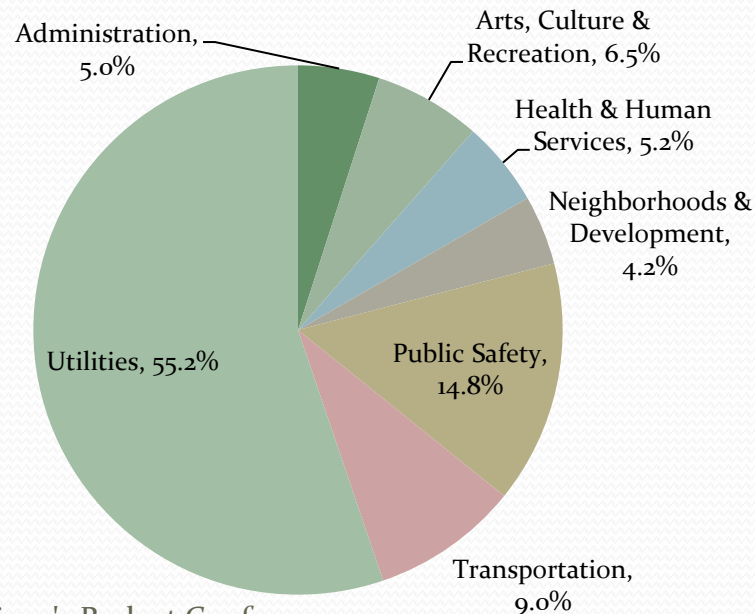


Your City Budget: Overview of the City of Seattle Budget & Budget Process

Presentation to the Citizen's Budget Conference
Beth Goldberg, Acting Budget Director, City of Seattle
January 31, 2010

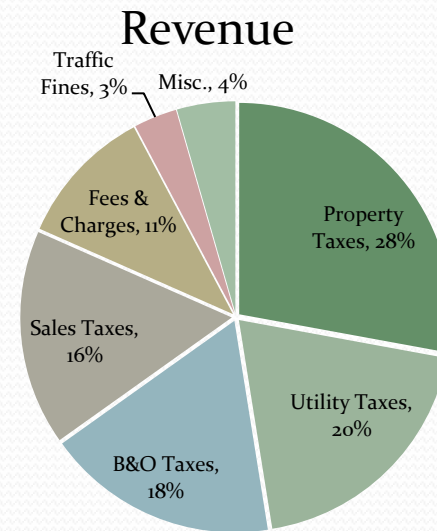
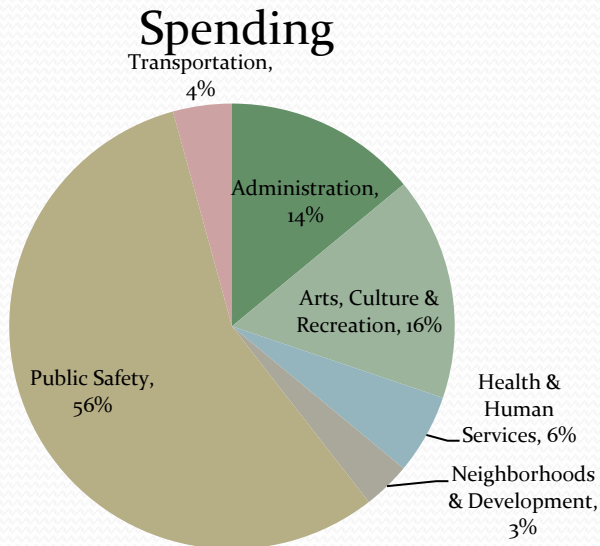
Overview of the 2010 Budget

- The City's 2010 Adopted Budget Totals \$3.8 Billion
 - A majority of City spending is for utilities, public safety, and transportation
 - General Fund represents twenty-four percent



General Fund Overview

- The General Fund totals \$905.6 million
 - A majority of General Fund dollars are allocated to public safety
 - General Fund revenues are derived from property, utility, B&O, and sales taxes



Balancing the 2010 Budget

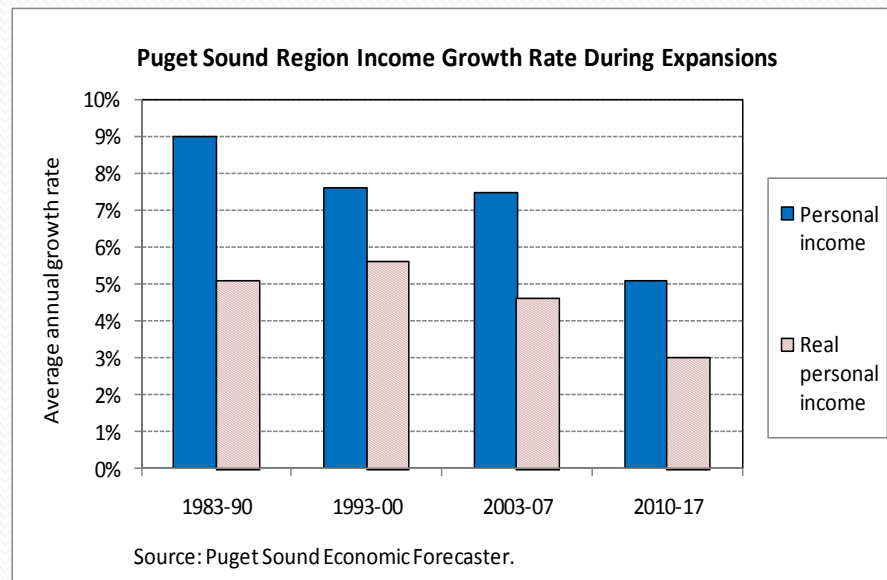
- Since 2009, the budget has suffered from the impacts of the weak economy, depressing many key revenues
- The 2010 budget closed a \$40+ million General Fund deficit
 - Drew down the Rainy Day Reserve by \$11 million, leaving only \$10 million remaining
 - Other one-time tools totaling \$16 million were used
 - Bond proceeds used to pay on-going debt service
 - Drew down fund balances and offered rate holidays
 - Deferred purchases for equipment and supplies
 - Furloughs
- As we look to balancing the 2011-2012 budget, these one-time tools are no longer available

Weak Economy Straining the Budget

- Lingering weakness in the economy putting continued pressure on the General Fund budget
 - Through November 2009, sales tax revenues are down \$17.5 million (12.5%) as compared to 2008
 - B&O and sales taxes expected to decline by \$36 million for 2009
 - Real estate excise tax (REET) revenue down 70% since 2007
 - 2009 year-end revenues coming in weaker than forecast
 - Concerns about the health of the same revenues in 2010

Preliminary 2011 Deficit Forecast

- Assuming a modest recovery beginning 2nd quarter of 2010
- Recovery in 2011 and beyond expected to be much more moderate than past recoveries
 - Modest income growth rates as compared to past recoveries,
 - Will keep City revenue growth in check

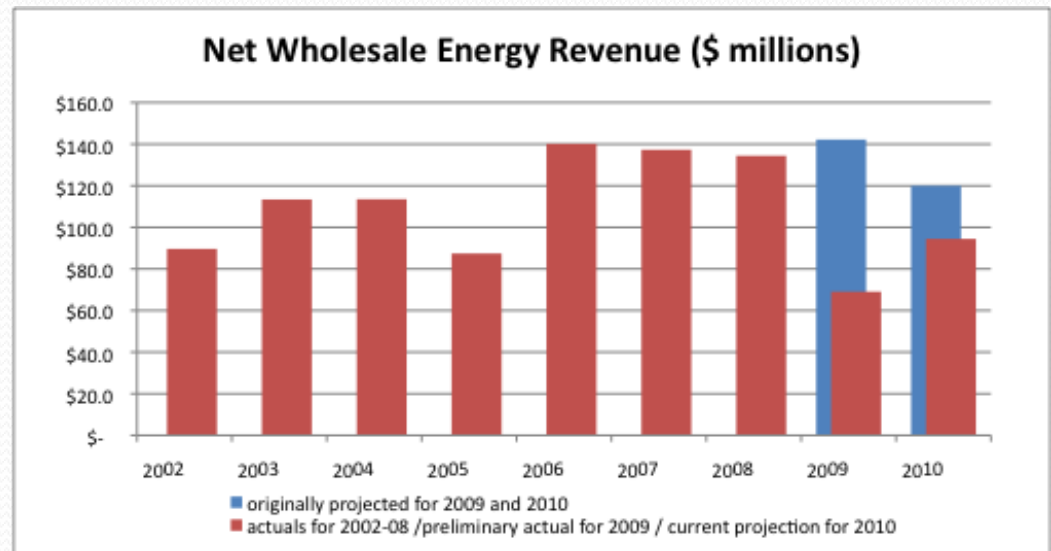


Preliminary 2011 Deficit Forecast

- City's General Fund deficit in 2011 will likely exceed \$50 million
 - This represents over 5% of General Fund spending
- Because one-time tools are no longer available, difficult decisions lie ahead
- If solve the 2011 problems with on-going solutions, 2012 budget likely to be a status quo budget

General Fund Not the Only Fund in Trouble

- Seattle City Light faced a \$70 million shortfall in wholesale power revenues due to falling energy prices in 2009
 - Low water volumes as a result of the El Nino effect have lowered wholesale power revenue forecast by over \$25 million for 2010



General Fund Not the Only Fund in Trouble

- Department of Planning and Development struggles as a result of declines in construction activity
 - Since 2007, responded to a \$16 million decline in permit revenues
- Seattle Public Utilities – Demand for water and solid waste services are down as a result of the economy
 - Many businesses have closed accounts, resulting in less revenue than anticipated

Overview of the 2011-12 Budget Process

- Expected to be a very challenging, with difficult decisions on the horizon
 - Working with the Mayor's Office to develop functional priorities; looking to control spending in 2010
 - Later in the spring departments submit budget issue papers
 - Formal budget requests from departments are due to the City Budget Office in July
 - Proposed budget due to the Council at the end of September
 - Council typically adopts the budget before Thanksgiving

Next Steps

- This is only the beginning of an on-going dialog about the budget
- Difficult decisions lie ahead
 - Not a year for program expansion – more a question of what programs to prioritize and preserve
- Deficit projection will be updated later this spring and again in the summer – dependent on a number of variables including the health of the economy
- Mayor will reach out to the community as the process unfolds
- For immediate input, please go to:
http://www.pan.ci.seattle.wa.us/mayor/citizen_response.htm

Questions?