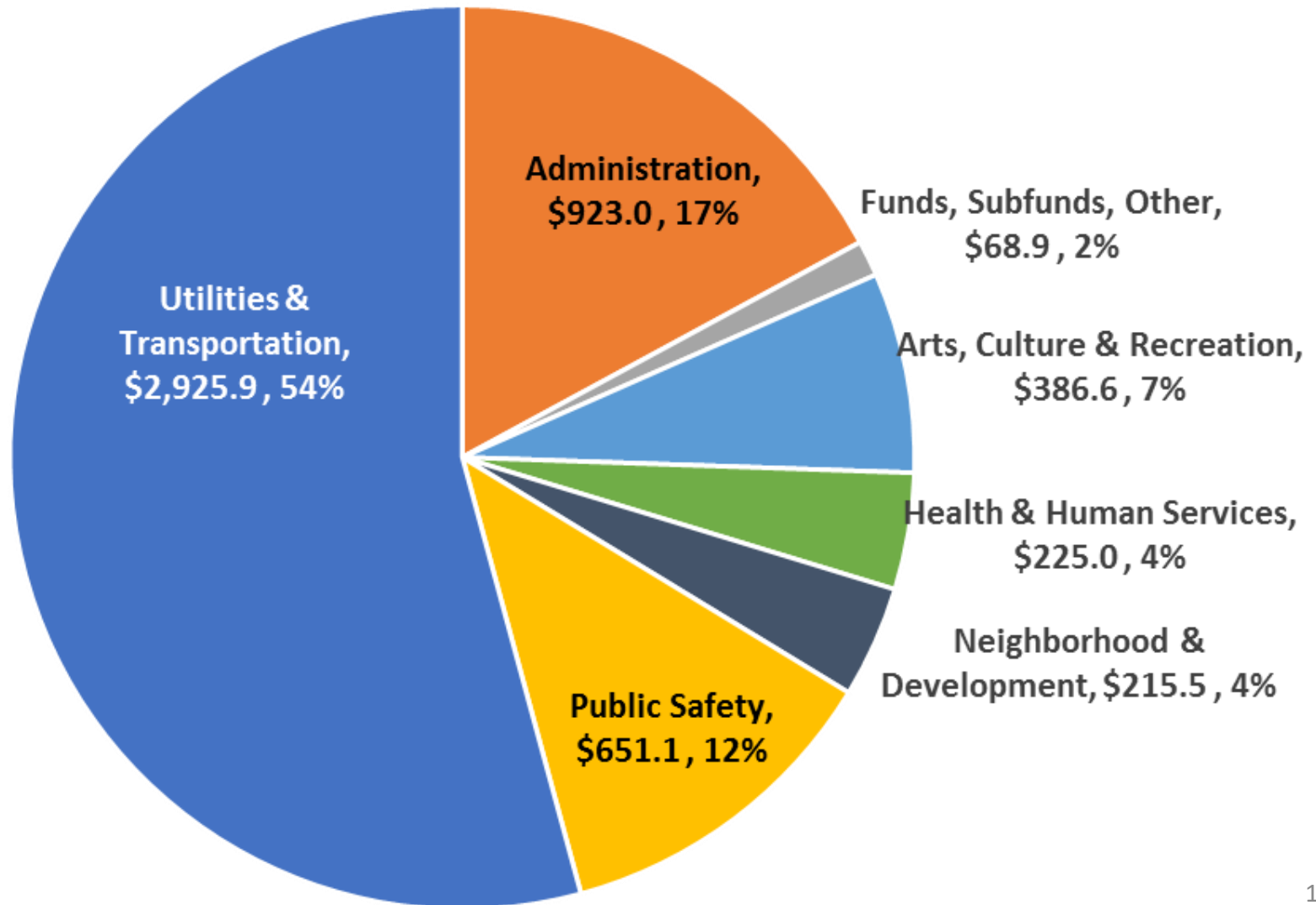
*One-year amount. All other amounts are estimated life-time collection from current levies and do not include anticipated increases.

City Budget Uses

Result: You will know how the City uses its resources.

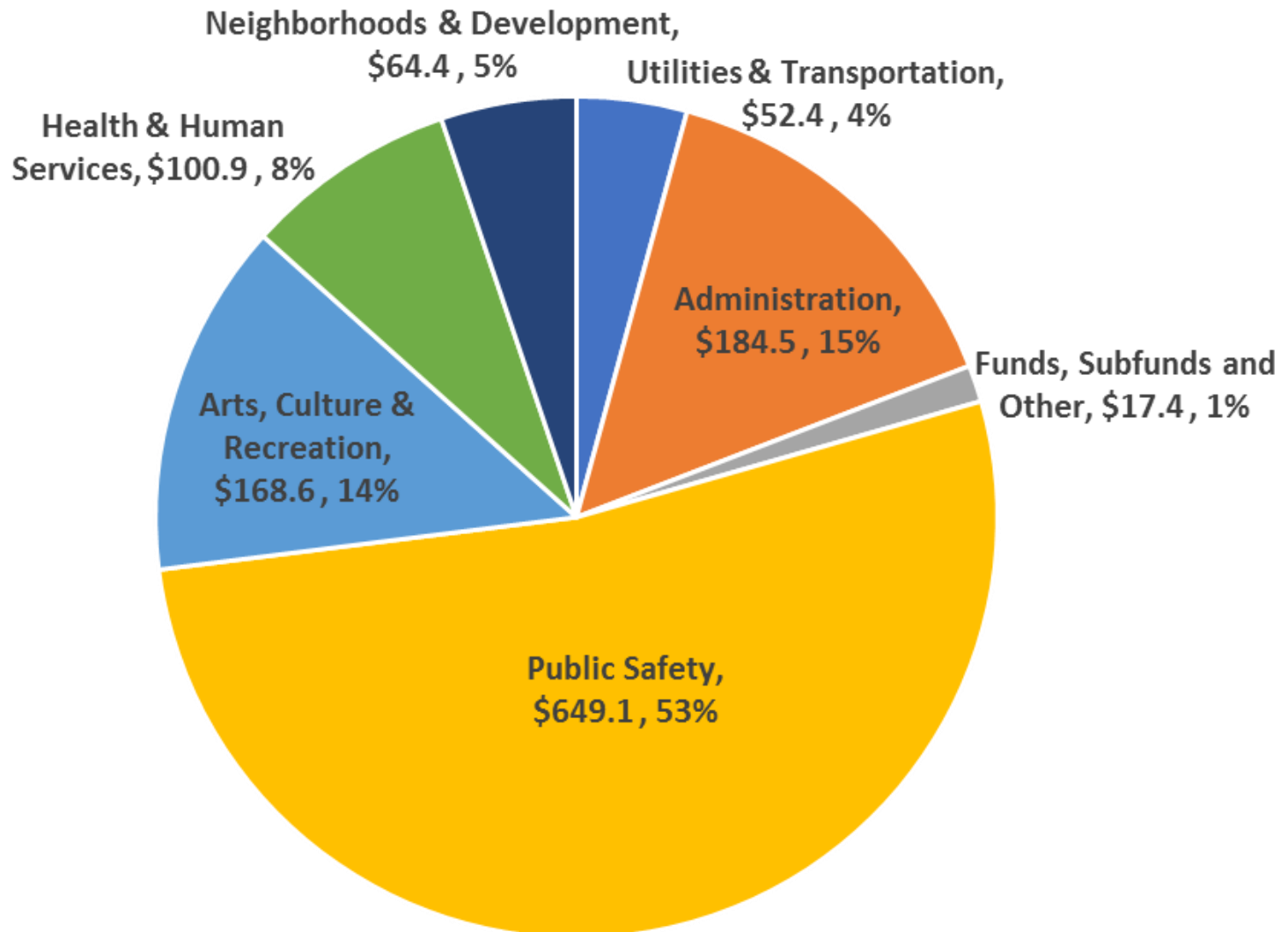
Uses of City Resources

2017 Adopted Appropriations – All Funds, \$5.4 Billion
(in millions of dollars)



General Fund

2017 Adopted General Fund Appropriations – All Funds, \$1.2 Billion (in millions of dollars)



Key Take-Aways

- If budget changes are needed, department discussions begin in Q1 of the prior year.
- City General Fund resources are balanced among property, sales, B&O, utility and other taxes, but growth heavily-dependent on new construction
- More than half of the City's General Fund budget is allocated to public safety, a core City service.

Additional Info

- Read the budget:
 - <http://www.seattle.gov/financedepartment/17adoptedbudget/default.htm>
- Contact info:
 - Jeanette.Blankenship@seattle.gov
 - 206-615-0087