



THE CHAMBER

seattle metropolitan chamber of commerce

City of Seattle Revenue Stabilization Work Group

August 2023



City of Seattle Revenue Growth

Since 2013

- City of Seattle general fund and other operating fund tax revenues have grown 4x faster than the economy and the population.
- Annual general fund and restricted general fund tax revenues have nearly doubled.
- Voter-approved levies total \$390M annually.

2021 and 2022

- Record growth in tax collections in Seattle.
- Annual general fund and restricted general fund revenues up nearly \$500M above pre-pandemic levels.

Year-Over-Year Revenue Forecast Comparison

Growing

- Fund balance transfers
- Grants
- Retail sales tax
- Business & Occupation tax
- Utility tax public
- Utility tax private
- Licenses, permits, interest income and other
- Admission tax
- TBD sales and use tax
- TBD VLF
- Commercial parking tax
- Parking infraction penalties

Flat

- Revenues from other companies
- Sweetened beverage tax
- Short term rental tax

Declining**

- | | |
|--------------------------------------|--------------------|
| • Property tax | • REET |
| • Payroll tax | • Other city taxes |
| • Service charges and reimbursements | • Parking meters |
| | • Court fines |
- **These declining funds are not primarily general fund revenues

Nov 2022/Nov 2023/Nov 2024

Revenue Breakdown

All Revenue \$7.4 Billion

\$5.45 Billion Legally
Limited by

Utilities

Charter

State Law

Voter
Approved
Levies

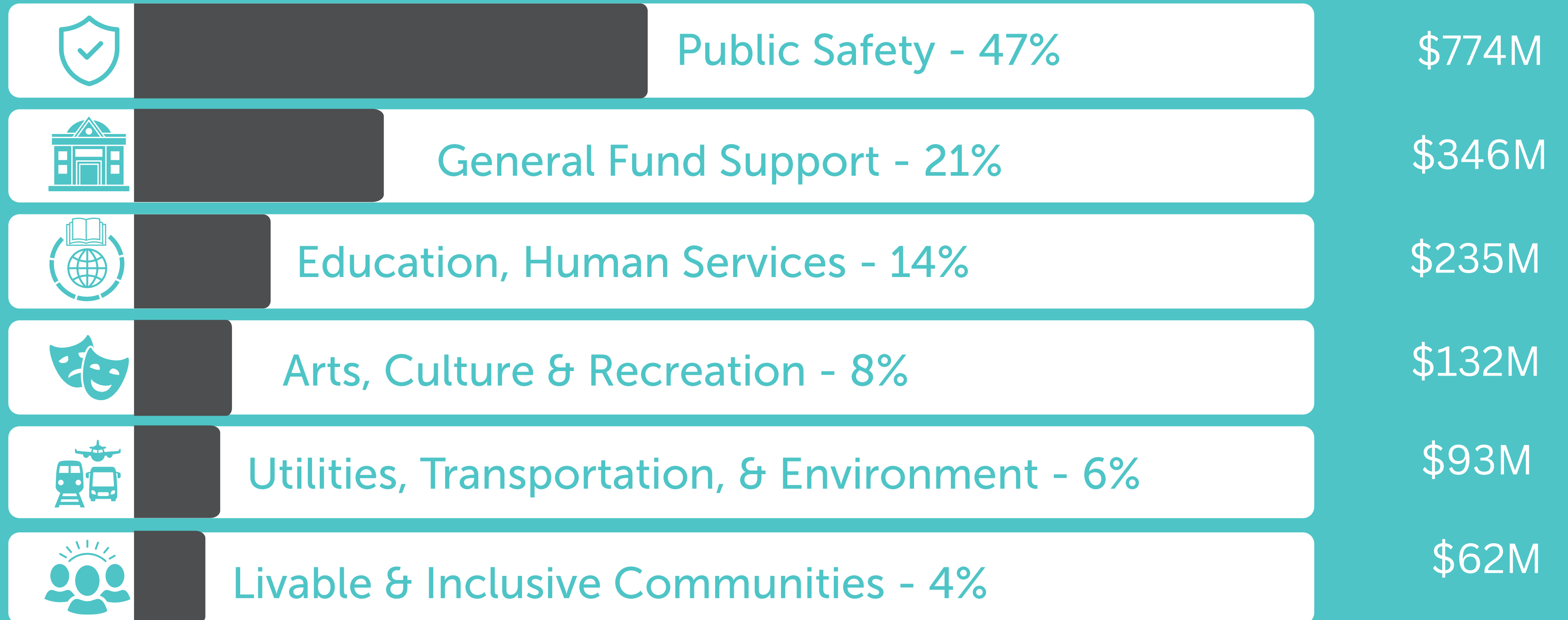
\$1.95 Billion

General Fund +
Restricted General Fund

Council
restricted GF to
specific services
\$350M

GF revenues
available for all
other services
\$1.6B

GF Budget Breakdown - \$1.6B





\$300M in GF Restricted Revenue*

Transportation Network Company Tax

- Established 2020
- \$5M
- Restricted to transit investments

Sweetened Beverage Tax

- Established 2018
- \$21M
- Restricted to programs that increase access to healthy food and support child health, development, and readiness for school

Short-Term Rental Tax

- Established 2019
- \$10M
- Restricted to equitable development and affordable housing

Payroll Expense Tax

- Established 2021
- \$263M
- Restricted to affordable housing, Green New Deal, and economic development

Restricted revenue cannot be used for general fund expenditures, like public safety and homelessness

*Does not reflect all restricted funds

Priorities

City Charter Priorities

- Police
- Fire
- Parks
- Libraries
- City Planning

Voter Priorities

(via The Index)

#1 Homelessness

#2 Crime, Drugs & Public safety

#3 Cost of living & increasing housing supply

Restricted Fund Budget



Public Safety - <1%



General Fund Support - 32% (\$112M)



Education & Human Services - 6% (\$29M)



Arts, Culture & Recreation - < 1% (\$2M)



Utilities, Transportation, & Environment - 6% (\$21M)



Livable & Inclusive Communities - 53% (\$186M)



Trust in Addressing Priorities

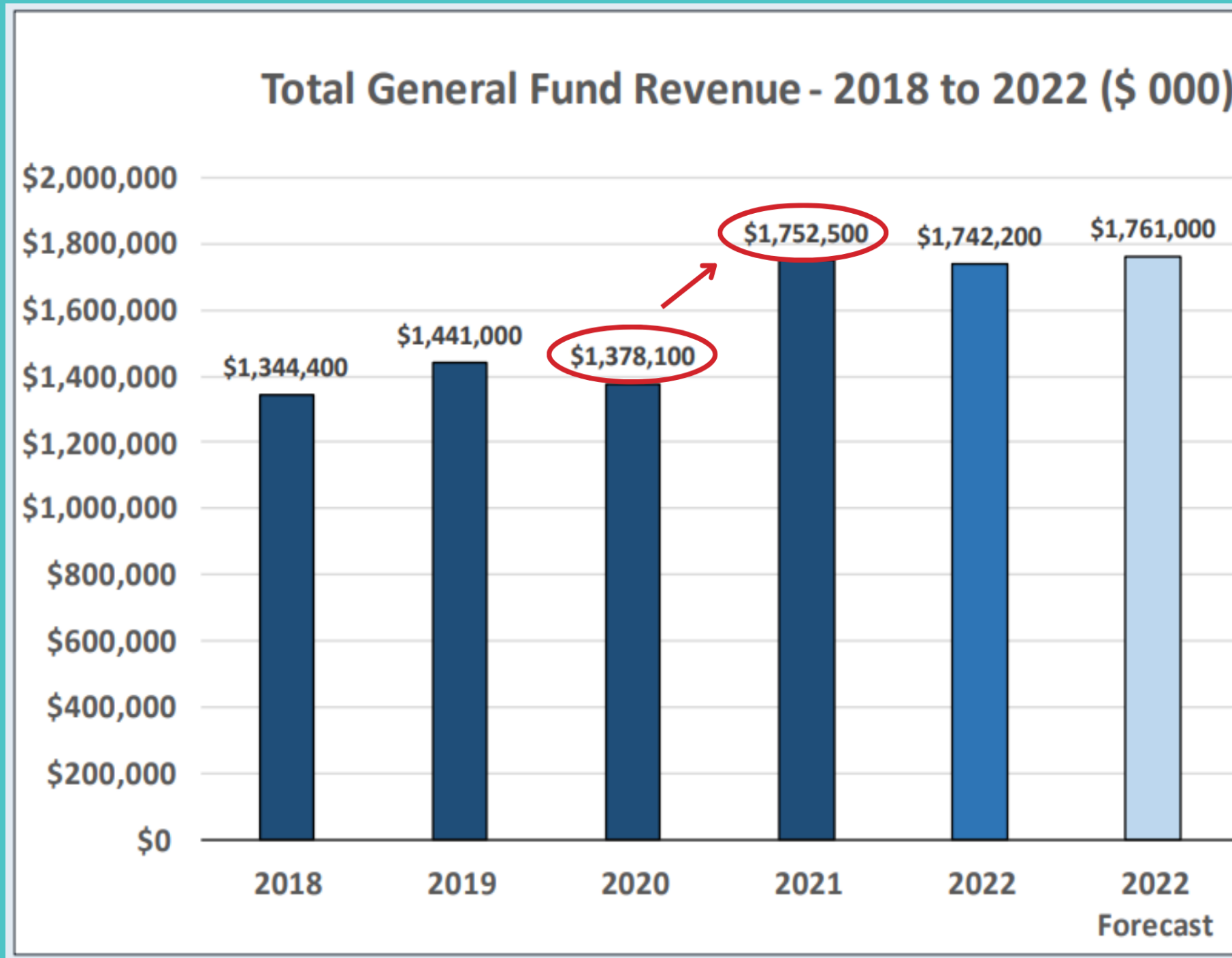
The Index tells us that trust in government is still an issue.

57% of Seattle voters think taxes are too high for what they are getting

73% of voters do not trust the city of Seattle to spend their tax dollars responsibly

83% of voters do not trust that the city has an effective plan to address homelessness, affordability, and public safety

Revenue vs. Spending



2020: \$1.38B to 2021: \$1.75B

Real Transparency in the Budget

General Fund Balanced –
2023 Adopted & 2024 Endorsed

\$221 Million Gap – 2025 Projected
\$428 Million Gap – 2026 Projected

Of the projected general fund increases, 85% is due to anticipated labor agreements.

February Questions: What is GF expenditure growth and what is driving that growth, 2022 - 2026

- According to the 2023 Adopted Budget document (Page 717), between the 2022 Adopted and 2026 Projected budgets, the General Fund grows by approximately 33%. The change between 2024 and 2026 is 19%.
- GF Expenses are projected to increase by a total of \$544M by 2026 (as compared to 2022 Adopted).
 - Of that amount, 85% is due to anticipated labor agreements.
 - 4% is related to Human Service Provider contract inflation.
 - Remainder of growth includes things such as the SPD recruitment and retention plan, replenishing the Emergency Reserve Fund, and internal service costs for areas such as employee healthcare, facilities and fleet maintenance, and information technology.

Real Transparency in the Budget

Generate economic activity, especially downtown

Reduce or eliminate services that don't meet outcomes, are duplicative, not aligned with priorities, or have grown faster than demand

Evaluate all expenditures against all revenues – and priorities, every year

.....then the public can judge the need for new revenue

There is another potential cliff:

In addition to the fiscal cliffs created by **unsustainable spending** starting in 2020, and **an anticipated increase in spending** in 2025/26, an early analysis from Challenge Seattle shows that – **absent intervention** – “office tax revenues” could decline in the hundreds of million starting in 2025.