Seattle City Council
Central Staff

Issue Identification
General Fund Balancing Analysis

Select Budget Committee | October 11, 2023

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Agenda

- Background on General Fund (GF) Funding Gap
- Final 2023 GF Budget Adjustments
- 2024 GF Proposed Adjustments
- 2025-2027 GF Sustainability Analysis
- Fiscal Reserves

2023 Adopted/2024 Endorsed Budget

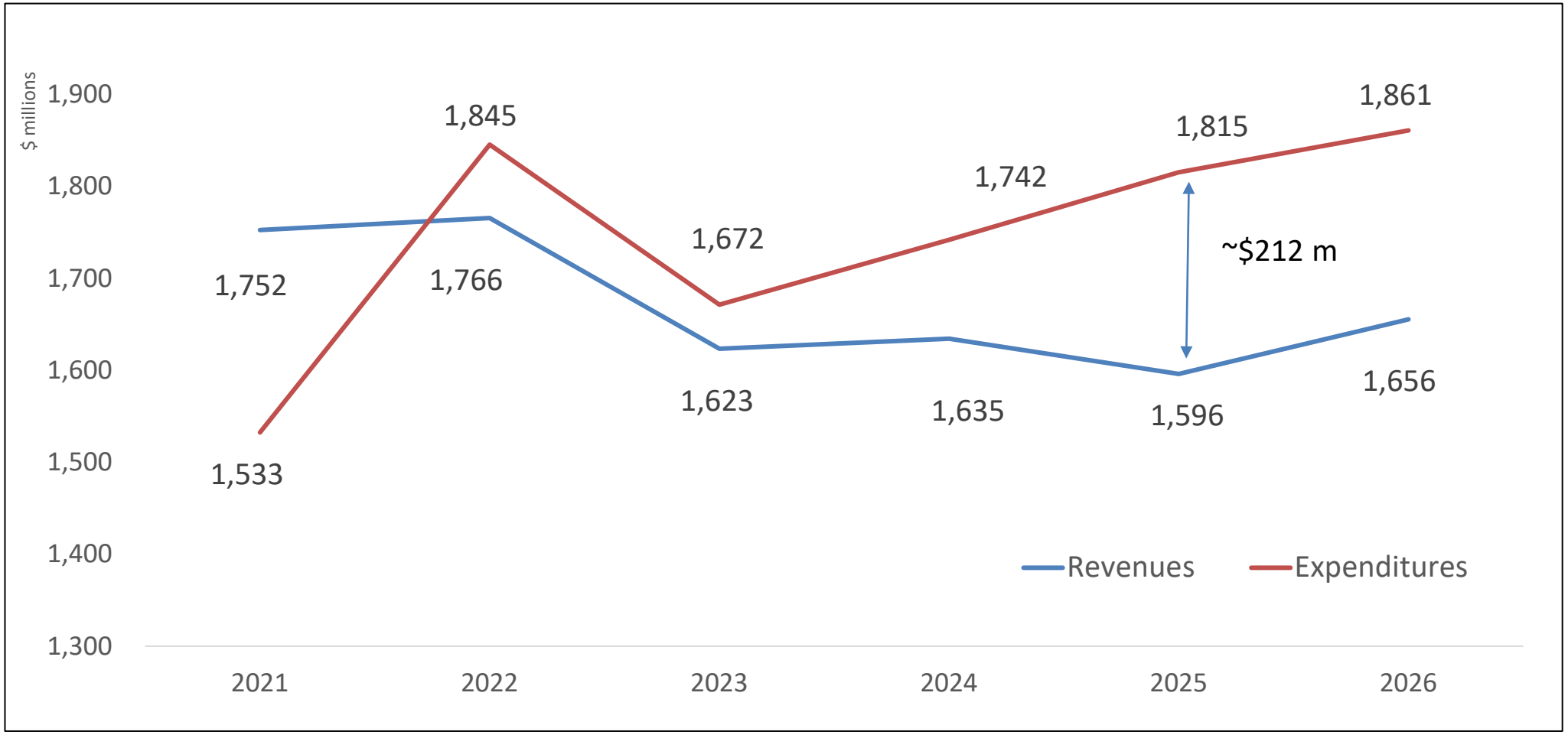
Amounts in $1,000s	2022 Revised Budget	2023 Adopted Budget	2024 Endorsed Budget
Starting Budgetary Fund Balance	$273,327	$193,616	$210,898
Operating Revenues	$1,765,677	$1,623,449	$1,634,509
Operating Expenditures	($1,845,389)	($1,606,167)	($1,651,357)
Ending Budgetary Fund Balance	$193,616	$210,898	$194,049
Planning Reserves [1/]	($38,008)	($103,364)	($194,049)
Ending Unreserved Fund Balance	**$155,608**	**$107,534**	**$0**
1/ Includes $20 million underspend assumption in 2023 and 2024.			

2023 Adopted/2024 Endorsed GF Financial Plan

Amounts in 1,000s	2022 Revised	2023 Projected	2024 Projected	2025 Projected	2026 Projected
Starting Budgetary Balance	$273,327	$193,616	$145,542	$38,008	($181,166)
Revenues	$1,765,677	$1,623,449	$1,634,509	$1,596,179	$1,655,537
Expenditures	$1,845,389	$1,671,523	$1,742,043	$1,815,353	$1,860,984
Operating Surplus (Deficit)	**($79,711)**	**($48,074)**	**($107,534)**	**($219,174)**	**($205,448)**
Ending Budgetary Fund Balance	$193,616	$145,542	$38,008	($181,166)	($386,614)
Planning Reserves	($38,008)	($38,008)	($38,008)	($38,008)	($38,008)
Ending Unreserved Ending Fund Balance	**$155,608**	**$107,534**	**$0**	**($219,174)**	**($424,622)**

To facilitate a functional display of the gap between ongoing revenue and expenditure projections, given the City Budget Office's practice of leaving some expenditures in unbudgeted, reserve status, the growth in planning reserves above the 2022 base level of $38 million is shown in the 'Expenditure' row in each future year.

2023 Adopted/2024 Endorsed GF Financial Plan (cont'd)



2023 GF Budget Adjustments

Approved GF Budget Adjustments

- 2022 Year-end reconciliation: Increased 2023 starting balance by $167.5 million.
- Approved budget adjustments and carryforwards: Decreased revenues by ($24.8) million, increased expenditures by $191.3 million.
- August Revenue Forecast: Increased projected revenues by $106.3 million

Higher balance plus August forecast increase resources by $273.7 million; Of that amount, approved legislation appropriated $216 million, for a remainder of $57.7 million before accounting for new proposals.

2023 GF Budget Adjustments (continued)

Proposed GF Budget Adjustments

Year-end supplemental: $5 million revenue increase, $16.9 million expenditure increase

- Revenues:
  - Reduce Transfer from the JumpStart Fund: ($4.7) million decrease
  - Transfer Coronavirus Local Fiscal Recovery Funds to Support Seattle Fire Department Cost Increases: $3.6 million GF increase
- Expenditures:
  - $5.7 million net increase to Finance General, for various reserve adjustments
  - ($750,000) reduction for a debt service swap to Transportation Fund
  - $5.8 million increase to the Seattle Fire Department
  - $8.5 million one-time additional transfer to Emergency Fund
- $5.8 million of expenditures backed by new external revenue; grant acceptance being analyzed for pre-introduction changes

2023 GF Budget Adjustments (continued)

Proposed GF Budget Adjustments (continued)

- Year-end grant acceptance: $8 million revenue increase from external sources to support $8 million expenditure increase.

In total, proposed legislation decreases 2023 resources by ($11.9) million

- Revenue adjustments/overlaps: ($14.5) million decrease to account for overlaps between source materials (forecast and legislation)
- Changes to planning reserves: ($5) million reduction to support expenditures

2023 GF Ending Balance/2024 Projected Beginning Balance

Amounts in $000,000s	
2023 Adopted Ending Unreserved Fund Balance	$107.5
1. 2022 Year End Reconciliation	$167.5
2. Approved Supplementals/Carryforwards	
Revenues	($24.8)
Expenditures	($191.3)
Subtotal - Approved Supplementals/Carryforwards	*($216.0)*
3. August Revenue Forecast	$106.3
4. Proposed Budget Legislation	
Revenues	$13.8
Expenditures	($25.7)
Subtotal - Proposed Budget Legislation	($11.9)
5. Revenue Adjustments/Overlaps	($14.5)
6. Changes to Planning Reserves	$5.2
2023 Revised Unreserved Ending Fund Balance	$144.1
Increase in 2023 ending balance compared to Adopted Budget	$36.5

2024 Proposed Revenue Adjustments

August Revenue Forecast: Increased projected revenues by $47.1 million (OT)

Amount in $000,000s	2024		
	One-time	Ongoing	Total
Technical Changes	$225,000	($4,783,610)	($4,558,610)
Revenues Supporting New Expenditures	$5,612,160	$6,386,922	$11,999,082
JumpStart Fund Transfers	($5,471,634)	($1,005,475)	($6,477,109)
Adjustments/Overlaps	($419,363)	$0	($419,363)
Total Proposed Revenue Changes	($53,837)	$597,837	$544,000

2024 Proposed Revenue Adjustments (continued)

- Technical changes: ($4.6) million ongoing reduction for Department of Finance and Administrative Services' collection of false alarm fines and vehicle impound fees
- Revenue supporting new expenditures: $12 million revenue increase, of which $6.4 million is ongoing, to support new spending
- JumpStart Transfers:($6.5) million decrease to transfer from the JumpStart fund to the GF, of which ($5.5) million is one-time and ($1) million is ongoing
- Adjustments/Overlaps: ($419,000) one-time reduction to correct for overlaps between different source materials

2024 Proposed Expenditure Adjustments (continued)

	2024		
	One-time	Ongoing	Total
Technical			
Baseline, Technical and Standard Cost Increases	($75,802)	$12,492,526	$12,416,723
Adjusting for Current Year Legislation	$0	$2,748,966	$2,748,966
Technical Adjustments to Reserves, Transfers and Debt Service	$6,678,864	$1,233,000	$7,911,864
Subtotal - Technical	*$6,603,062*	*$16,474,492*	*$23,077,554*
Policy			
One-time/Ongoing Shifts	($2,883,093)	$2,883,093	$0
Revenue Supported	$9,784,823	$1,258,086	$11,042,909
JumpStart Adjacent	$0	$3,457,307	$3,457,307
All Other Policy Increases	$9,774,449	$3,695,175	$13,469,624
Subtotal - Policy	*$16,676,179*	*$11,293,661*	$27,969,840
Total Expenditure Change	**$23,279,241**	**$27,768,153**	**$51,047,394**

2024 Proposed Expenditure Adjustments (continued)

Technical changes:

Baseline, Technical and Standard Cost Increases: $12.4 million ongoing increase

- Seattle City Employee Retirement System (SCERS) City Contribution rate:
  - 2024 Proposed budget rate: 16.22 percent
  - 2024 SCERS Board rate: 15.82 percent ($4.1 million lower, of which $1.3 million is GF)
  - 2024 Actuary rate: 15.17 percent ($10.6 million lower, of which $3.4 million is GF)

SCERS Actuary: Projected Employer Contribution Rate (Assuming 6.75% Returns)

Contribution year	City Employer Rate of Payroll 1/
2024	15.17
2025	15.28
2026	15.65
2027	16.46

1/Data from page 4 of Seattle City Employees' Retirement System January 1,2023 Actuarial Valuation

Issue Identification

1. **The 2024 Proposed Adjustments rely on a SCERS City contribution rate of 16.22 percent of active member salaries, which is higher than the actuarial rate and the SCERS Board recommended rate.**

   Options:

   A. Use the SCERS Board recommended rate (15.82 percent).

   B. Use the SCERS Actuary Rate (15.17 percent).

   C. No change.

2024 Proposed Expenditure Adjustments (continued)

Technical changes (continued):

- Current year legislation: $2.7 million ongoing increase
- Technical Adjustments to Reserves, Transfer and Debt Service: $7.9 million increase, of which $1.2 million is ongoing

2024 Proposed Expenditure Adjustments (continued)

Policy Proposals:

- One-time to ongoing shifts: $2.7 million ongoing increase
- Revenue supported: $11 million increase, of which $1.3 million is ongoing
- JumpStart Adjacent: $3.5 million net ongoing increase
  - $4.5 million ongoing increase to fund human services provider contract costs
  - $1 million ongoing increase to CBO to evaluate JumpStart Fund spending
  - ($2.3) million ongoing reduction to the Office of Housing (OH) to reflect a shift of OH administrative costs to the JumpStart Fund
- Other Proposals:$13.5 million increase, of which $3.7 million is ongoing
  - Includes one-time $8.5 million increase in the FG transfer to the Emergency Fund
- Changes to planning reserves: $32.8 million increase, of which $20 million is ongoing

2024 Proposed Budget Combined Summary

2024 Proposed Adjustments impact on GF balancing

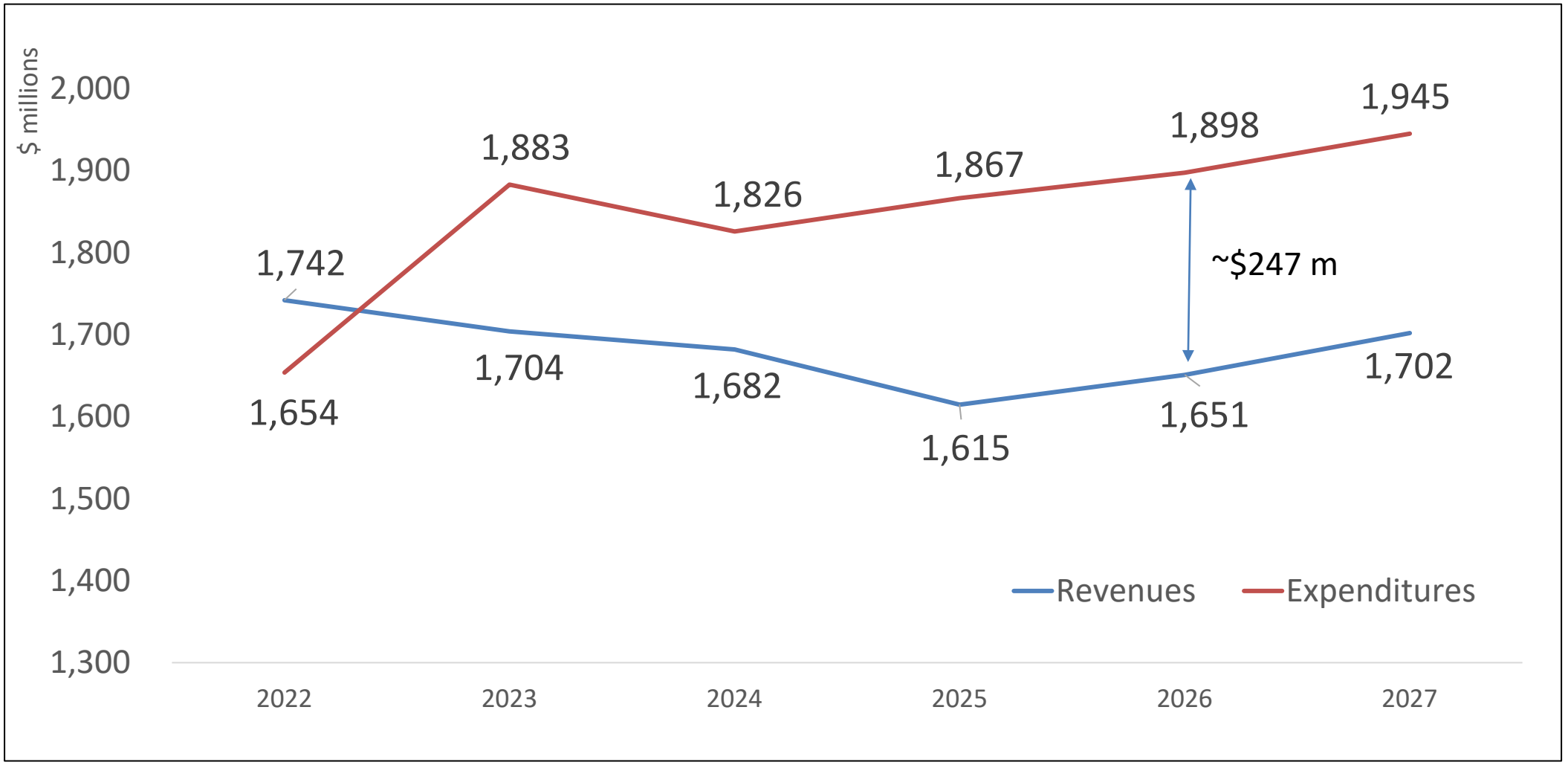
Amounts in $1,000,000s	One-time	Ongoing	Total
III. Adjust Starting Fund Balance	$36.5	$0.0	$36.5
1. Forecast Office/CBO Revenue Forecast Update	$47.1	$0.0	$47.1
2. 2024 Proposed Revenue Changes	($0.1)	$0.6	$0.5
Subtotal - Resources	**$83.6**	**$0.6**	**$84.2**
3. Proposed Expenditure Changes	($23.3)	($27.8)	($51.0)
4. Changes to Planning Reserves	($12.0)	($20.8)	($32.8)
Subtotal - Expenditures	**($35.2)**	**($48.6)**	**($83.8)**
Sustainability Analysis	$48.4	($48.0)	$0.4

2023 Revised/2024 Proposed GF Financial plan

Amounts in $1,000s	2023 Revised	2024 Proposed	2025 Projected	2026 Projected	2027 Projected
Starting Budgetary Balance	$361,106	$182,071	$38,413	($213,201)	($459,619)
Revenues	$1,704,240	$1,682,184	$1,614,900	$1,651,095	$1,702,021
Expenditures	($1,883,275)	($1,825,843)	($1,866,515)	($1,897,513)	($1,945,167)
Surplus (Deficit)	**($179,035)**	**($143,658)**	**($251,614)**	**($246,418)**	**($243,145)**
Ending Budgetary Fund Balance	$182,071	$38,413	($213,201)	($459,619)	($702,764)
Planning Reserves	($38,008)	($38,008)	($38,008)	($38,008)	($38,008)
Ending Unreserved Fund Balance	$144,063	$405	($251,209)	($497,627)	($740,772)

To facilitate a functional display of the gap between ongoing revenue and expenditure projections, given the City Budget Office's practice of leaving some expenditures in unbudgeted, reserve status, the growth in planning reserves above the 2022 base level of $38 million is shown in the 'Expenditure' row in 2023 through 2027.

2025-2027 Projected GF Sustainability



2025-2027 Projected GF Sustainability (continued)

Key contributors to unsustainability:

- Use of one-time fund balances, one-time revenues, and one-time spending reductions to support ongoing cost increases; and,
- Underlying projections of several base GF revenues which have not recovered to pre-pandemic levels, compared with increasing demands for new City spending.

2025-2027 Projected GF Sustainability (continued)

Risks include:

- Ongoing and increasing international conflicts
- National political uncertainty
- Expiration of consumer level federal fiscal policies
- Consumer mortgage rates that are approaching 8 percent ; and,
- Commercial real estate implications on the debt and rental markets as the market adjusts to remote work..

Issue Identification

(Slide 1/1)

1. **Due to one-time revenues and reductions being used to support ongoing budget increases, the GF operating deficit increases to $247 million in 2025 and 2026.**

   Options:

   A. Reject one or more ongoing expenditure increases in 2024, as identified on Attachment D.
   B. Identify other ongoing expenditure reductions in 2024.
   C. Make JumpStart Fund transfer permanent and tied to inflation beyond 2024.
   D. Identify one or more new GF revenue sources to support some or all of the proposed new GF budget adds.
   E. Adopt a SLI or resolution outlining a process for making longer-term budget decisions to address the deficit in 2025 and beyond.
   F. Some combination of options A-F.
   G. No change.

Fiscal Reserves

Amounts in $000	Emergency Fund 1/	Revenue Stabilization Fund	Total
2023 Beginning Balance	$ 43,660	$ 61,739	$ 105,399
2023 Transfer from GF	$ 15,000	$ 3,590	$ 18,590
2024 Transfer From GF	$ 15,000	$ 2,252	$ 13,752
2024 Ending Balance	$ 73,660	$ 67,581	$ 141,241
2024 Ending Balance: % of Policy	89%	100%	N/A
1/ RES 32024 allows repayment of the Emergency Fund over a five-year period after deep or multi-year use of the fund.			

Questions?