

SUMMARY and FISCAL NOTE*

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1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to the financing of the General Fund; amending Ordinance 126407 to increase the authorization of interfund loans up to a total amount of \$275,000,000 from multiple City Funds to the General Fund as bridge financing to be repaid from future tax proceeds and other anticipated revenues; authorizing additional lending funds; and ratifying and confirming certain prior acts.

Summary and background of the Legislation: This legislation amends Ordinance 126407, which authorized a revolving interfund loan of up to \$205 million principal and interest outstanding at one time to the General Fund (00100), effective September 11, 2021. This legislation increases the interfund loan authorization to \$275 million total principal and interest outstanding at one time. This ordinance also authorizes the use of two additional potential Lending Funds, in addition to the eight potential Lending Funds previously authorized through Ordinance 126407: the Park and Recreation Fund (10200), and the Coronavirus Local Fiscal Recovery Fund (14000).

The General Fund (00100) has entered an extended period of negative cash flow in 2021. Primarily, this is due to the payroll expense tax, which was newly implemented in 2021 and is expected to provide \$217 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.) In October 2021, the City Budget Office learned that completion of the sale of the surplus Mercer West property would be postponed until 2022, delaying the receipt of \$66.5 million revenues that were intended to support 2021 appropriations in the General Fund.

Due to the resulting cash constraints, the General Fund requires a bridge loan until the 2021 payroll expense tax proceeds are collected in first quarter 2022, the Mercer West property sale is completed, and General Fund cash flows return to more normal patterns. The City Budget Director and the Director of Finance have identified the potential cash deficit to be as high as \$272.5 million, depending on the timing of cash inflows and outflows. It is estimated that the General Fund will pay approximately \$2.5 million in interest charges to the Lending Funds during the life of the interfund loan.

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, ten 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, the Department of Finance and Administrative Services 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)
- Park and Recreation Fund (10200)
- Move Seattle Levy Fund (10398)
- Coronavirus Local Fiscal Recovery Fund (14000)
- 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.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ___ Yes X No

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? ___ Yes X 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.