No notes on the bulk of Tom's presentation on the General Fund Balancing Analysis, but you can see the slide deck, which summarizes his points well. The key takeaways are on slide 12, and I will summarize them here:

- Out of balance by $13.1m due to an unsolved deficit in 2020 (this is the interfund loan the Mayor decided not to take to finance investments in community-based public safety efforts)
- Assumes cutting the $30m Strategic Investment Fund in the Q3 Supplemental (there is more dialogue about this in the following notes)
- Relies on the Payroll Expense Tax, $27m in spending reductions, and reducing the fiscal reserves (the Rainy Day Fund and Emergency Fund) from $78.9m to $6.1 by the end of 2021

Now questions about the balancing analysis:

CM Mosqueda asks to go back to a slide that shows the mayor's proposed 2021 budget would leave $6m remaining in the emergency and rainy day funds, from where it started at $79m at the beginning of 2021.

CM Strauss asks how this rapid reduction in our reserves compares to the rate the city spent down the reserves during the 2008 recession. And how does this spending rate the recovery rate as compared to 2008?

Tom: He doesn't have the details. Anecdotally the draw wasn't as quick and it was a bit more delayed. He'll follow up with a more detailed depiction of that trend.

CM Mosqueda: The mayor's proposed budget had no identified source for the $100m for BIPOC communities besides using the JumpStart tax and drawing down the reserves. The identified uses of the JumpStart tax have been put to the side and the revenues have been lumped together, pulled from, and then the reserves drawn down to make up the money, is that correct?

Tom: When the money goes into the General Fund, it becomes somewhat fungible, meaning it could be used for any purpose. But there was a positive balance after maintaining current levels of service (in the presentation slides). On the last page of the memo, regarding the sustainability concept, although there is the resolution of only doing a one year budget, however, there is a financial plan presented by the city budget office. It's important to understand that financial plan and how that interweaves with decisions made in this budget. The Mayor's equitable communities initiative ($100m): there is an amount for this investment included in future years, although it is not entirely clear. The budget book indicates that is an ongoing investment, but there's also been communication that there might be an alternative revenue stream identified to fund it in the future. The new JumpStart tax is assumed to be feeding into the general fund going forward.

CM Mosqueda: To summarize on this point: the Council put firm parameters and direction around the JumpStart payroll tax so there wouldn't be criticism that there wasn't a spend plan and there would be priorities outlined by Council so dollars could be invested in supporting those affected by Covid, give protection from layoffs and cuts in 2021, and then investments in housing, Green New Deal, etc. in 2022, all of which have a disproportionate impact on low-income workers and Black and Brown communities. There was clear direction on how they meant those dollars to be spent. Number 2, when we look at the slide here, is it accurate that there isn't a proposal to pay back the reserves in the Mayor's proposed budget?

Tom: There is not a discrete repayment in 2021; however, there is in the analysis a $21m commitment for Covid. That is using the payroll expense tax surplus to show there is some element of Covid relief that is being funded. That being said, there is no additional payback of monies used in this year.

CM Mosqueda: That money is part of the compromise with the Mayor's office about COVID relief. But there's not a strategy built in to put those dollars back in in this proposal?

Tom: In the financial plan in the budget book, there are amounts going back to these funds in future years. By way of the payroll tax being part of that analysis, that institutes some kind of payback. There is an element of payback not next year, but in future years.

Dan: The financial plan assumes the city will begin to repay these funds beginning in 2022 and by the end of 2024 those two funds will be nearly back up to starting 2021 levels at around $74m. As to specific funding, that is not specified and we wouldn't expect it to be in a future year financial plan.

Aly adds it gets complicated because the JumpStart spending plan assumed the Covid relief in 2021 was using $86m from the emergency fund in 2020 that would be paid back in 2021. After paying back, the rest of it would be used as follows: 75% continuing services 20% Covid relief 5% expenses related to collecting the tax etc. They reduced the funds less though for Covid relief because of the compromise with the Mayor's office. To be most accurate and be in line with the proposed spending tax, what we would have expected to see in this budget would be leaving $40m in the emergency funds, $130m for continuity of services, $30m for covid relief, and $8.5m for administration. At least some money could have gone back to the emergency funds had there been different spending choices made. The expectation of 2021 was some replenishment of those emergency funds.

CM Morales: She has questions about the strategic investment fund. The funds were intended to be used for the equitable development initiative, affordable housing, etc. Was there supposed to be an interdepartmental team determining how those funds were spent?

Tom: Yes. They started, but after Covid hit, the process stalled.

Cm Morales: So a process was started, they were funded to make those investments, and that's now removed from this budget proposal?

Ali: There were some internal meetings and there were a few meetings with stakeholders to begin developing criteria for use of those funds and how decisions would be made. But it stalled out likely due to Covid and other emergencies. So they used the $30m for that fund to use for balancing 2020.

Cm Mosqueda: But not everything has stalled out, right? Planning meetings can continue to go forward. There are other ways in which public input and community feedback could be received. What would the impact of a $30m cut in this area mean?

CM Morales: I think it bears repeating of the irony of cutting funds for a program committed to equitable investment and transformative equitable development in our city specifically highlighting areas at highest risk of displacement. She thinks it's ironic that program is cut to fund a new program with a new process and new investments around equitable development. (She's talking about the $100m commitment to BIPOC communities for next year.)

CM Sawant: We should not accept that Covid is to blame for the $30m cut. While that bucket of money was called the strategic investment fund, it was intentionally designed to mean absolutely nothing and then easy to hide the cuts in the supplemental budget. The language the Mayor used last year is very different now. She talked about these $30m last year in exactly the same way she's talking about the $100m this year, but not one penny of those $30m has been seen by the community. Not everything has been stalled, so why has this stalled? When so much is unfunded or underfunded in marginalized communities, is it impossible for the Mayor's office to figure out how to spend this money? We are spoiled for choice. This is not a plausible excuse, there's no mystery what needs to be funded, there's a lot that needs to be funded. Her worry is the same approach is being used for this grand promise of $100m. One could say the $100m proposed is being partially paid for by ignoring the promise of $30m last year. What's to stop the Mayor next year from doing the same thing, with the promises getting ever bigger without making a real investment? She also thinks it's problematic the way the Mayor has tried to hide this cut in the third quarter supplemental budget. She hopes the other CMs will support her proposal to eliminate this cut. She can't take at face value that the Mayor says there will progressive revenue stream to make this $100m investment ongoing, because this is a Mayor who opposed the Amazon tax etc.

Dan: The position of the General Fund at the end of 2020 materially affects the starting place of the 2021 budget so Council could take up the question of whether to eliminate the $30m reserve for these strategic investments. If you would restore the spending, you'd have to reduce the spending for 2021 because there'd be $30m less to spend. One of the things you could do is reduce the $100m and reduce it to $70m. One could think of it as $70m of new spending for that purpose.

CM Mosqueda: We have the $13m hole question. Can you expand?

Tom: All these adjustments, the balances is shown as $4.9m (positive). However, the budget for 2021 relies on $18m as the starting point. So they're doing those investments but not doing the interfund loan. It's a critical thing, if no action is taken, there is a $13m shortfall. All other issues aside, we have that shortfall in the proposed budget.

Dan: The practical realities of printing up the budget and making final decisions on what was going to be proposed introduced some necessity for the city budget office and mayor to make some assumptions about what was going to be overridden or not overridden about that Mayor veto, and they assumed her veto would be sustained, which is why the proposed budget doesn't marry up with the reality of what's happening in 2020.

Now we're continuing to Issue Identification, that Tom is presenting on.

1. 2020 Administrative Underspend (this is minor). The budget relies on $11.3m of underspend reductions in 2020. Normally if we were looking at next year's proposed budget, there would always be an underspend assumption of some kind. Not a major concern that needs to be addressed.
2. Strategic Investment Fund (abandoning that $30m). They can choose to adjust this if they want, but it might require using reserves, but those are mostly already proposed for being used in 2021 right now.

3. 2020 Ending Balance: that $13m hole because the Budget Office thought the Mayor's veto would be sustained
4. $27m reductions. The new budget includes both a reduction of $27m and then spending of that $27m on different things. They could change this in various ways.
5. Fiscal reserves: $6.1m left in emergency and rainy day funds, leaving little in the savings account to address any future emergencies
6. 2021 Beginning Balance: the $13m shortfall can be addressed in 2021 instead of in 2020

End of presentation.

CM Strauss: Regarding the $13m shortfall in 2021, if we were to re-authorize the $13m interfund loan, is there any guarantee the loan would be executed by the Mayor?

Dan: No. We'd have to find the cash in the city's coffers to support this kind of loan all over again and then the Mayor may or may not support that. It's an option that could be pursued but eventually a repayment would need to be identified.

CM Morales: About sustainability, you reference the five year financial plan in the proposed budget and you talk about imbedded assumptions. Can you talk about what some of those assumptions might be? What you're indicating here is that new revenue is added to the general fund but projections of future balancing don't include investments in things we passed in the resolution in JumpStart in particular.

Dan: The intent of describing this piece in sustainability is to share three critical concepts: one is that the budget that is being discussed right now for 2021 includes the full measure of the payroll expense tax. That new source of revenue is baked into the plan. It further suggests the 2021 proposed budget has the $100m equitable investment, that amount is included in future years. The budget book says that equitable communities is an ongoing investment although it's been said progressive revenue sources might be identified. The assumption though is that this money will be paid from the general fund. The third key takeaway is that the financial plan is built by taking the 2021 budget and then having it grow to show inflation and how health insurance is going to go etc all based on general assumptions. The payroll expense tax has a spending resolution that indicates in 2022 and beyond there are significantly different investments than what are in the 2021 budget. The council isn't adopting the 2022 budget right now but it's making it clear how the revenue is assumed to be programmed in the future and how that may vary from what is in the spending plan.

CM Morales: As someone who advocated strongly for $20m for IEF funding and the Green New Deal funding in JumpStart that's important to remember. And that's there no funding source identified about the first four years so we need to shine some light on that.

They are moving on to Item 3 on their agenda. Discussion.

CM Mosqueda:This is an unusual year. We endeavor to have these conversations in a public manner so the public can see where we're at. This is an opportunity for us to have dialogue, to open up the virtual floor, to get any initial feedback and thoughts, questions, etc.

One of the first things that came to mind is that usually we have a two year budget process and this year we all agreed to just do one year. It is going to be imperative for us to think about how the proposed use of revenue and reserves will impact any future downturns in the economy. She wants to be sure we're prepared if things get worse next year but also keep investing now. Related to JumpStart, she's worried about budgetary layoffs and service gaps, so in addition to things she mentioned, she is interested in looking at the most vulnerable residents of Seattle getting the resources they need. One of the biggest issues she knows we're concerned with looking through the lens of creating healthy happy safe housed residents of Seattle, we need beds for people to move into. We need an exit plan for those currently in shelters so they don't remain at capacity. The rates of homelessness continue to increase due to the rise of COVid , the price of housing continues to rise, the economic downturn, etc. We really need to think of how this budget is calling us to act.

CM Morales: We hear over and over again that government budgets are moral documents, and this has never rung more true for her. Our community deserves a transparent and honest analysis of where we are as a city. She is frustrated; she thinks the Mayor's constituents are her constituents too. They deserve greater transparency in how they're talking about the decisions and ways of thinking of structuring our budget and kinds of investments they want to make. For her, as she's listening to Central Staff, a few things popped off the page. Some might say this is an aspirational budget proposed. She also thinks another perception is that this budget is a bit of a shell game. It relies on spending JumpStart revenue they've already committed and it drains our emergency reserves to a fairly low level, which could be a reckless approach with so many crises happening. To drain our emergency management fund without any plan for paying the money back is to gamble with our neighbors' lives and she thinks it's fiscally irresponsible and downright dangerous. The other issue for her is the illogic of the budget. This summer the Mayor made a commitment of $100m for ten years, but she's proposing to pay for that from our critical reserves, while also erasing the $30m equitable investment fund in 2020 to balance the budget. We have already created an interdepartmental team for how to make decisions about that $30m fund, already made a plan for investment and funded the process, and now that's being cut, with a new process, a new team, new decisions. She's confused about that process. On top of that, instead of holding to her ten year commitment, the Mayor has asked the task force to find a new funding source after 4 years. She's struggling with what the thinking is about how we make these investments and commitments, especially when we have a Covid sized crisis and hole in the budget. We need to work to build a budget that is sustainable and realistic. This Council deliberated for months to avoid measures to create austerity. She would like nothing more than to invest $100m in Black communities, but she will strongly encourage her colleagues to look at the SPD budget and do divestment and re-investment. She's really concerned the Mayor has written a check she can't cash. She's looking forward to working with her colleagues to put forth a budget that serves the most vulnerable in our community and moves forward in a way that's much more sustainable than what they're seeing here.

CM Pedersen: He appreciates that we need to think about 2022 as well as what's before us right now in 2021. One of the great things about the JumpStart spending plan in 2022 is that it included permanent housing. He believes Mayor Durkan and her team have put forward a budget that is thoughtful and reasonable. There are laws in the books of how to restore our emergency day funds. He would love to talk about how to strengthen that to build that reserve fund faster. But if now isn't the time to deploy the rainy day fund, he doesn't know when would be, so this is appropriate. One critique he does have about the budget before them is whether they want to increase salaries by $42m on top of pay raises received by city employees this year and last year. He doesn't think it's the right time to increase pay for city employees again. This is going to be addressed during the Misc. section tomorrow afternoon. He wants to use this money instead for BIPOC communities, homeless response, and bridge infrastructure. He knows this can be controversial but he wants to put it out there.

CM Strauss: This presentation was very enlightening for him. What he has seen is that they have been criticized as a legislative body as a whole for the same actions being proposed here in this budget. This is not a criticism but pointing out that policy, not politics must drive their decision making. They've received a budget that is not balanced, and it is now their job to make these changes and fixes. The majority of the budget proposal is good and will benefit Seattleites, but what he doesn't appreciate is political posturing and divisive statements.

CM Mosqueda: She wants to reiterate how important it is that they have this level of detail as to how the proposed budget was compiled. This type of work is important for them to be able to break down what is in the budget and what the process is. The Q3 supplemental information will be important for them as they think about potential changes to address the $13m hole and the elimination of the $30m of strategic equitable investments.

We have a lot of work in front of us to make sure small businesses and workers have the supports they need, so as people deal with complications of covid and the flu, they have the protections they need. She wants to be sure they have those supports built into this budget.

CM Sawant: on the question of Covid, she hopes everyone has seen in the NYT on Covid-19 that US cases are trending upwards in 41 states in the last two weeks and reaching unchartered territory and that the US has surpassed 8m cases. It will continue to take a massive toll on poor and working class families. This is a massive crisis, and the least we could do is to pass a no cuts zero austerity budget which would require raising more progressive revenues. We need to defund the police by at least 50% which would generate more than enough funds to fully fund the $100m promise the Mayor has made. As far as the salary increases are concerned, absolutely, she doesn't believe executive salaries will be increasing in the proposed budget, but we need to make a distinction of workers who need cost of living raises. Using the rainy day fund isn't the biggest problem, not having enough progressive revenue is the problem. As a Council we have to pass a zero cuts budget that defunds the police and makes sure affordable housing and services are funded.

CM Mosqueda: Please get your flu shots! Their next meeting is tomorrow at 9:30am. Today's meeting is adjourned.