

May 4, 2021

MEMORANDUM

To: Finance & Housing Committee
From: Tom Mikesell, Analyst
Subject: Council Bill 120039 – 2021 Carryforward & Council Bill 120040 - 2020 Exceptions

On Wednesday, May 5, 2021, the Finance & Housing Committee will discuss and possibly vote on [Council Bill \(CB\) 120039](#) and CB 120040. CB 120039 would appropriate in 2021, a portion of select department's unspent 2020 appropriations, and [CB 120040](#) would provide additional 2020 expenditure authority for department spending in excess of previously approved 2020 levels.

This memo provides (1) background on the budget adjustment process; (2) describes CBs 120039 and 120040, highlighting notable changes proposed in the legislation; (3) describes next steps; and (4) identifies one policy issue for the Committee's consideration.

Background - Budget Adjustment Process

The following describes how spending authority in the adopted budget is modified during the year with a combination of unspent appropriations from prior years, and new 'emergency' funding requests during the current year.

I. Adopted Budget

Pursuant to [RCW 35.32A.050](#), in late November of every year the City Council passes an ordinance that establishes the City's budget for the upcoming year, covering the period from January 1st through December 31st. This ordinance is the 'Adopted Budget' for the fiscal year and sets spending levels for the next year's operations and provides one year's worth of investments in the City's six-year capital improvement program. Passed by the City Council on November 23, 2020, [Ordinance 126237](#) authorized a 2021 Adopted Budget from all sources of \$6.5 billion.

II. Automatic Carryforward

Consistent with the provisions in [RCW 35.32A.080](#), most unspent annual operating budget appropriations expire, or 'lapse', at the end of the year, while capital appropriations continue into future years until they are either spent, or formally abandoned by ordinance. In addition, if explicitly authorized in ordinance, operating budget appropriations can also be 'non-lapsing' and continue until spent or abandoned. This is common in the instance of grants, for which non-lapsing spending authority is necessary until the grant is fully expended or the appropriation is abandoned. Finally, to cover promises to pay for services provided by outside vendors per a contract or purchase order, amounts can be encumbered and carry into the next year.

According to City financial data, at the end of 2020 there is a total of \$1.73 Billion of unspent prior-year budget authority that has been automatically added to the 2021 Budget. As noted, this largely represents prior year capital projects funding, grant-backed spending, other spending authorized by legislation to continue beyond the first year, and carryforwards for encumbrances. Since these appropriations were adopted with non-lapsing provisions in prior years or are otherwise encumbered to satisfy external obligations no further Council authorization is necessary for this budget authority to continue until completely spent. Table 1 shows for funds with significant automatic carryforward, by fund and type (capital and operating), the amount of prior years’ budget authority that is added to the 2021 Adopted Budget. This spending authority is largely backed by revenues that have already been deposited in the City Treasury, although in some cases, particularly in instances involving grants accepted late in the prior fiscal year, the cash has not yet been received.

Table 1¹. Funds with Significant Automatic Carryforward

Fund	Carryforward Type		
	Capital	Operating	Total
Light Fund	\$234,872,255	\$53,632,152	\$288,504,407
Transportation Fund	\$245,597,013	\$3,479,630	\$249,076,643
Drainage and Wastewater Fund	\$119,427,400	\$653,140	\$120,080,541
2016 Housing Levy Capital Fund	-	\$107,264,473	\$107,264,473
Housing Program Support Fund	-	\$104,241,704	\$104,241,704
General Fund	\$1,995,411	\$69,623,451	\$71,618,862
All Others	\$536,549,907	\$254,621,650	\$791,171,557
Total:	\$1,138,441,986	\$593,516,199	\$1,731,958,185

As shown in the table, nearly two thirds of this automatic carryforward spending authority is in capital project budgets.

III. Supplementals

After the Adopted Budget is passed, as provided by [RCW 35.32A.060](#), it may be modified during the following year by way of ‘supplemental’ spending legislation, which allows the Council, with a three-fourths approval threshold, to appropriate:

“from the emergency fund, or other designated funds, an amount sufficient to meet the actual necessary expenditures of the city for which insufficient or no appropriations have been made due to causes which could not reasonably have been foreseen at the time of the making of the budget”²

¹ Data from Citywide Financial Pivot Report version 6.2 as of 4/29/2021

² RCW 35.32.A.060.

The approval threshold for supplemental budget legislation is two-thirds of the Council if the new spending is necessary to address a specific emergency, including those:

- Caused by fire, flood, explosion, storm, earthquake, epidemic, riot, insurrection, act of God, act of the public enemy or any other such happening that could not have been anticipated; or
- For the immediate preservation of order or public health or for the restoration to a condition of usefulness of public property the usefulness of which has been destroyed by accident; or
- In settlement of approved claims for personal injuries or property damages, exclusive of claims arising from the operation of a public utility owned by the city; or
- To meet mandatory expenditures required by laws enacted since the last budget was adopted.³

Supplemental appropriation legislation can either be ‘standalone’ and add funding for a single discrete City program, or more ‘comprehensive’, increasing several City departments and funds in a single bill.

As of April 30, 2021, the City Council has passed **six standalone** supplemental bills , including:

- [Ordinance 126289](#): Appropriated in 2021 \$15 million of Seattle Transportation Benefit District Proposition 1 fund that had been held in reserve pending legal challenges to Initiative 976.
- [Ordinance 126297](#): Accepted and appropriated \$14.4 million of federal Surface Transportation and Highway Infrastructure funds awarded by the Puget Sound Regional Council to the Seattle Department of Transportation (SDOT) for the West Seattle Bridge High Bridge Repair Capital Project.
- [Ordinance 126298](#): Appropriated \$12 million from the General Fund (GF) to provide non-congregate shelter services in hotel rooms, tiny home villages, or enhanced shelters for individuals experiencing homelessness who are at increased risk for contracting or having severe outcomes from COVID-19.
- [Ordinance 126307](#): Accepted and appropriated \$22.7 million of Emergency Rental Assistance funding from the U.S. Treasury to City departments and non-city partners.
- [Ordinance 126308](#): Appropriated \$855,000 from the GF, and repurposed existing 2021 budget appropriations, to address an increase in hate crimes in Seattle, providing an overall commitment of \$1.2 million.
- [Council Bill 120041](#): For COVID-19 relief purposes, appropriated \$17.2 million of federal Coronavirus Relief Fund monies to the GF and \$234,000 to the Finance and Administrative Services Fund.

³ Ibid.

Comprehensive supplemental budget legislation that revises several City departments budgets takes one of two forms, as follows:

- **Annual Carryforward:** Typically the first comprehensive supplemental legislation introduced in a year, this bill requests that a portion of select department’s unspent prior year budget be reappropriated in the current year to continue/complete a discrete program or project for which the funding was originally provided, but which could not be fully completed for reasons that vary specific to the request. Distinct from the automatic carryforward, the budget authority for each requested item has lapsed at the end of the prior fiscal year – each carryforward request essentially asks that the budget authority given in the prior year be reapproved for the current year. This bill is produced through a periodic submittal and review process covering all departments that is centrally managed by the City Budget Office.
- **Quarterly Supplementals:** Received at regular intervals during the year, the quarterly supplementals form the bulk of City departments’ requests for additional spending authority. Together with requests to spend dollars generated through year end fund reconciliation and revenue forecast updates, these bills provide spending authority for grant revenues that are described and detailed in accompanying grant acceptance bills. These bills are produced through a periodic submittal and review process covering all departments that is centrally managed by the City Budget Office. In recent years there have been three quarterly supplemental spending bills, although there is no minimum nor maximum requirement.

IV. Exceptions

The final type of budget adjustment legislation is the exceptions ordinance. Typically introduced several months after the fiscal year end, this bill provides retroactive budget authority to the prior-year’s budget for spending that has exceeded the revised budget after all automatic and legislated appropriation increases.

Table 2 summarizes at a high level the City’s 2021 Revised Budget, starting from the Adopted Budget and accounting for all automatic and legislated changes to date.

Table 2. 2021 Revised Budget-to-Date

Fund	(a)	(b)	(c)	(d) = a+b+c	d/a
	2021 Adopted	Auto Carryforward	Standalone Bills	2021 Revised	% Increase
General	\$1,607 M	\$72 M	\$30 M	\$1,709 M	6%
All Other	\$5,034 M	\$1.66 M	\$49 M	\$6,743 M	34%
Total:	\$6,641 M	\$1.732 M	\$79 M	\$8,452 M	27%

As shown in the table, automatic and legislated increases to date result in a 27 percent increase compared to the 2021 Adopted Budget. The bulk of this is automatic carryforward authority from prior years, and as shown in Table 1, much of this automatic carryforward is for ongoing capital projects. This information is shown at the department level in Attachment 1 to this memo.

CB 120039 – 2021 Carryforward

CB 120039, the 2021 Carryforward bill, requests approval for a total 2021 budget increase of \$80.1 million from several City funds. As described in this memo, these carryforward increases are intended to support activities that were budgeted, but not completed, in 2020. Attachment 1 to this memo shows each department's carryforward request as a percentage of the Revised Budget.

As shown in Attachment 1 several department's total carryforward requests represent significant percentages compared to their 2021 Revised budget, as follows:

- **Office for Civil Rights:** A \$1 million (14 percent) GF increase primarily for execution of two Collaborative Grantmaking Project Grants grant awards that were announced in December 2020 and are expected to be executed in 2021.
- **Office of Emergency Management:** A \$4.2 million (152 percent) GF increase representing several Seattle Police Department (SPD) grants that are requested to be transferred to the Office of Emergency of Management (OEM), the largest of which is \$3.7 million from a Pre-Disaster Mitigation Grant from the Federal Emergency Management Agency which provides funding to support 75 percent of the cost of a structural seismic retrofit on an affordable housing facility (with matching funds to be provided by Capitol Hill Housing). These appropriations were part of SPD's automatic carryforward into 2021 and are being explicitly reduced from SPD's revised 2021 budget, and re-appropriated, with non-lapsing provisions due to the grant funding, in the OEM budget.
- **Office of Planning and Community Development:** A \$27.1 million (124 percent) increase across several programs and funds, the majority of which is \$26.8 million for Equitable Development Initiative (EDI) Awards to community organizations, representing the remainder of unspent and unencumbered EDI budget authority.
- **Office of the City Auditor:** A \$500,000 (13 percent) increase from the Sweetened Beverage Tax Fund to continue work on the evaluation of the City's Sweetened Beverage Tax. The funds were unspent in 2020 due to uncertainty around the Covid-19 pandemic and are expected to be spent in 2021.

Other notable items include:

- **Childcare Bonus Appropriation:** A \$7.2 million increase to the Human Services Fund in the Human Services Department for Childcare Facility projects. This budget was added

in a 2020 supplemental in anticipation on awarding contracts backed by Childcare Bonus Fund revenue for Childcare Facility projects. Budget authority is needed in 2021 so that contracts for these funds can be executed.

- **Seattle Community Safety Initiative:** A \$4 million GF increase to HSD for one-time funds contracted out to Community Passageways to implement the community safety program.
- **West Wing Capital Improvements:** A \$2 million increase from the Cumulative Reserve Subfund - Unrestricted Fund to Finance General representing funds were added to the 2020 Adopted Budget as part of the High Barrier Workgroup recommendations. The funds would be used for a partnership between the City and King County to create a 40-60 bed, comprehensive place-based treatment center at the “West Wing” of the King County Correctional Facility. Funds were not spent in 2020 and are proposed to carry forward to 2021 for this capital development work.

These and all other requested items are described in in [Attachment A](#) to the summary and fiscal note submitted by the Executive. The bill requires approval by $\frac{3}{4}$ of the City Council to pass.

CB 120040 – 2020 Exceptions Ordinance

CB 120040, the 2020 Exceptions bill, requests approval for a total City budget increase of \$30.1 million. These appropriations increases are intended to resolve instances where departments overspent their revised 2020 Budget allocations. Notable requests include:

- **SDOT Budget Exception:** A \$9.4 million increase from the Transportation Fund due to unanticipated costs in the Leadership & Administration BSL for higher expenses in indirect costs and equipment than were projected in the 2020 Adopted Budget, primarily due to the COVID-19 pandemic.
- **Seattle Public Utilities Budget Exceptions:** Increases of \$8.4 million and \$4.8 million from the Water Fund and Drainage and Wastewater Fund, respectively, due to unanticipated expenses in the Utility Services and Operations BSL for operational and maintenance costs due to COVID, specifically due to not being able to dispatch capital project crews for safety and logistical reasons.
- **Office of Housing Budget Exceptions:** A \$6.1 million increase in the General Fund due to technical error in the 2020 Adopted Budget that resulted in a negative appropriation.

These and all other requested items are described in in [Attachment A](#) to the summary and fiscal note submitted by the Executive. The bill requires approval by three-fourths of the City Council to pass.

Budget Development - Next Steps

Based on information to date, and recent practice, there will likely be additional proposed standalone and comprehensive supplemental appropriations bills, as follows:

1. Currently unknown standalone bills, as well as those identified at the April 20, 2021 Finance & Housing Committee meeting, could include:

- *American Rescue Plan Act (ARPA) Coronavirus Local Fiscal Recovery (CLFR) Fund:* Would appropriate the first tranche, currently estimated to be \$119 million of the City's allocations of federal ARPA CLRF monies.
- *ARPA Targeted Aid:* Would appropriate \$12.2 million from the ARPA HOME Investment Partnerships Program and could include other targeted aid that is made available.

2. Additional comprehensive appropriation bills could include:

- *2nd Quarter Supplemental:* Typically introduced in mid-year, would represent the second comprehensive supplemental appropriations bill, and is distinct from the carryforward bill in that a grant acceptance bill typically accompanies it.
- *3rd Quarter Supplemental:* Typically introduced during the deliberative process for the next year's budget bill, which runs from October through the budget bill's final passage in late November, this bill would represent the third comprehensive, citywide budget increase request from the Executive, and is accompanied by a grant acceptance bill.
- *4th Quarter Supplemental:* Typically introduced in November, with final deliberation taking place in December, less than one-month after the final passage of the next year's budget and the 3rd Quarter supplemental, this represents the penultimate comprehensive citywide budget increase request from the Executive, and is accompanied by a grant acceptance bill.

Issue Identification

1. Timing of the Fourth Quarter Supplemental

The timing of the 4th Quarter Supplemental in the final month of the fiscal year raises issues for Committee consideration, including:

- The short time frame between the end of the fiscal year and the available time for deliberation in early to mid-December, places the Committee and City Council in the position of making resourcing decisions without time for robust follow-up and deliberation.
- Decisions being made during the comprehensive budget process for the next year, in October and November, may not incorporate the full financial status of available resources and needs in the current year.

- Due to the short time frame between passage of the bill, in December, and the end of the fiscal year, some spending authority requested in the quarterly supplemental year is simply carried into the next year through either automatic and/or legislative carryforward requests, possibly creating inefficiencies.

Options:

- A. Direct the Executive to plan for all final supplemental budget requests of the year to be made in the 3rd Quarter supplemental. This would require that City departments make more conservative financial planning projections when developing requests for the 3rd Quarter supplemental would therefore increase its size and scope. Further, for unavoidable emergent spending not identifiable in the 3rd Quarter, this could increase the size and scope of the Exceptions bill introduced in the next year. Standalone supplemental legislation introduced in the following year would provide an opportunity to consider grant acceptance and spending decisions that cannot be finalized by the deadline for the 3rd Quarter supplemental.
- B. Take no action.

Attachments:

1. 2021 Budget Adjustments through April 30, 2021.

cc: Dan Eder, Interim Director
Aly Pennucci, Policy and Budget Manager

Attachment 1. 2021 Budget Adjustments Through 4/30/21

	(a)	(b)	(c)	(d) = (a+b+c)	(e)	(f) = (e)/(d)
Department	2021 Adopted Budget	Automatic Carryforward	Approved Supplementals as of 4/30/21	2021 Revised Budget	CB 120039 (carryforward)	CB 120039 % Increase to Revised Budget
Civil Service Commissions	522,731	-	-	522,731	27,935	5%
Community Safety and Communications Center	17,887,095	-	-	17,887,095	-	0%
Department of Education and Early Learning	104,462,913	65,851,193	600,000	170,914,106	3,337,449	2%
Department of Neighborhoods	16,419,693	2,127,916	333,000	18,880,609	330,500	2%
Department of Parks and Recreation	228,815,912	161,602,084	2,900,000	393,317,996	272,169	0%
Employees' Retirement System	8,646,345	59,707	-	8,706,051	-	0%
Ethics and Elections Commission	9,467,737	-	-	9,467,737	-	0%
City Budget Office	7,145,311	98,659	290,320	7,534,290	74,000	1%
Office for Civil Rights	6,997,982	264,555	50,000	7,312,537	1,050,000	14%
Office of Arts and Culture	14,415,375	2,899,189	-	17,314,564	168,345	1%
Office of Economic Development	14,617,134	7,250,848	100,000	21,967,982	82,624	0%
Office of Emergency Management	2,483,750	-	274,255	2,758,005	4,203,190	152%
Office of Housing	84,536,306	329,256,030	21,222,605	435,014,941	50,000	0%
Office of Immigrant and Refugee Affairs	3,864,854	1,313,943	1,317,000	6,495,797	77,570	1%
Office of Intergovernmental Relations	2,810,942	10,000	-	2,820,942	-	0%
Office of Labor Standards	7,276,457	252,753	-	7,529,209	-	0%
Office of Planning and Community Development	13,833,108	7,998,112	-	21,831,219	27,139,641	124%
Office of Sustainability and Environment	16,315,126	1,726,887	1,241,600	19,283,612	1,215,500	6%
Office of the Community Police Commission	1,712,564	102,568	-	1,815,132	80,000	4%
Office of the Mayor	7,440,359	126,220	-	7,566,579	160,000	2%
Finance and Administrative Services	359,584,637	80,425,031	234,213	440,243,881	4,641,516	1%
Finance General	415,635,294	5,175,940	-	420,811,234	3,862,159	1%
Firefighters Pension	21,020,461	-	-	21,020,461	-	0%
Human Services Department	301,475,270	24,413,400	19,918,000	345,806,670	15,158,864	4%
Law Department	35,445,409	286,733	-	35,732,141	28,000	0%
Legislative Department	18,441,784	2,177,447	-	20,619,231	300,000	1%
Office of Hearing Examiner	1,061,517	4,383	-	1,065,900	-	0%
Office of Inspector General for Public Safety	2,979,486	489,572	-	3,469,058	-	0%
Office of the City Auditor	2,520,212	1,423,045	-	3,943,257	500,000	13%
Office of the Employee Ombud	733,298	-	155,000	888,298	59,200	7%
Police Relief and Pension	26,651,531	-	-	26,651,531	-	0%
Seattle Center	42,799,533	26,697,262	-	69,496,795	319,325	0%
Seattle City Light	1,357,757,307	288,504,407	-	1,646,261,713	5,501,361	0%
Seattle Department of Construction and Inspections	99,106,360	930,534	-	100,036,894	610,000	1%
Seattle Department of Human Resources	335,620,960	561,180	-	336,182,140	2,355,836	1%
Seattle Department of Transportation	636,630,029	407,042,731	29,900,000	1,073,572,760	4,278,823	0%
Seattle Fire Department	249,339,131	13,405,711	-	262,744,842	138,650	0%
Seattle Information Technology Department	276,559,501	59,345,304	-	335,904,804	2,138,365	1%
Seattle Municipal Court	38,377,201	37,531	-	38,414,732	-	0%
Seattle Police Department	362,988,810	20,770,419	-	383,759,229	(4,203,190)	-1%
Seattle Public Library	86,911,995	8,307,871	-	95,219,866	3,796,100	4%
Seattle Public Utilities	1,399,444,095	211,019,021	420,000	1,610,883,116	2,357,967	0%
Total	6,640,755,513	1,731,958,185	78,955,993	8,451,669,690	80,111,899	1%