

CITY OF SEATTLE

RESOLUTION 32116

..title

A RESOLUTION relating to the City’s annual budget process; updating modified biennial budgeting processes; establishing guidelines for mid-year budget changes; establishing data sharing and reporting requirements; and superseding Resolutions 28885 and 31954.

..body

WHEREAS, chapter 35.32A of the Revised Code of Washington (RCW) provides the framework for adoption of The City of Seattle’s annual budget, further guided by Resolution 28885, adopted in 1994; and

WHEREAS, Resolution 28885 established a modified biennial budget process beginning in 1995; and

WHEREAS, since 1995, every two years the Council and Mayor have adopted a budget for the following year and endorsed a budget for the year following; and

WHEREAS, appropriations have always been adopted on an annual basis under chapter 35.32A RCW; and

WHEREAS; the City process to develop and approve the annual budget in the second year of the modified biennial budget process are similar to the first year of the biennium; and

WHEREAS, in 2020, the City Council and Mayor adopted Resolution 31954, suspending the modified biennial budget process for the 2020-2021 biennium; and

WHEREAS, via Resolution 31954, the Council requested that the City Budget Office (CBO) and the Department of Finance and Administration Services (FAS), in consultation with Council Central Staff, evaluate and report on both the near- and long-term solutions that allow for sufficient and transparent budget planning; and

WHEREAS, the City’s supplemental and carryforward budget processes have broadly utilized RCW 35.32A.060, which allows appropriating funds mid-year to meet the needs of the

1 city “for which insufficient or no appropriations have been made due to causes which
2 could not reasonably have been foreseen at the time of the making of the budget”; and

3 WHEREAS, this broad application of the state budget act has resulted in increasingly time-
4 intensive supplemental and carryforward budget processes; and

5 WHEREAS, the City has limited resources for fiscal analysis, budget monitoring, and preparing
6 plans for how to optimally invest the City’s financial resources to address community
7 needs; and

8 WHEREAS, defined guidelines for mid-year budget changes, that encourage City departments to
9 adhere to their biennial appropriations when possible while also allowing the City to
10 adapt to emerging community needs and circumstances when needed can help the City
11 realize more sustainable service levels; and

12 WHEREAS, in 2023, the Council and the Executive, established new guidelines for the odd-year
13 mid-biennium budget development and review processes that aligns practice to the policy
14 outlined in Resolution 28885; and

15 WHEREAS, Statement of Legislative Intent (SLI) LEG-322-A-001-2023, requested
16 recommendations from a Council Central Staff (CS) and the City Budget Office (CBO)
17 workgroup related to the annual budget process and treatment of General Fund planning
18 reserves; and

19 WHEREAS, Seattle, like all public bodies, grapples with the issue of how to appropriately
20 reserve resources for current year and future needs when there are aspects of
21 confidentiality and/or lack of precise cost information at the time of budgeting and
22 Seattle’s current practice for addressing this issue is through planning reserves, for which
23 there are no formal policies in place; and

1 WHEREAS the response to SLI LEG-322-A-001-2023 includes eight joint recommendations
2 from CS and CBO intended to increase transparency in City budgeting, reporting, and use
3 of City resources; and

4 WHEREAS, adopting a new resolution to guide the City’s budget processes and policies related
5 to the planning reserves will memorialize those recommendations and the new budget
6 processes implemented in the 2023-2024 biennium; NOW, THEREFORE,

7 **BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE**
8 **MAYOR CONCURRING, THAT:**

9 Section 1. Citywide biennial budgeting. A biennium consists of an odd-numbered year
10 and the following even-numbered year (Year 1 and Year 2, respectively). Budget processes for
11 Year 1 and Year 2 occur in the fall preceding each of those years. In the fall preceding the
12 biennium, The City of Seattle will develop and deliberate on a biennial budget consisting of two
13 one-year budgets for all City departments. The City will pass an ordinance adopting balanced
14 appropriations for Year 1 consistent with chapter 35.32A RCW, and will adopt a resolution
15 endorsing appropriations for Year 2, with that is balanced over the two-year period. Starting with
16 the endorsed Year 2 budget, the City Council will consider and approve Year 2’s budget.
17 Expenditure authority will be appropriated at the budget control level.

18 A. For Year 1:

19 1. The Mayor proposes a two-year balanced budget, and then the Council reviews,
20 modifies, and considers adjustments through the Chair of the Select Budget Committee’s
21 balancing package and/or standalone amendments.

1 2. The Council adopts a budget for the first year of the biennium by ordinance and
2 endorses a budget for the second year in the biennium by resolution. The adopted and endorsed
3 budgets will serve as the basis for departments' spending in the biennium.

4 B. For Year 2, the Mayor proposes adjustments to the endorsed budget, and then the
5 Council reviews the adjustments, considers additional adjustments, and adopts a budget for Year
6 2. The adjustments in Year 2 should result in minimal changes.

7 1. Year 2 budget adjustments will address current conditions and updated
8 assumptions that were not foreseen in Year 1. This includes, but is not limited to, adjustments
9 that respond to:

10 a. Changes to the revenue forecast necessary to balance the budget;

11 b. Changes to assumptions about the cost to deliver City programs and
12 services;

13 c. Proposals to carry forward appropriations from Year 1 as necessary to
14 carry out an essential project or program that will not be fully expended in Year 1;

15 d. Emergent community needs prioritized by the Mayor and the Council;

16 e. A proclaimed civil emergency pursuant to Seattle Municipal Code
17 Chapter 10.02; or

18 f. New opportunities to partner with external organizations or other
19 governmental agencies to leverage City investments.

20 2. After transmittal of the Year 2 proposed budget by the Mayor, the Council
21 may request a Select Budget Committee briefing from the Executive on the status of certain
22 initiatives funded in Year 1, such as progress reports on implementation of programs and
23 services newly funded in Year 1.

1 Section 2. Supplemental budget changes

2 A. Definitions

3 1. “Supplemental budget bill” means a bill that proposes to amend the adopted
4 annual budget under the authority provided in chapter 35.32A RCW, such as annual
5 carryforward legislation, mid-year and year-end supplemental budget bills, grant appropriation
6 bills, and standalone budget bills.

7 2. “Standalone supplemental budget and grant bill” means a bill that proposes to
8 amend the annual budget related to a single discrete City program or department, or to
9 appropriate grant funds from a discrete source or a discrete program, or to appropriate multiple
10 grants for a single department.

11 3. “Comprehensive supplemental budget bill” means a bill that proposes to amend
12 the annual budget and that affects several City departments and funds in a single bill, and
13 typically comes to the Council in the following forms:

14 a. Annual carryforward: Requesting that a portion of select department’s
15 unspent prior year budget be reappropriated in the current year to continue or complete a discrete
16 program or project for which the funding was originally provided, but which could not be fully
17 completed in the year it was appropriated.

18 b. Mid-year and year-end supplemental: Making changes across multiple
19 departments to abrogate or decrease any unexpended allowance contained within the budget and
20 reappropriate such unexpended allowances for other functions or programs, and appropriate
21 funds generated through year-end fund reconciliation and revenue forecast updates.

1 c. First quarter, mid-year, and year-end grant acceptance: Authorize
2 spending of those grant funds. Grant appropriations are included within the bill that authorizes
3 the acceptance of grants across multiple departments.

4 B. Process

5 1. Standalone supplemental budget and grant bills. To the extent practicable,
6 standalone supplemental budget and grant bills shall only be requested if necessary to address an
7 emergency need or to comply with the terms of a grantor. The summary and fiscal note, as
8 defined in Seattle Municipal Code Chapter 3.140 shall describe why this proposal necessitates a
9 standalone bill and why the request cannot be considered as part of a mid-year or year-end
10 supplemental bill.

11 2. Comprehensive supplemental budget bills

12 a. Annual carryforward: The Executive may submit carryforward
13 legislation annually, if necessary, by April 1 of each year. City departments and offices shall
14 only request to carry forward unspent funds from the previous year's budget if those
15 appropriations are necessary to carry out an essential project or program approved in the
16 previous year's budget. The Summary and Fiscal Note shall provide a detailed description of the
17 carryforward request, including why the funds were not spent or encumbered in the year they
18 were budgeted.

19 b. Mid-year and year-end supplemental budget bills: The Executive may
20 transmit comprehensive supplemental budget bills up to two times each year: (1) a mid-year
21 supplemental budget bill transmitted to the Council by June 20; and (2) a year-end supplemental
22 budget bill transmitted to the Council by the last Tuesday in September. The Mayor and the
23 Council shall consider requests for amendments to the current year's adopted budget in the

1 supplemental budget process if the requested amendment meets certain criteria. The summary
2 and fiscal note shall describe how:

3 i. The request is necessary to meet the actual expenditures of the
4 city for which insufficient or no appropriations were made in the annual budget due to causes
5 which could not reasonably have been foreseen at the time of the making of the budget and
6 cannot await the next year's budget; and

7 ii. The request is immediately implementable and will endeavor to
8 be fully expended in the year, as practicable as possible, in which the funds are requested; or

9 iii. The request is necessary to reduce or otherwise modify
10 appropriations to address updates to the City's revenue forecast for any City fund; or

11 iv. The request is of a technical nature that does not impact the
12 delivery of City programs or services.

13 c. Supplemental grant appropriation bills: The Executive may transmit
14 comprehensive supplemental grant bills up to three times each year: (1) a first quarter
15 supplemental grant bill; (2) a mid-year supplemental grant bill; and (3) a year-end supplemental
16 grant bill. Supplemental grant appropriation bills will authorize the acceptance and spending of
17 grants not identified at the time the annual budget was adopted.

18 Section 3. Planning reserves. To increase transparency and a shared ownership of reserve
19 decisions between the Council and Executive, the City Budget Office and Central Staff will
20 explore and analyze the following strategies and provide options to the Select Budget Committee
21 by June 30, 2024 for consideration in Year 1 of the 2025-2026 Biennial Budget process to
22 develop:

1 A. An approach to brief the Select Labor Committee on labor reserves as they relate to
2 current negotiations, prior to budget transmittal.

3 B. An appropriated Risk Reserve for the operating budget as a combined reserve for
4 items with confidentiality considerations like labor reserves and reserves for the Judgment &
5 Claims Fund.

6 Section 4. Fees and rates. The City intends to adopt rates and fees only in Year 1. The
7 rate or fee structures may include changes to take effect in Year 2 of a biennium or beyond the
8 biennium. Other rate changes may be made if necessary in the case of emergencies or other
9 unanticipated events.

10 Section 5. Position lists. The City will adopt department-wide position lists. At the time
11 of adopting the Year 1 budget, the Mayor and Council will adopt the Year 1 position list and
12 endorse the Year 2 position list that will be reviewed, adjusted as necessary, and adopted in Year
13 2. The endorsed Year 2 position list will anticipate additions, abrogations, and reclassifications
14 resulting from reorganizations.

15 Section 6. Financial reporting. To increase monitoring of the City's financial position
16 during the year and to develop an additional a tool that informs budget development, the City
17 Budget Office in collaboration with the Office of City Finance will provide mid-year and year-
18 end updates on the performance of all financials by department and budget control level,
19 comparing budget versus actual and narrative descriptions on significant under/over spending
20 within departments beginning third quarter 2025. The Fiscal Transparency Program financial
21 monitoring pilot program will review spending variances greater than five percent or \$100,000.
22 As these reporting thresholds are refined and by second quarter of 2025, the City Budget Office

1 will report to the Finance Committee the proposed reporting thresholds for financial monitoring
2 and timing of the reports submitted to the Council.

3 Section 7. The Council requests that by April 30, 2024, the City Budget Office (CBO),
4 Department of Finance and Administrative Services (FAS), Seattle Information Technology
5 Department (Seattle IT), and the Seattle Department of Human Resources (SDHR), provide a
6 detailed joint briefing to the Council’s Finance and Housing Committee on the City’s cost
7 allocation plan, estimates of central rates, and indirect cost changes, for the 2025-2026 biennium.
8 The purpose of this request is to enhance transparency through greater understanding for the
9 public and the Council on the central rate process, including understanding central costs by
10 department and by fund, amount charged, and how that amount is determined. By requesting
11 this briefing, the Council states its intent to understand and assess all central service costs to
12 determine the appropriate level of funding to support the delivery of City services and identify
13 cost-saving opportunities. This could include reprioritization and consolidation of services to free
14 up resources and help address the projected deficit in the General Fund.

15 This briefing should provide details on the proposed central cost allocation plan,
16 including:

17 1. A non-technical but detailed presentation of the internal services and programs funded
18 through central rates, and assumptions identified to date about proposed changes to the rates for
19 the 2025-2026 biennium budget.

20 2. The methodology used to develop rates and cost allocations, including sharing the
21 models, with all formulas embedded, used to determine the annual rate and the charges by
22 department.

1 3. Estimates developed to date about potential citywide adjustments for standard cost
2 changes that may be reflected in the 2025-2026 Proposed Budget.

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1 Adopted by the City Council the 5th day of December, 2023,
2 and signed by me in open session in authentication of its adoption this 5th day of
3 December, 2023.

4 

5 President Pro Tem of the City Council

6 The Mayor concurred the _____ day of _____, 2023.

7 **Returned Unsigned by Mayor**

8 Bruce A. Harrell, Mayor

9 Filed by me this 18th day of December, 2023.

10 

11 Scheereen Dedman, City Clerk

12 (Seal)

13 Attachments (if any):