SEATTLE DEPARTMENT OF TRANSPORTATION (SDOT)

2027–2028 PROPOSED BUDGET

OVERVIEW & POLICY CONSIDERATIONS PAPER

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Table 1. Department Budget Summary

Budget Summary Level	2026 Adopted	2027 Proposed	% Change	2028 Proposed	% Change
Operating Budget					
Bridges & Structures	$17.0M	$16.6M	(2.4%)	$17.1M	2.7%
First Hill Streetcar Operations	$9.8M	$10.1M	3.5%	$10.5M	3.5%
General Expense	$45.1M	$52.0M	15.4%	$54.7M	5.3%
Leadership and Administration	$0.0M	$0.0M	0.0%	$0.0M	0.0%
Maintenance Operations	$63.4M	$56.9M	(10.3%)	$60.6M	6.6%
Mobility Operations	$124.3M	$130.0M	4.6%	$147.6M	13.6%
Parking Enforcement	$0.0M	$0.0M	0.0%	$0.0M	0.0%
ROW Management	$52.3M	$51.4M	(1.8%)	$53.2M	3.5%
SLU Streetcar Operations	$4.5M	$4.7M	3.5%	$4.9M	3.5%
Waterfront and Civic Projects	$9.6M	$13.1M	36.0%	$13.6M	3.5%
Operating Subtotal	**$326.0M**	**$334.7M**	**2.7%**	**$362.1M**	**8.2%**
Capital Budget					
Capital General Expense	$6.5M	$6.2M	(5.6%)	$6.2M	0.1%
Central Waterfront	$0.6M	$0.8M	25.0%	$0.8M	0.0%
Major Maint./Replacement	$104.2M	$98.5M	(5.5%)	$162.3M	64.8%
Major Projects	$0.5M	$0.0M	(100.0%)	$0.0M	0%
Mobility-Capital	$235.7M	$188.6M	(20.0%)	$182.4M	(3.3%)
CIP Subtotal	**$347.7M**	**$294.0M**	**(15.4%)**	**$351.6M**	**19.6%**
Total	**$673.6M**	**$628.7M**	**(6.7%)**	**$713.7M**	**13.5%**
FTE	**1,291**	**1,282**	**(1%)**	**1,282**	**0%**

I. OVERVIEW AND SUMMARY

SDOT's 2027 Proposed Budget represents a 6.7 percent decrease in spending over the 2026 Adopted Budget, including a 2.7 percent increase in SDOT's operating budget and a 15.4 percent decrease in SDOT's capital budget. The 2028 Proposed Budget represents a 13.5 percent increase from the 2027 Proposed Budget, including an 8.2 percent increase in SDOT's operating budget and a 19.6 percent increase in its capital budget. The proposed cuts in the 2027 budget are in response to revenue shortfalls in the General Fund, Real Estate Excise Tax (REET) and other City funds and fees that support transportation and due to inflationary cost pressures. The 2027 Proposed Budget includes reductions across many programs to avoid a deficit in the Transportation Fund (TF). These reductions began in 2026 via the Year-end Supplemental ORD and are proposed to continue through 2028. In addition, SDOT is realigning its capital budget with updated planning timelines and rightsizing spending to create a more realistic base for the 2027-2032 Proposed Capital Improvement Program (CIP) budget, which is presented as reductions across many projects.

The 2027 Proposed Budget assumes passage of the Seattle Transit Measure (STM) and adds $20.4 million of appropriations backed by the assumed revenue. If the measure does not pass, the Council will need to revise SDOT's budget to remove STM's revenues and appropriations. This item is discussed in more detail below. The August 2026 revenue forecast projected reduced revenues from Commercial Parking Tax, Gas Tax, Vehicle License Fees and other sources which back SDOT capital work. To help address the projected budget deficit significant changes are included in the Year-end Supplemental ordinance to reduce appropriations to match revenues. Reductions to the operations and maintenance (O&M) budget in the Transportation Fund total $23.5

million, offset by increases of $10.3 million in the Transportation Levy, for a net reduction of $14.1 million across all funds. Many changes were also made to the department's CIP, including funding swaps, project abandonments and deferrals, and scope reductions. This includes CIP reductions totaling $167 million, of which, a reduction of $134.6 million is due to realignment of the allocations of the Transportation Levy from 2026 to 2027 and 2028 to better reflect the timeline for project completion.

Overall, the proposed SDOT budget focuses on transportation safety and aims to maintain essential services, minimize severity of program and project impacts in an equity-centered framework; improve financial transparency and funding flexibility especially in capital spending; and maintain continuity of staff resources. Given the breadth of reductions across SDOT's programs, there is limited detail available on the service level impacts of specific changes. Further budget adjustments may be needed in the future to address unintended consequences to programs and services of the proposed changes.

A. Operating & Maintenance (O&M) Budget

To balance SDOT's O&M budget, $17.9 million in cuts were proposed across the breadth of programs to minimize harm to any one program. Almost all funding sources required reductions, including $6.1 million in GF, $1.3 million in TBD Funds, $9.5 million in TF, and $1 million in Transportation Levy Fund, which are only partially offset by $5.3 million in new ATSC revenues. The impacts of these proposed reductions generally trim non-labor spending, limit use of temporary or consultant staffing, and reduce preventive and routine maintenance capacity across several SDOT programs. Cuts may reduce service levels, slow incident response, extend maintenance intervals, and limit preventive care, potentially affecting safety, mobility, and long-term asset conditions.

Significant changes are proposed in SDOT's O&M budget and have a variety of impacts on SDOT Budget Service Levels (BSL). Such as:

- **$6.8 million in reductions within the Mobility Operations BSL**, representing a 5% decrease to program budgets. These reductions are obscured by baseline adjustments that include citywide adjustments for standard costs. Some notable changes include:
    - **$2.5 million reduction to the (Parking Meter) Pay by Phone program.** SDOT is proposing to cut the Pay by Phone budget by 54 percent by shifting credit card processing fees to users through a $0.35 transaction fee. This fee, paid directly to the vendor, would fully cover the estimated 2027 processing costs and allow an equivalent reduction in spending. Collection of credit card fees is currently authorized in SMC 11.16.127, allowing this change without further legislation.
    - **$1.3 million reduction to the Pothole Repair program** representing a 29% budget reduction, which could impact the ability to accomplish the commitment to a 72-hour response standard for pothole repair.
    - **$1.3 million reduction in Transportation Studies** reduces ATSC Fund support by 84 percent, significantly reducing the number of Transportation Studies completed which inform future department priorities. The reductions limit data collection at most sites, while also limiting SDOT's ability to evaluate volume and rates in support of data-driven program decisions. This reduction results in a programmatic impact and likely cause delays in responding to constituents and elected officials.
    - **$1.1 million reduction in Street Surface Maintenance program** cuts 49 percent of this budget and lowers level of service maintenance, decreasing the SDOT's capacity to perform preventive street surface maintenance defects, and longer service intervals for routine maintenance.
    - **$535,000 reduction in Transportation Spot Improvements program** eliminates all General Fund support for this work reducing the budget by 43 percent and will significantly limit the department's ability to implement rapid, small-scale traffic improvements and respond to public complaints.

- **$637,000 reduction in Street Cleaning Services program** cuts 7 percent of this budget and reduces cleaning services primarily in the Pike/Pine Corridor, Convention Center, Pioneer Square, and Little Saigon neighborhoods.
- **$83,000 reduction in Downtown Transportation Alliance (DTA) program** cuts 64 percent of this budget. The Commute Seattle program is impacted, which is a partnership of SDOT, the Downtown Seattle Association, King County Metro, and Sound Transit. Commute Seattle's mission is to develop transportation policies and programs that will maintain and enhance Downtown Seattle's neighborhood vitality. The change will reduce SDOT's capacity to collaborate with regional partners and respond to emerging transportation needs.

- **$6.9 million reduction in Maintenance Operations BSL** represents an 11 percent reduction with the most significant changes being:
  - **$640,000 reduction in Emergency Events and Services program** reduction or 7 percent cut to this program area was made anticipating warmer winter weather due a projected 'super El Niño', resulting in more rain and less snow.
  - **$706,000 reduction in Clean Seattle program**, or a 6 percent cut, impacts the Unified Care Team Program by holding vacant one Maintenance Laborer position and one Management Systems Analyst. Given that these positions have never been filled, this would not change the team's response times, nor would it affect the data analysis and reporting workload for other staff. Please refer to Section II of the Human Services Department (HSD) Paper for additional information on the UCT.
  - **$414,000 reduction in Pavement/Management/Repair program** is proposed to decrease the City's capacity to perform preventive street surface maintenance defects, resulting in longer service intervals for routine maintenance, and slow the pace of project delivery on proactive maintenance work that includes critical base repair and crack sealing performed by SDOT crews.
- **$400,000 reductions are offset by an add of $2.5 million in the Bridges & Structures BSL.** Most of the program reductions identified will be reallocated to related capital projects, limiting the impact of the cuts. The King County Transportation Benefit District funding of $2.5 million is newly allocated to the City to provide funding for bridge and roadway structures maintenance.
- **$944,000 reduction in ROW Management BSL represents a 1% reduction in this line of business.** Two changes in particular merit mention:
  - **$517,500 reduction in Street Use Contingent Budget Authority** eliminates all budget in this project which covers unexpected increases in Street Use permit volumes. Given that permit applications have dropped in 2025-2026, SDOT is not expecting permit applications to unexpectedly increase in 2027-2028. This change has minimal anticipated impacts on service levels; however, it reduces SDOT's flexibility to respond to sudden future demand increases.
  - **$319,000 reduction in the Downtown Mobility program** by reducing the consultant contract budget for SDOT's Construction Coordination and Mobility Management (CCMM) Division. With 19% less funding for contracts, CCMM's effectiveness in coordinating construction projects and preserving public mobility could be reduced.
  - **$117,000 reduction in ROW Management, Street Use Public Space Management** (PSM) are achieved via cuts to overtime for PSM Inspectors participating in the Joint Enforcement Team (JET). JET team PSM Inspectors educate street vendors on the need to have a permit to vend in the public right-of-way and issue fines and citations to unpermitted vendors. The 2026 Adopted budget included $501,000 for JET team expansion, however current staffing levels do not utilize all this budget, thus this reduction will not impact service levels.
- **$20.4 million (Seattle Transportation Benefit District) added to implement the Seattle Transit Measure** to provide additional transit service, fund streetcar repairs and staffing support for Sound Transit 3 and expand the Transit Access Program (TAP) in the event the STM is renewed. If the STM is not approved by voters, this adjustment will be reversed.

- **$8.5 million in reductions to reverse one-time 2026 adds in the 2027 baseline budget's Operations & Maintenance BSLs**. Examples of removed one-time items include:
  - $3.4 million reduction for one-time Streetcar operating costs which is offset by the renewal of the STM funding
  - $2.5 million reduction to align the 2024 Transportation Levy
  - $1.7 million reduction to back out costs for SDOT support of FIFA activities
  - $1.5 million to back out Seattle Transit Measure adjustments made to accommodate costs associated with placing the STM renewal on the ballot in 2026
  - $832,000 reduction to back out one-time costs for Automated Camera Enforcement Expansion
  - $1.5 million increase to add back the partial funding held back in the 2026 Adopted Budget due to SDOT's commitment to delay hiring of new positions to meet a budget reduction. These positions are now filled, and this funding represents the labor costs needed to support the roles for a full year.

B. Capital Budget

SDOT's capital budget includes funding for discrete projects and on-going capital programs detailed in the CIP. As a result, year-to-year spending will vary depending on individual project spending plans and the changing mix of projects funded in the CIP. The capital budget also includes appropriations for external grants and reimbursable funding (such as utility contributions) associated with CIP projects. Table 4 compares six-year spending in SDOT's capital program by Capital BSL. While the 2027-2032 Proposed CIP includes less spending for 2027 than the 2026-2031 Adopted CIP included for 2026, it represents a 7 percent increase over what had previously been planned for 2027 capital spending. This increase is primarily due to the reprogramming of reductions included in the 2026 Year-End Supplemental into 2027, which represents a more transparent approach to capital carry-forward appropriations.

Table 2. Adopted to Proposed CIP Comparison by BSL

	2026	2027	2028	2029	2030	2031	2032	Total
Capital General Expense								
2026-2031 Adopted	$7M	$6M	$6M	$6M	$6M	$5M	-	$37M
2027-2032 Proposed	-	$6M	$6M	$6M	$6M	$5M	$5M	$36M
Central Waterfront								
2026-2031 Adopted	$1M	$1M	$1M	$1M	$1M	$1M	-	$4M
2027-2032 Proposed	-	$1M	$1M	$1M	$1M	$1M	$1M	$5M
Major Maintenance/Replacement								
2026-2031 Adopted	$104M	$88M	$109M	$113M	$131M	$225M	-	$770M
2027-2032 Proposed	-	$98M	$162M	$108M	$123M	$146M	$142M	$779M
Major Projects								
2026-2031 Adopted	$1M	$0M	$0M	$0M	$0M	$0M	-	$1M
2027-2032 Proposed	-	$0M	$0M	$0M	$0M	$0M	$0M	$1M
Mobility-Capital								
2026-2031 Adopted	$236M	$171M	$160M	$150M	$171M	$186M	-	$1,073M
2027-2032 Proposed	-	$189M	$182M	$154M	$172M	$117M	$111M	$925M

Significant changes in SDOT's capital budget include the following:

Major Maintenance/Replacement BSL spending in 2027 is reduced by $5.8 million from 2026 levels. However, this represents a $10 million increase in previously planned 2027 spending, due to a reallocation of $10.5 million in Transportation Levy Funds. Below are the changes made at the program level comparing 2027 planned spending to the new 2027-2032 Proposed CIP:

- $3.2 million is newly allocated for Streetcar Repairs in 2027 and 2028
- $7.1 million is added to the Bridges & Structures program, a 22 percent increase
- $1.1 million is added to the Trails & Bike Paths program, a 92 percent increase
- $700,000 is added to the Landslide Mitigation program, a 32 percent increase
- $1.0 million is reduced from the Roads program, a two percent decrease
- $570,000 is reduced to the Sidewalk Maintenance program, a six percent decrease

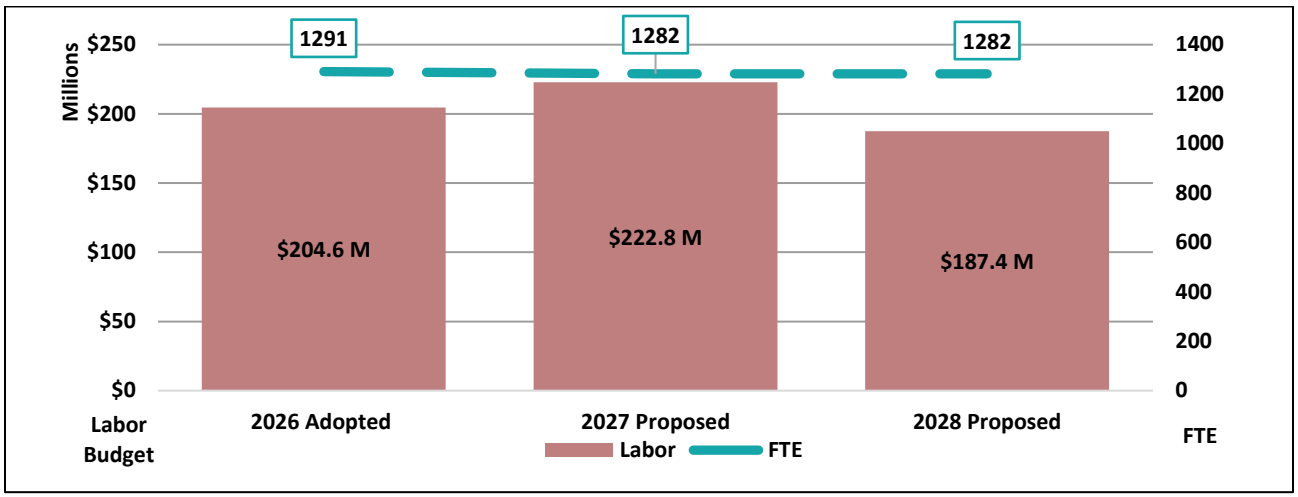
Mobility Capital BSL spending in 2027 decreases by $47.1 million from 2026 levels. However, when comparing planned 2027 spending to the 2027 Proposed Budget, there is an $18.1 million or 8 percent increase over the previous plan. Programs experiencing changes include the following:

- $10.7 million is added to the New Trails and Bike Paths program, a 32 percent increase
- $5.1 million is added to the Corridor & Intersection Improvement program, a seven percent increase
- $3.3 million is added to the Sidewalks & Ped Facilities program, a seven percent increase
- $2.9 million is added to the Transit & HOV program, a six percent increase
- $3.3 million is reduced from the Neighborhood Enhancements program, a 13 percent decrease
- $600,000 is reduced from the Freight Mobility program, a 12 percent decrease

In proposing changes to planned 2027 spending, SDOT also includes adjustments and fund swaps to respond to revenue reductions. The most notable change is the newly proposed inclusion of $45.5 million in Transportation Levy appropriations in 2027 and $84.6 million in 2028. This change reflects a reallocation of spending from 2026 to the 2027/2028 Proposed Budget. Changes to Transportation Levy spending are monitored and reviewed by the Transportation Levy Oversight Board for consistency with the levy's requirements.

C. FTE & Labor Changes

Figure 1. FTE & Labor Budget Summary



The 2027 Proposed Budget reflects a count of nine fewer FTE than the 2026 Adopted Budget. Of this decrease, two FTE had been allocated to support the Unified Care Team's (UCT). These positions, backed by General Funds, were never filled since they were added in 2023. Not shown in this graph are the additional two FTE also intended to support the UCT which are being held vacant, but whose positions are not being proposed for reduction. Please refer to Section II of the HSD Paper for additional information on the UCT. Another seven vacant positions are proposed for abrogation and had been scheduled to sunset in 2026 as part of the Levy to Move Seattle. Because SDOT allocates available labor to CIP projects on an annual basis, labor costs associated with CIP projects are not included in the 2028 total in Figure 1. SDOT's labor costs are expected to remain constant from 2027 to 2028.

D. Fund Appropriations Summary

Table 3. Fund Appropriations Summary

Fund	2026 Adopted	2027 Proposed	% Change	2028 Proposed	% Change
General Fund	$59.6 M	$59.0 M	(1%)	$60.1 M	1.9%
Unrestricted Cumulative Reserve Fund	$2.4 M	$0	(100%)	$0	0%
Move Seattle Levy Fund	$5.6 M	$3.8 M	(31.4%)	$0.0 M	(100.0%)
Transportation Levy Fund	$190.6 M	$219.5 M	15.2%	$284.1 M	29.4%
Seattle Streetcar Operations	$14.3 M	$14.8 M	3.5%	$15.3 M	3.5%
Transportation Fund	$266.5 M	$177.0 M	(33.6%)	$175.9 M	(0.6%)
Payroll Expense Tax	$3.3 M	$0.0 M	(100.0%)	$0 M	0%
Automated Traffic Safety Camera Fund	$11.4 M	$19.5 M	71.6%	$22.6 M	15.8%
Transportation Benefit District Fund	$99.6 M	$119.3 M	19.8%	$133.7 M	12.1%
REET I Capital Fund	$3.5 M	$0.5 M	(84.4%)	$0.0 M	(100%)
REET II Capital Fund	$16.9 M	$15.2 M	(9.7%)	$22.0 M	44.2%
Grand Total	**$673.6 M**	**$628.7 M**	**(6.7%)**	**$713.7 M**	**13.5%**

SDOT's 2027 Proposed Budget totals $628.7 million, representing a 6.7 percent reduction from the 2026 Adopted Budget, and increases by 13.5 percent to $713.7 million in 2028. SDOT's largest source of funding is the Transportation Levy, followed by the Transportation Fund, the Transportation Benefit District Fund (assuming voters renew the Seattle Transit Measure), and then the General Fund. The General Fund's $59 million represents only nine percent of SDOT's overall funding. As a requirement of the Transportation Levy (ORD 127053), SDOT's budget must include a certain baseline amount of General Fund appropriations, which was calculated at $53.6 million in 2027.

Table 2 shows appropriations by fund but does not show total revenues raised. The Transportation Fund includes many sources of revenue including the Commercial Parking Tax receipts, permit fees, service charges and grant funding. Many of the revenues supporting SDOT's budget are legally restricted. In the 2027 Proposed Budget, SDOT would no longer receive any JumpStart funding with a reduction of $3.3 million from this source. This 2026 JumpStart funding was for FIFA World Cup and Sound Transit 3 project coordination.

Automated Traffic Safety Camera (ATSC) Fund: The Mayor's Proposed Budget allocates new revenue anticipated from Automated Traffic Safety Camera program expansion. Traffic safety cameras are a proven way to get people to follow traffic laws and as a result have become an important part of the City's work to improve safety. The current program includes school zone, red-light, transit lane, and block-the-box cameras.

In 2027, the program is expanding to include four new locations for 7 new speed cameras. ATSC revenues are anticipated to increase by $8.2 million in 2027 and by a further $3.1 million in 2028. Significant expansion of school zone cameras occurred in 2025 and 2026. ATSC program revenues are used to support the program's operations and maintenance, which spans City departments. Remaining revenues are then reinvested into the community through traffic safety and accessibility projects. The proposed financial plan for the ATSC Fund includes a revenue stabilization reserve (equal to 10 percent of anticipated camera revenue) to support camera program operations and related project spending.

The Mayor is proposing various actions to increase SDOT's other revenue sources:

- **Transportation Fund Changes:** Three significant changes are occurring in the 2027 Proposed Budget.
    - **Street Use Fee Increase:** The 2027 Proposed Budget includes roughly $3.9 million in 2027 and $5.8 million in 2028 in new revenue generated by a five percent increase to SDOT's hourly rate for review and inspection and a 30 percent increase to permit issuance, renewal, and modification fees. These fees were last adjusted beyond the Consumer Price Index in 2018. With these changes, Street Use's cost recovery would increase from 72 percent to 84 percent.
    - **Commercial Parking Tax Increase:** The 2027 Proposed Budget assumes an increase of 2.5 percent to the Commercial Parking Tax rate, from 14.5 percent to 17 percent. This is equivalent to increasing the $4.35 tax to a $5.10 total tax on a $30 parking fee ($0.75 increase from previous tax rate, assuming full pass-through of tax to consumer). This change is forecasted to generate roughly $9.3 million in 2027 and $9.6 million in 2028 in support of transportation programs, services and improvements. These fees were last amended by ORD 126488 in 2022 that raised the rate by 2 percent. Commercial Parking Tax is charged in addition to sales tax.
    - **King County Transportation District (KCTD) Allocation:** In March of 2026, King County increased the KCTD sales tax by one-tenth of one percent to pay for transportation improvements. The County provided an initial estimate of $4.7 million of pass-through revenue to Seattle in 2027 and in 2028. The 2027 Proposed Budget uses this additional revenue to mitigate one-time reductions resulting from other funding constraints.
- **Transportation Benefit District Fund Changes to Implement Seattle Transit Measure (STM):** The 2027 Proposed Budget assumes the passage of the proposed STM package of 0.3 percent sales and use tax and adds $20.4 million in 2027 and $35 million in 2028. The STM package provides additional transit service, fund streetcar operations and staffing support for Sound Transit 3 and expands the Transit Access Program (TAP). If approved by voters in November, the increased STM tax rate takes effect in April 2027.

II. ISSUES FOR COUNCIL CONSIDERATION DURING BUDGET DELIBERATIONS

1. Transportation Fund Stability and Proposed Interfund Loan

The 2027-2028 Proposed Budget attempts to address two issues related to the Transportation Fund. The first issue is the need to support the budgetary fund balance by aligning expenditures to expected revenues. This is accomplished by increasing several revenue sources (CPT and Street Use Permit fees) that support the Transportation Fund (noted above) and reduce expenditures in the Transportation Fund (noted above). Over time, this is expected to create a reserve in the Transportation Fund to address the second issue.

The second issue is the ongoing struggle to maintain a positive cash balance in the Transportation Fund. Multiple factors have contributed to this challenge over the years, including: cash shortfalls driven by COVID-related declines in parking and transportation revenues, timing delays in the payment of expenditures and receipt of revenues and reimbursements, lags in the movement of department wide-expenses (payroll and internal city services costs) that first hit the Transportation Fund but must then be appropriately distributed to the other SDOT funds, and other accounting practices.

In 2026, SDOT continues to face difficulty maintaining a positive cash balance. When cash in the Transportation Fund goes negative, SDOT must rely on the City's Consolidated Cash Pool, resulting in interest costs that are charged to the fund. In response to this ongoing challenge, in July 2026, the Executive convened an Interdepartmental Team (IDT), led by the Office of City Finance with participation from SDOT, and the City Budget Office, to conduct a comprehensive review of the Transportation Fund. The IDT is charged with identifying root causes of the negative cash balance and recommending strategies and process improvements to restore long-term fund stability and bring the fund in alignment with available resources. A copy of the IDT's detailed work program has been provided to the City Council (see Attachment 1). The Executive anticipates the IDT will complete its work by Fall 2027.

To address the cash balance issue in the short term, and until other efforts can be implemented to address the underlying causes of the cash balance issue, the Executive is proposing the authorization of a ten-year Interfund Loan (IFL) of up to $63.5 million. With approval of the IFL loan, SDOT would be authorized to draw up to a maximum of $63.5 million in outstanding balance (principal and interest). SDOT does not anticipate needing to utilize the full loan amount but will draw down what is needed at any given time to keep the fund cash positive. The proposed 2027 and 2028 budgets include the necessary appropriations to begin repayment of the IFL. The loan is to be repaid no later than December 31, 2036, with an interest rate based on the rate of return of the City's Consolidated Cash Pool.

Options:

A. Add a requirement to the IFL Ordinance directing SDOT to provide an annual report to the City Council's Finance, Native Communities & Tribal Governments Committee (or successor committee) on IFL repayments until the loan is fully repaid. This report would be submitted with the Mayor's annual budget proposal.

B. Add a requirement to the IFL Ordinance directing the IDT to provide a report to the City Council's Finance, Native Communities & Tribal Governments Committee detailing the identified causes for the ongoing cash balance challenges, and specific strategies that will be implemented to return the fund to positive balance.

C. No change.

2. Capital Project Selection

SDOT's approach to the selection and scope of capital projects is informed by the 20-year Seattle Transportation Plan (STP), SDOT's Climate Change Response Framework, and the Seattle Comprehensive Plan, which are city-wide policy documents adopted by City Council. SDOT considers community feedback, engineering limits, the plan goals, environmental rules, and program budgets to identify investment priorities. The resulting investment priorities may not meet the expectations of District stakeholders.

Council established the Council District Fund in the 2025-2026 biennial budget, giving Councilmembers the ability to direct resources toward neighborhood-scale traffic safety projects and other district-level transportation priorities. The Council District Fund only included funding for 2025 and 2026. The Mayor's Proposed Budget does not add funding to continue this program beyond 2026.

Options:

A. Reinstate the Council District Fund by increasing revenue or making commensurate cuts.

B. No change.

3. Commercial Parking Tax Proposed 2.5 Percent Increase

The Mayor proposed increasing the Commercial Parking Tax (CPT) from 14.5 percent to 17 percent, generating $9.3 million in 2027. The CPT was first adopted in 2006 at 10 percent (ORD 122192) as a companion revenue source to the first "Bridging the Gap" voter-approved transportation levy. The tax was subsequently raised from 10 percent to 12.5 percent (ORD 123396) in 2011 to support the Waterfront program. More recently, Council increased the CPT to 14.5 percent in 2022 (Ordinance 126488). Customers paying CPT also pay sales tax on their purchase.

Options:

A. Amend the CPT tax increment.

B. No change.

4. Traffic Enforcement Camera Expansion - Contextual Policy Consideration

SDOT's 2027 Proposed Budget supports installation of seven Automated Traffic Safety Cameras at four new locations to help enforce speed limits outside of a school zone. Traffic safety cameras are a proven, effective way to get people to follow traffic laws. ATSCs were first introduced in Seattle in 2006 for enforcement of people running red lights. Since then, Seattle's ATSC program has grown, aligned with SDOT's Vision Zero goal to significantly decrease traffic deaths and serious injuries. In 2025, ORD 127213 broadened where and how Seattle can use ATSCs by authorizing additional forms of automated enforcement beyond red-light and school-zone cameras.

As part of the 2025–2026 budget, the Seattle City Council included $1.2 million to add school zone cameras and to deploy additional traffic safety cameras outside of school zones. This expansion of 37 school speed zone cameras at 19 locations citywide, which began November 2025, was completed at the beginning of the 2026/2027 school year for all but two cameras.

The City operates four types of ATSCs: School speed zones (70 cameras, including the recent expansion), Red-light enforcement (30 cameras), Block-the-box enforcement (seven cameras), and transit-only lane enforcement (six cameras).

SDOT is evaluating eligible locations for full-time speed ATSCs, including the 10 formerly designated racing zones, as required by Seattle City Council Ordinance 127213. SDOT is currently on track to implement the four new locations in mid-2027. Executive Order 2026-05 from August 2026 states that the full deployment of all ten locations should be installed by March 31, 2029.

ATSC revenues are anticipated to increase by $9.6 million 2026 Adopted to 2026 Revised. With the final installation of school zone cameras, an additional $3.6 million is anticipated in 2027.

5. Transportation Funding Task Force - Contextual Policy Consideration

In tandem with the 2024 Seattle Transportation Levy, authorizing funding for citywide transportation investments, RES 32137 and RES 32145 established the scope and responsibilities of a Transportation Funding Task Force (the Task Force), directing it to be convened by the SDOT to evaluate and present recommendations for practicable and near-term policy, funding, program management, and delivery strategies that the City could consider and unilaterally implement, with a particular focus on sidewalks, bridges, and paving needs.

In September 2026, City Council approved RES 32215 appointing the members to the Task Force, comprised of interested public stakeholders that represent the diverse perspectives of neighborhoods, businesses, accessibility and mobility advocates, labor, the development community, and subject matter experts in the area of transportation project delivery and funding. The work of the Task Force is to:

- Review current funding, policies, asset management;
- Assess impacts/trade-offs of potential policy, funding, delivery tools;
- Give particular focus to sidewalks, paving, and bridges (per Levy Attachment A);
- Provide updates to City Council every 6 months; and
- Make final Recommendations to Council December 2027.

III. BUDGET LEGISLATION

1. CBO 2026 Year End (YE) Supplemental ORD

The YE Supplemental proposes a total of $181.2 million in reductions, including ($167) million in reductions to SDOT's CIP and $14.1 million in operating reductions. Within the CIP, ($134.6) million is described as Seattle Transportation Levy Realignment with funding reprogramed to the out years to better reflect actual anticipated CIP progress by year. Bond fund decreases reduce the budget for the Central Waterfront by a net reduction of $14.4 million. Reductions netting ($47.8) million are grouped as decreases in the Transportation Fund. Move Seattle Levy investment in Route 40 project increased by $7.5 million, along with adding $4.1 million to recognize Revive I-5 reimbursements from King County. Within the operating budget $30 million in reductions are recognized, though this total reduction amount is offset by an allocation of $5.1 million for ATSC Fund and $10.3 million in realignment for Transportation Levy Fund. If the Council does not pass the legislation, then SDOT's 2027 and 2028 budget will be out of balance.

Additionally, SDOT requests that two provisos are lifted:

- **SDOT-029-A restricted $600,000** for the design and construction of traffic and pedestrian safety improvements at the Intersection of Rainier Avenue S and Cornell Avenue S. SDOT's Vision Zero program already developed early concept designs for this intersection and is actively coordinating with SPU to advance a preferred concept through the Taylor Creek Restoration Project, scheduled to start construction in 2028. Given this commitment and progress, it is not feasible to spend $600,000 in 2026 on this intersection redesign. Removing the proviso allows SDOT to deliver other critical safety projects in 2026, including the safety corridor project on Renton Ave S and other priority safety projects in District 2.
- **SDOT-015-A restricted $1.4 million** of the Vision Zero budget for improvements to Sand Point Way NE between 40th Avenue NE and NE 65th Street. Acting SDOT Director Angela Brady and City Traffic Engineer Venu Nemani have shared that the cost of recommended improvements to Sand Point Way NE will cost substantially less than the $1.4 million proviso. Limitations on the changes that can be made are impacted by the reality that this segment is within state right-of-way managed by WSDOT (SR 513). Any traffic calming or alterations to the roadway would need to be approved by WSDOT, which is typically a lengthy, multi-year process and limits the City's options. Other City-controlled portions, north of NE 65th, also have intervention limitations due to Sand Point Way's status as a high-tier emergency response route and as an over-legal haul route. These limitations are one of the reasons SDOT recently announced Sand Point Way, between NE 74th and Matthews Beach Dr, as one of the first four locations at which 24/7 speed safety cameras would be installed by mid-2027 (additional engineering will be necessary to determine exact locations). Additional programmed traffic calming projects have been identified, developed with input from CM Rivera, and are expected to be implemented in late 2026 through 2028, though are less costly than the amount of the proviso. SDOT is interested in releasing the proviso to deliver additional Vision Zero improvements in 2027 to other parts of the City on streets that rank significantly higher in need based on the City's High Injury Network.

2. CBO 2026 Year-End Acceptance ORD

The 2026 Year-End Acceptance bill would authorize SDOT to accept six grants, totaling $15.8 million and a reimbursement for services payment from Sound Transit totaling $3.7 million. The bill provides appropriation authority for these grants and payments. The awards are:

- $424,000 from the Federal Transit Administration (FTA) for First Hill Streetcar Line Maintenance.
- $8.5 million from the Federal Transit Administration (FTA) for the Rapid Ride Roosevelt project.
- $1.1 million from the Washington State Department of Transportation (WSDOT) for the Harrison to Mercer Transit Access Project.
- $1.1 million from Washington State Department of Transportation (WSDOT) for Rainier Avenue roadway improvements.
- $3.2 million from the Federal Highway Administration (FHA) for Seattle Safe Streets improvements in the Southeast and South of Downtown neighborhoods.
- $1.5 million from the Federal Highway Administration (FHA) for construction of new bus stops and bus stop amenities, which may include upgraded sidewalks, protected bike lanes, new and upgraded pedestrian crossings, pavement restoration, signal improvements, updated channelization and lane marking, storm water drainage improvements, pedestrian lighting, street trees, and landscaping.
- $3.7 million from Sound Transit providing reimbursement for costs related to review and permitting of the West Seattle and Ballard Link Extensions.

3. SDOT Transportation Fund (TF) Interfund Loan ORD

This legislation authorizes the Director of Finance to make a revolving loan of up to $63.5 million to the Transportation Fund to provide funding for expenditures related to maintaining the Transportation Fund in a positive cash position. The loan is to be repaid no later than December 31, 2036, with an interest rate based on the rate of return of the City's Consolidated Cash Pool. The Transportation Levy Fund (10399) and Real Estate Excise Tax (REET) Capital Projects Fund are the designated sources of cash that could be loaned to the Transportation Fund. The proposed 2027 and 2028 budgets include appropriations or $2.2 million annually to support repayment of this loan.

4. SDOT Commercial Parking Tax 2027 ORD

This legislation authorizes an increase of 2.5%, from 14.5 percent to 17.0 percent on the tax for commercial parking effective January 1, 2027. This tax is assessed on parking in privately owned parking facilities open to the public. Under state law (RCW 82.80.030) Commercial Parking Tax (CPT) revenues may only be spent for transportation purposes. CPT are accrued to the Transportation Fund and will support balancing of this fund. The 2027 Proposed Budget assumes $9.3 million in 2027 and $9.6 million in 2028 in additional revenue because of this increase. If the Council does not pass the legislation, then SDOT's 2027 and 2028 budget will be out of balance, and reductions will need to be proposed to offset the decrease in revenues.

5. SDOT Street Use Fee Schedule 2027 ORD

The proposed 2027 SDOT Street Use (SU) Fee Schedule Ordinance updates permit issuance fees, renewal fees, and hourly service rates so they better reflect the true cost of providing permitting, review, and inspection services. Currently, Street Use fees recover about 72 percent of program costs; the legislation would increase recovery to approximately 84 percent. It does this by raising SDOT's hourly inspection and review rate by five percent (from $367/hour to $385/hour) and increasing SU permit issuance fees by 30 percent. These adjustments are projected to generate an additional $3.9 million in 2027 and $5.8 million in 2028, helping maintain service levels and avoid program reductions.

The budget proposal reflects these revenue increases, including the hourly rate adjustment (about $1 million in new revenue) and the 30 percent permit fee increase (about $2.9 million), with annual CPI adjustments beginning in 2028. These changes address a projected funding gap in the Street Use Program, which can no longer rely on occupation fees as a backstop during slower development cycles. The SU fee structure has been periodically updated since the formal schedule was established in 2002, with significant adjustments made in 2018–2019 and again in 2023 to address rising costs.

Street Use permits support a wide range of public right-of-way activities. Types of SU permits include the following:

- **Right of Way (ROW) Simple/Complex Permits** are typically issued by contractors, homeowners, and utility companies for short-term, minor maintenance activities—like sidewalk repair or building upkeep—that temporarily impact public space.
    - **Major Street Improvement Permits (SIP) and Utility Major Permits (UMP)** are typically issued to developers, and public and private utilities. SIPs are used for more extensive street or sidewalk improvements and include subcategories like SIP Lite (for small projects), public main upgrades, or full SIPs.
    - **Public Space Management (PSM) both Short-Term and Long-Term Permits** are typically issued to homeowners, businesses, community organizations, and developers for private uses like, merchandise displays, planters, poles, fences, awnings, or public art—whether short-term (like block parties, play streets or banners) or long-term encroachments (like sidewalk cafés, parklets, or benches).

City Council established a formal Street Use Permit Fee Schedule in 2002 (ORD 120822). Annually, Street Use fees increase by CPI. Beyond CPI, fees increased last in 2018/2019 (ORD 125452). In 2023 via ORD 125185, SDOT made additional changes to address major costs increases, to reset the fees and increase CPI-based adjustments by a total of nine percent. SDOT's Street Use program is funded by permit issuance fees, hourly service fees, use and occupation fees, and modification fees. Except for use and occupation fees, other fees must only be used to recover the cost of issuing the permits. The cost increase for the payor of the fee will depend on the nature of the project, how long it takes to review, and the number of modifications or renewals to the original issuance permit.

IV. ATTACHMENTS

1. Transportation Fund Inter-Department Team (IDT) Work Plan

Transportation Fund 13000 Cash Remediation Workplan
Inter-departmental Team (IDT)
Office of City Finance, City Budget Office, Seattle Department of Transportation
September, 2026

The following Workplan has been developed to guide the work of the IDT in 2026-2027, and will be modified as needed over time.

Phase 1 – Issue Analysis
Conduct a root cause analysis on the cash issues and identify whether they can be remediated or are structural.

- **Part 1:** Initial evaluation
  - Evaluate revenue/expense trends by funding source and identify any revenue streams or lines of business that are major contributors to potential cash flow issues.
  - Evaluate current and historical levels of undistributed costs and determine cash impact and cash needs.
  - Evaluate current and historical receivables balances and determine cash impact and cash needs.
    - Timing: Q3 2026
    - Owner: SDOT

- **Part 2:** Detailed accounting analysis
  - For transactions, funding sources, or lines of business that cannot be fully assessed in the initial evaluation, conduct a detailed accounting analysis to identify potential sources of cash flow issues.
    - Timing: Q4 2026
    - Owner: SDOT

Phase 2 – Options Evaluation

Evaluate potential remediation approaches and assess viability and likely impact on fund cash balance.

- **Option 1:** Reduce delayed cost distributions
  - The Transportation Fund initially pays all SDOT costs before they are distributed to other funds. If costs were distributed more quickly, it would reduce the cash needs from the Transportation Fund.
    - Timing: Q4 2026
    - Owner: SDOT, OCF

- **Option 2:** Investigate aged, undistributed costs
  - The Transportation Fund may be holding costs that were not distributed in past years due to accounting challenges around the Workday implementation and other issues. If these costs can be analyzed and distributed, it would reduce the cash needs from the Transportation Fund.
    - Timing: Q4 2026
    - Owner: SDOT, OCF
- **Option 3:** Alternate clearing fund approaches
  - The Transportation Fund acts as a clearing fund for all SDOT costs before they are distributed to other funds. If a different fund were used for clearing, it would reduce the cash needs from the Transportation Fund.
    - Timing: Q1 2027
    - Owner: SDOT
- **Option 4:** Alternate overhead recovery models
  - The Transportation Fund pays for SDOT overhead/indirect costs and is reimbursed by other funds based on predefined rates. If those rates are too low, if timing is misaligned, or if distributions are inequitable, it may create a cash burden on the Transportation Fund.
    - Timing: Q1 2027
    - Owner: SDOT
- **Option 5:** Interfund settlement timing
  - Currently interfund cash is settled between funds at month-end. Since the Transportation Fund pays all SDOTs costs up front, this creates significant cash needs during the month. The timing of these settlements could be revisited to transfer cash into the Transportation Fund more often.
    - Timing: Q1 2027
    - Owner: OCF
- **Option 6:** Accounts receivable management
  - SDOT pays for a significant amount of work in the Transportation Fund that is later reimbursed (e.g. by grantors). More frequent billing may reduce the cash burden on the Transportation Fund. Alternatively, the nature of this business practice speaks to an ongoing need for a cash cushion within the Fund.
    - Timing: Q1 2027
    - Owner: SDOT

- **Option 7:** Ongoing line of credit
    - Evaluate whether an ongoing interfund loan to support daily cash needs while 3rd party reimbursements and interfund settlements are outstanding.
        - Timing: Q2 2027
        - Owner: OCF, SDOT
- **Option 8:** Fund restructuring
    - Certain SDOT revenue streams are cash flow positive, and others (e.g. grants) are cash flow negative. Where possible, consolidating cash flow positive revenue streams in the Transportation Fund would strengthen its cash position. Alternatively, tracking cash flow negative lines of business in separate funds may make it easier to manage an ongoing line of credit.
        - Timing: Q2 2027
        - Owner: OCF, SDOT
- **Option 9:** Funding source restructuring
    - SDOT tracks dozens of "colors of money" within the Transportation Fund with a funding source value. Evaluate different approaches to SDOT's use of funding source values to improve SDOT's ability to manage cash.
        - Timing: Q2 2027
        - Owner: OCF, SDOT
- **Option 10:** Budget adjustments
    - The cash position of a fund can be improved over time by reducing expenses and/or increasing revenues. Evaluate steps that can be taken during the budget process to create a stronger cash position in the Transportation Fund.
        - Timing: 2027 Budget Process
        - Owner: SDOT, CBO