

Amendment 1

to

Resolution 31952 - 2020 REET Uses Policy

Sponsor: CM Mosqueda

Modify Policy 12 to allow the ending fund balance of the REET subaccounts to decrease below \$5 million due to revenue fluctuations caused by the public health emergency

Amend Section 2 of Resolution 31952 as follows:

Section 2. The City Council hereby acknowledges and endorses the following changes to the Financial Policies for the Cumulative Reserve Subfund of the General Fund:

a) Policy 6c, regarding the use of Capital Project Account revenues, previously allowed those revenues to be used for paying debt service for Public Safety facilities and for paying debt service on previously issued debt for authorized capital projects per RCW 82.46.010 and 82.46.035. This resolution expands permitted uses of those revenues to 1) debt service for the repair or replacement of the West Seattle Bridge and 2) paying debt services on newly issued debt between January 1, 2021 and December 31, 2022 for authorized capital projects per RCW 82.46.010 and 82.46.035. This resolution also establishes debt service coverage limitations on the amount of Real Estate Excise Tax that may be used for the payment debt service.

b) Policy 12, regarding the ending fund balance for the REET subaccounts, is modified to allow a decrease in the ending fund balance below the specified target as a result of significant revenue fluctuations caused by proclaimed civil emergencies, natural disasters, or public health emergencies.

Correct the section number for the section following Section 2 of Resolution 31952 to Section 3.

Amend Attachment A to Resolution 31952 as follows:

Policy 12. Ending Fund Balance for REET I and REET II Subaccounts. In order to guard against revenue fluctuations, the City intends to maintain at least a total \$5 million ending fund balance for the REET I and REET II subaccounts of the Cumulative Reserve Subfund. The City Council may authorize appropriations that result in a decrease of the ending fund balance below the target referenced in the immediately preceding sentence if the City experiences significant revenue fluctuations caused by proclaimed civil emergencies, natural disasters, or public health emergencies. In the event that the ending fund balance decreases below the target amount referenced above, the City shall seek to restore the ending fund balance to the target amount as soon as is practically possible.

Effect:

This amendment would add an exception to Financial Policy 12 relating to the ending fund balance for the City's Real Estate Excise Tax (REET) I and REET II subaccounts. The current policy states that the City intends to maintain at least \$5 million in the ending fund balance of the subaccounts to guard against revenue fluctuations.

Due to the significant revenue decrease that has occurred as a result of the COVID-19 pandemic, the Executive's proposed rebalancing for the 2020 budget would leave each REET subaccount with an ending fund balance of slightly above \$3 million.

To account for the current and other potential revenue losses, this amendment would allow the City Council to authorize appropriations that result in the ending fund balances sinking below the \$5 million target if the City experiences significant revenue fluctuations caused by proclaimed civil emergencies, natural disasters, or public health emergencies. The amendment also states that if the ending fund balances sink below the target, the City will seek to restore them to the target level as soon as is practically possible.