



SEATTLE CITY COUNCIL
CENTRAL STAFF

General Fund Financial Plan Update

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FINANCE AND HOUSING COMMITTEE
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Outline

Review updates to the General Fund (GF) Financial Plan using:

- Updated estimates of the 2023 actual, and 2024 revised, revenues, spending and planning reserves compared to numbers used in the 2024 Adopted Budget
- Updated GF revenue and inflation forecasts, and CBO planning reserve projections, for 2025 through 2027 as required by [SMC § 3.140.60.B](#)

Caveats

- *Underlying assumptions, baseline data and methodologies used for the figures in this memorandum are consistent with the approach developed by CBO. Put another way, these plans are not engineered by Central Staff using independent methods and research, but rather represent a recasting and transparent discussion of work that is already performed by CBO.*
- *Further, all elements of the GF budget are subject to review and revision by the City Council. The portrayal of these plans is not intended to indicate that the underlying budget decisions embedded within cannot be changed in the future / during the fall budget process, but rather that the projections are estimates of the future cost of continuing ongoing 2024 budget programs into the future.*
- *Numbers will continue to evolve through the year*

Where we were: 2023 Revised /2024 Adopted GF Budget

Key takeaway: Starting from a \$361 million fund balance, the two-year GF budget balanced to a \$1 million unreserved fund balance at end of 2024

<i>Amounts in \$1,000,000s</i>	2023 Revised	2024 Adopted
Starting Balance	361	244
Revenues	1,717	1,698
Expenditures	(1,834)	(1,722)
Ending Budgetary Fund Balance	244	220
Planning Reserves	-	(219)
Ending Unreserved Fund Balance	-	1

Updates:

2023 Ending GF Balance Higher Than Projected

2023 ending budgetary fund balance increased by \$164M above revised estimate because:

- Revenues were \$48M below forecast, due to \$51M of unreceived grants, which are still anticipated and are added to the 2024 forecast in April
- Expenditures were \$212M below the revised 2023 budget, due to underspending of departmental appropriations. Most of the unspent appropriations will continue (carryforward) into 2024 either automatically, or through legislative action, and a portion of the excess cash balance supports those carryforwards

Higher 2023 ending balance increases the 2024 beginning balance by a like amount

Key takeaway: The 2023 budgetary ending balance increased from \$244M to \$408M, which means the starting point for the 2024 budget is higher than assumed when the Council adopted the budget in November of 2023.

Updates:

Revised 2024 Ending Balance Lower than Adopted

2024 beginning balance increased by \$164M, but:

- The underlying base GF revenue forecast declined by \$7M*
- Projected spending increased by \$128M*
- CBO increased planning reserves by \$42M based on settled labor agreements

As such, the 2024 revised unreserved ending balance drops to **(\$12M)**

Key takeaway: Projected 2024 unreserved ending balance decreased to (\$12M), though this does not include the impacts of the City hiring freeze and actual mid-year legislation

*Excludes carryforward grant revenues and expenditures from 2023.

Where we are: 2023 Actual /2024 Revised GF Budget

Key takeaway: Although 2023 ended with a higher balance than what was expected when the 2024 budget was adopted, lower revenue forecasts and higher spending estimates in 2024 make the projected 2024 ending unreserved fund balance negative.

<i>Amounts in \$1,000,000s</i>	2023 Actual	2024 Revised
Starting Balance	361	408
Revenues	1,669	1,742
Expenditures	(1,622)	(1,902)
Ending Budgetary Fund Balance	408	249
Planning Reserves	-	(261)
Ending Unreserved Fund Balance	-	(12)

Updates:

Adjustments to 2025 – 2027 Revenues and Expenditures

Forecast Office/CBO April Revenue Forecast:

- Minor improvement in 2025, increasingly better by 2027

Forecast Office Inflation Update:

- Slightly higher inflation in 2026 and 2027

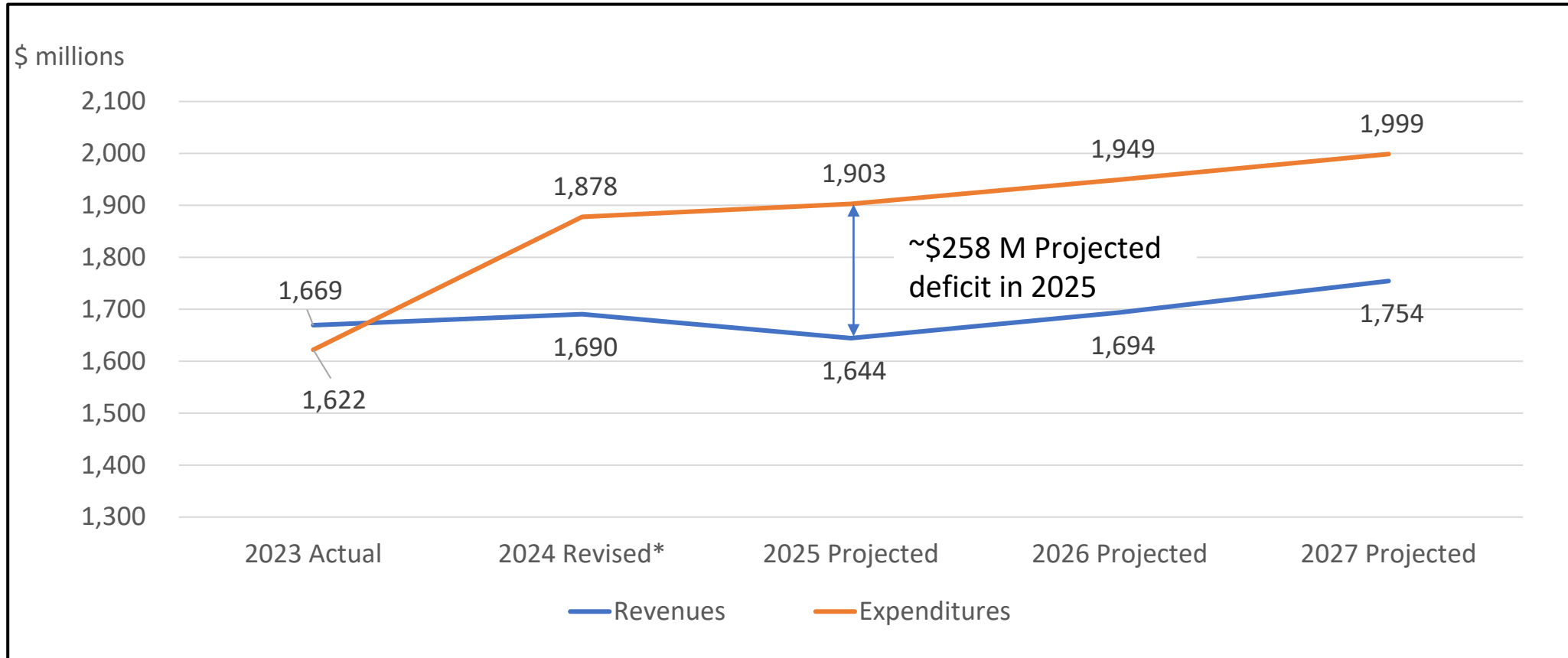
Other Adjustments:

- CBO planning reserves

Key takeaway: Higher revenues in the out-years, though little growth in the near term; based on new data, planning reserve adjustments increase projected costs in all years.

Where we are now:

May 2024: Projected GF Operating Deficit



Key Takeaway: Projected operating deficit increases from \$241 million to \$258 million in 2025 based on updated information

GF Key Takeaways

- Due to settled labor contract costs exceeding planning estimates, revised 2024 ending unreserved fund balance is negative
 - *Does not yet include impacts of actual mid-year appropriation requests, and salary savings from hiring freeze*
- Projected ongoing GF budget gap grew to \$258M, due to same factors
- The Executive continues to work on revisions to the 2024 Adopted budget, which will inform changes to the financial plan presented in August, and the Mayor's 2025/2026 proposed budget
- An updated plan will be transmitted with the proposed budget.

Next Steps

- August: Forecast Office/CBO revenue and economic forecast
- September: Mayor's 2025-2026 Proposed Budget
- October: Final Forecast Office/CBO forecast for the year, and Council amendments
- Using the framework covered in this presentation, Central Staff will provide GF financial plan updates

Appendix

Changes to 2023-2024 GF Balancing

<i>Amounts in \$1,000,000s</i>	2023 Revised	2023 Actual	Change	2024 Adopted	2024 Revised*	Change
Starting Balance	361	361	0	244	408	164
Revenues	1,717	1,669	(48)	1,698	1,690	(7)
Expenditures	(1,834)	(1,622)	212	(1,722)	(1,849)	(128)
Ending Budgetary Fund Balance	244	408	164	220	249	29
Planning Reserves				(219)	(261)	(42)
Ending Unreserved Fund Balance				1	(12)	(13)

*To allow for meaningful comparisons to the adopted budget, 2024 revised revenues and expenditures exclude \$51M for carryforward grants and service contracts.

Appendix

Comparisons of Key Forecast Inputs – Adopted Budget to May 2024

Revenue Forecast Comparison – Forecast Office/CBO

Amounts in \$1,000,000	2025	2026	2027
October 2023 Forecast	1,641	1,680	1,731
April 2024 Forecast	1,644	1,694	1,754
Revenue Change	3	14	24

Inflation Forecast Comparison

CPI-U (12 m ending June)	2025	2026	2027
Adopted Budget	3.0%	2.5%	2.6%
April 2024 Forecast	3.0%	2.7%	3.0%
Change	0.0%	0.2%	0.4%

Planning Reserve Projection Comparison

Amounts in \$1,000,000	2025	2026	2027
Adopted Budget	181	212	245
May 2024 Update	200	242	276
Change	20	30	31