

2023 Seattle City Council Statement of Legislative Intent

Council Budget Action: Agenda

Tab	Action	Option	Version
LEG	322	A	001-2023

Budget Action Title: Express Council's intent to update policies related to the City's annual budget process, and to apply the \$10 million underspend assumption for 2023 and 2024 to unappropriated GF planning reserves

Ongoing: No Has Attachment: No

Primary Sponsor: Budget Committee

Council Members:

Staff Analyst: Esther Handy

Date		Total	LH	TM	KS	AP	DJ	DS	AL	BC	SN
	Yes	0									
	No	0									
	Abstain	0									
	Absent	0									

Statement of Legislative Intent:

This Statement of Legislative Intent (SLI) would express Council's intent to update the guidance currently provided in Resolution 28885 related to the annual budget process through new legislation and request a Central Staff and Central Budget Office (CBO) workgroup prepare recommendations; and expresses Council's intent to apply the \$10 million GF under spend assumption to the non-appropriated planning reserves in the 2023 statement of a balanced GF budget and requests that the City Budget Office (CBO) updates the GF financial plan in future version of adopted or proposed budget books accordingly.

Updating policies related to the annual budget process & treatment of GF planning reserves

In 1994, the City Council adopted Resolution 28885, which outlined a process for creating a City budget with elements of a biennial budget process. Chapter 35.34.040 of the Revised Code of Washington (RCW) allows certain Washington cities the option of passing a two-year (biennial) budget every two years, then amending it during the two years it is in effect. The City of Seattle, to date, has not chosen to invoke RCW 35.34.040. Instead, the City Council adopted Resolution 28885 in 1994, which outlined a process for creating a City budget with elements of a biennial budget process, namely, the non-binding endorsement of a second-year budget.

Due to the COVID-19 pandemic and resulting financial crisis, in 2020, via Resolution 31954, the City suspended that biennial process for the 2021-2022 biennium and provided direction to strengthen the financial plan and to provide more transparency to the Council about the assumptions embedded in that plan. Those improvements have begun with new leadership at CBO and the partnership between CBO and Central Staff to provide greater oversight and ongoing monitoring of the GF financial plan.

This Statement of Legislative Intent (SLI) would express Council's intent to update the guidance currently provided in Resolution 28885 related to the annual budget process through new legislation and request a Central Staff and Central Budget Office (CBO) workgroup prepare recommendations.

The workgroup should discuss and consider the following policy areas:

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-GF financial plan policies including (a) policy to incorporate all growth in expenditures required by current law in the GF financial plan and (b) update requirements of the proposed budget to include additional information on the financial plan.

-Financial planning practices for other funds including (a) reviewing current practices and (b) propose a timeline and scope for any recommended financial planning policy updates for other funds.

-Unreserved Fund Balances including (a) review the current planning reserve practices and (b) explore financial policies for planning reserves.

-Financial monitoring tools beginning with (a) review the current use of financial monitoring tools, including new processes CBO is introducing in 2023 and then (b) develop a timeline to achieve a regular information about budget-to-actual spending throughout the year.

-The appropriate cadence of supplemental budget ordinances during the year.

-Financial policies related to the adequate authority and flexibility of the Budget Director to move funding within Departments mid-year; this discussion should acknowledge the changes in budget systems including the use of budget summary levels (BSLs) that may render current policy outdated or overly restrictive.

-Timeline goals for mid-year policy changes including exploring (a) preferred timelines for transmitting proposed changes to fund policies in advance of a proposed budget transmittal and (b) preferred timelines for introduction and adoption of policy that will have significant impact on the proposed budget.

-Biennial budgeting process including the pros and cons of the city formally adopting a biennial budgeting process.

The working group should include staff from the CBO and the Council Central Staff and should produce a recommendation for the Finance and Housing Committee by May 31, 2023.

The Council recognizes that successful implementation of the policy recommendations may require additional resources.

Underspend Assumption

To demonstrate a balanced budget, the Proposed 2023-2024 Budget includes a \$10 million under spend assumption in 2023 and in 2024. This assumption represents the intent for actual expenditures to be \$10 million lower than appropriated levels in 2023 and \$10 million less than endorsed appropriations for 2024. The GF financial plan submitted with the budget includes this amount as adjustments to expenditures which means the budgeted GF expenditures shown in the plan for 2023 would be \$10 million lower than the proposed GF appropriations submitted to the City Council in the 2023-2024 Proposed Budget.

Moving the \$10 million under spend assumption to the planning reserves, which are unappropriated in the GF budget, would align budgeted GF expenditures in the GF financial plan with the final appropriation amount when demonstrating a balanced budget pursuant to RCW 35.32A.030, the state balanced budget law. The Council requests that the GF financial plan published in the 2023 Adopted Budget Book reflect this approach. For 2024, as an alternative, the Executive could identify specific spending reductions across departments that would result in reducing GF expenditures by \$10 million overall.

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Responsible Council Committee(s):

Finance and Housing

Date Due to Council:

June 1, 2022