



City of Seattle
Mayor Jenny A. Durkan

NEWS RELEASE FROM THE OFFICE OF THE MAYOR

Contact: Ernesto Apreza, Ernesto.Apreza@seattle.gov

Mayor Durkan Statement on New Economic Forecast in Seattle, Which Highlights Significant Impact of Pandemic on Workers, Local Businesses and City Revenue

Seattle (April 21, 2020) - The City Budget Office today released their latest economic forecasts and revenue projections for Seattle. Understanding there is significant uncertainty nationally and locally on the economic impacts, the City of Seattle's Budget Office today announced two economic scenarios for a rapid recovery scenario and a slow recovery scenario. Both scenarios highlight significant job loss, high unemployment and impacts to the City budget which range from \$210 million to \$300 million. You can view the City Budget Office forecasts, which will be presented to City Council [here](#).

"The COVID-19 pandemic has become one of the most consequential and transformative events of our lifetime. As we expect the public health crisis to continue in our region, we know the impact on our workers, small businesses, non-profits and artists will be felt deeply for months and years to come. As a City, we are rethinking how City government can respond to the urgent needs of our community and create a foundation for recovery," said Mayor Durkan. "Our decisions about our emergency response and economic recovery will be made thoughtfully and with an eye towards equity and social justice. As we look into recovery, one of our top priorities will be supporting our workers and businesses so our City can get back to being a booming economy. I will continue to do everything possible to get the region the resources we need to get through this pandemic and to rebuild a strong, equitable city."

In addition to the current revenue forecasts, the City deployed significant resources quickly towards programs to help those most in need. As of April 12, 2020, the City has spent more than \$15 million on new programs for hygiene services, shelters, meals, and small business relief, with millions of additional funds committed to support ongoing programs. The City expects these funds to be primarily reimbursed through federal and state resources.

With uncertainty around the total economic impact of the COVID-19 pandemic, the City Budget Office used current national projections to create regional and city economic forecasts and used that modeling to update City revenue. The City's general fund relies on a variety of local taxes to fund essential operations and services, including property tax, sales tax, utility tax, and business and operations tax, which are the four largest revenue streams. In developing updated forecasts of these revenues, the City faces the challenge of very uncertain economic conditions driven largely by the duration of social distancing measures. This uncertain future has led to a forecast that captures a range of potential financial impacts by estimating revenues under two different scenarios: one that is consistent with a relatively rapid economic recovery and another that anticipates a slower recovery in the local economy. Both scenarios are based on a recession that is short but deep. The difference in scenarios is the depth in terms of lost jobs, personal income and overall economic activity, and the time it takes for the economy to climb out. Additional data on tax collection, economic activity, the duration of social distancing measures, and economic relief by the federal government will influence projections.

Beginning in early and mid-March, Mayor Durkan instructed departments across City government to take early action on budget reductions with an emphasis on:

- **Hiring Freeze:** All departments put a hiring freeze in place for personnel unless essential or related to response to COVID-19.
- **Freeze on contracts and expenses not related to COVID-19 or essential services:** Mayor Durkan asked all City department leaders to halt any movement on non-essential services and non-COVID related projects and contracts. In addition, she asked for the elimination of travel and conferences as well as overtime expenses unless approved by senior leadership at departments.
- **Curtail discretionary spending not related to COVID-19 response or mitigation:** All departments were asked to identify non-essential spending so that such expenses could be reduced or eliminated.

The City is also evaluating how to best utilize new state and federal resources as well as rainy day and emergency funds:

- **State and Federal Resources:** While Congress has passed the CARES Act, many of these resources are being used in crisis and emergency response. The City will continue to seek to be reimbursed or use any funds through FEMA, the CARES Act, and other state and federal resources. In addition, the City is continuing to work with philanthropy and non-profits to use private funds for critical recovery needs.
- **Levy Funds:** The City will also consider repurposing levy revenue.
- **Rainy Day and Emergency Funds:** The Rainy Day Fund is intended for instances where City revenue has been unexpectedly affected and the Emergency Fund is typically reserved for situations where the City has incurred unexpected expenses; collectively they total \$125 million.

To address the significant budget impacts in 2020, the Mayor will continue to review the need to further adjust the budget through administrative or Council action, especially as more data emerges on tax collection, the duration of social distancing measures in King County, and economic relief by the federal government.

Disclosure: The information in the presentation is a forecast and “forward-looking statement.” No assurance can be given that the forecast results described will be realized, and actual results may differ materially from those expressed or implied. This information is prepared primarily to provide information to City officials and staff. It has not been prepared with a view to, nor is it suitable for, any investment decision regarding any bonds or financial obligations of the City or any of its instrumentalities. The financial data and other information provided herein is not warranted as to completeness or accuracy for purposes of federal securities laws and regulations. This forecast information speaks only as of the date it was prepared and is subject to change without notice. Any person interested in the bonds or financial obligations of the City should carefully review any information posted by the City at emma.msrb.org.

###