

**SUMMARY and FISCAL NOTE\***

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**1. BILL SUMMARY**

**Legislation Title:** AN ORDINANCE relating to the financing of the General Fund; authorizing interfund loans up to a total amount of \$205,000,000 from multiple City Funds to the General Fund as bridge financing to be repaid from future tax proceeds and other anticipated revenues; and ratifying and confirming certain prior acts.

**Summary and background of the Legislation:** This legislation authorizes a revolving interfund loan of up to \$205 million principal and interest outstanding at one time to the General Fund (00100). The General Fund (00100) is entering an extended period of negative cash flow. Primarily, this is due to the payroll expense tax, which was newly implemented in 2021 and is expected to provide \$214 million in 2021 General Fund revenues. In 2021, the first year the tax is levied, the collection of the tax proceeds and corresponding cash will be due from taxpayers in January 2022. (Thereafter, the payroll expense tax will be collected quarterly.) The General Fund requires a bridge loan until the 2021 payroll expense tax proceeds are collected in first quarter 2022, and until cash flow returns to more normal patterns in 2022.

The City Budget Director and the Director of Finance have identified the potential cash deficit to be as high as \$200 million, depending on the timing of cash inflows and outflows. no single Fund in the City Treasury maintains sufficient cash reserves both to fully fund the proposed loan and still meet regular budgeted operating needs. To ensure that the General Fund can borrow the cash that it requires without straining the resources of a single Lending Fund, eight Funds will be authorized as potential Lending Funds. This ordinance grants the Director of Finance, or his designee, the authority to transfer cash to the General Fund from one or more of these designated Lending Funds. The Funds were selected as capable Lending Funds based upon analysis of cash balance histories, fund financial plans, and other considerations. Through the life of the requested interfund loan authority, FAS will closely monitor the balance sheets and income statements of the Lending Funds to ensure that interfund loan obligations do not affect the Fund’s operations or program planning.

The designated Lending Funds are:

- Health Care Fund (10112)
- Move Seattle Levy Fund (10398)
- Families, Education, Preschool, and Promise Fund (17871)
- Seattle Park District Fund (19710)
- Transportation Benefit District Fund (19900)
- REET I Capital Projects Fund (30010)

- REET II Capital Projects Fund (30020)
- Construction and Inspections Fund (48100)

These Funds will receive the same interest earnings on all cash loaned to the General Fund as they would have earned if the cash had not been loaned. It is estimated that the General Fund will pay approximately \$1.9 million in interest charges to the Lending Funds during the life of the interfund loan. It is forecast that the General Fund will gradually return to its normal cash flow patterns through 2022, after all 2021 payroll expense tax proceeds are deposited into the General Fund as they are collected in first quarter 2022.

Any anticipated cash deficit resulting from the Payroll Tax fund legislation introduced as Council Bill 120118 will be evaluated and addressed through subsequent legislation.

## 2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? \_\_\_ Yes  No

## 3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? \_\_\_ Yes  No

Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs? This legislation addresses accounting and audit concerns, but does not affect programs or services funded by the General Fund.

Is there financial cost or other impacts of *not* implementing the legislation? Yes. The City would potentially be in conflict with legal accounting and financial reporting requirements.

## 4. OTHER IMPLICATIONS

### a. Does this legislation affect any departments besides the originating department?

Yes. Seattle Parks and Recreation, the Seattle Department of Transportation, the Department of Education and Early Learning, and the Seattle Department of Construction and Inspections manage City Funds that will be authorized to loan cash to the General Fund under the conditions of the interfund loan authorized by this ordinance. The interfund loan will be carefully managed so that there is no impact to the regular or emergent budget needs of the Lending Funds.

- b. Is a public hearing required for this legislation?** No.
- c. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?** No.
- d. Does this legislation affect a piece of property?** No.
- e. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?** None. This legislation addresses accounting and audit requirements but does not impact programs or services funded through the General Fund.
- f. Climate Change Implications**
  - 1. Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?** No.
  - 2. Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.** No.
- g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s).** Not applicable.

**List attachments/exhibits below:** None.