

July 15, 2024

MEMORANDUM

To: Finance, Native Communities, and Tribal Governments Committee
From: Ben Noble, Central Staff
Subject: Council Bill 120811: Appropriating Funding for Employee Wage Adjustments

On July 17, 2024, the Finance, Native Communities, and Tribal Governments Committee will discuss [Council Bill \(CB\) 120811](#), which would appropriate funds to cover the costs associated with the series of labor agreements approved by Council earlier this year. This includes new agreements with the Coalition of City Unions, Local 27 of the International Association of Fire Fighters, Local 77 of the International Brotherhood of Electrical Workers, the Seattle Police Officer's Guild, and several other unions.

The estimated incremental cost of these agreements for 2024 totals approximately \$352 million, of which \$216 million impacts the General Fund (GF). These figures include the cost of both retroactive payments for previous years and ongoing 2024 wages. In anticipation of these appropriations, the Executive has set aside reserves in the GF and all other affected funds in amounts sufficient to meet these obligations.

The proposed legislation would appropriate only a portion of the available reserves. In particular, the bill would approve new funding in the amount of \$255 million, of which approximately \$162 million is from the GF. The requested funding can fully address the required retroactive payments and approximately half the 2024 costs. Although there are sufficient reserves to cover the incremental cost, the Executive has proposed only partial funding as part of its strategy to address spending pressures in 2024 and the deficits projected for 2025 and beyond. As announced earlier this year, the Executive has imposed a hiring freeze and a contract review process to help control 2024 spending.

The Executive intends to have departments use these savings to help offset a portion of the incremental 2024 costs. At this point in the year, the total amount of potential savings is unknown, so it is unclear what portion of the additional labor costs can be absorbed within existing budgets and what portion will require additional appropriations from reserves. The Executive initially estimated that the hiring freeze could save as much as \$20 million in General Fund resources, but the precise figure won't be known until later in the year. The City Budget Office plans to develop more precise estimates of projected underspend in early September and will use this analysis to develop a final, further request of funding to be transferred from the reserves. This request will come in the year-end supplemental that will be transmitted with the Mayor's Proposed Budget in late September. Overall, this strategy appears sound, and given that the City is contractually obligated to the wage payments the proposed legislation is appropriate.