

Amendment 1 Version 1 to Resolution 32116 – Request

Sponsor: Councilmember Pedersen

Request that the Executive provide enhanced reporting on all Central Service costs

Effect: This amendment adds a new section to Resolution 32116 to request that by April 30, 2024, the City Budget Office (CBO), Department of Finance and Administrative Services (FAS), Seattle Information Technology Department (Seattle IT), and the Seattle Department of Human Resources (SDHR), provide a detailed briefing to the Council’s Finance Committee on the City’s cost allocation plan and estimates of central rates and indirect cost changes for the 2025-2026 biennium.

Background:

Indirect costs, commonly referred to as “overhead” or central services, are costs that account for support services that are provided by multiple departments, including Department of Finance and Administrative Services (FAS), Seattle Information Technology Department (Seattle IT), and the Seattle Department of Human Resources (SDHR), and centrally managed cost for healthcare, retirement, and industrial insurance charges for the City. Through a cost allocation plan, the City identifies and distributes these central service costs across all departments and funds to ensure that the departments and funds are fairly and accurately paying for the services they are projected to receive.

Some central cost changes in the budget are simpler, and therefore easier to track and present (i.e., retirement and healthcare related costs), while a comprehensive analysis of all central rates is complex. In particular, it is difficult for the Council and the public to track and tie central rates to the budget changes in individual departments and City funds and to understand the budget impacts and cost implications of some internal service costs. Improving Council’s understanding of these internal rates, will help the Council determine if the appropriate funding levels necessary to support the delivery of City services.

Add a new Section 7 to RES 32116 as follows:

Section 7. The Council requests that by April 30, 2024, the City Budget Office (CBO), Department of Finance and Administrative Services (FAS), Seattle Information Technology Department (Seattle IT), and the Seattle Department of Human Resources (SDHR), provide a detailed joint briefing to the Council’s Finance and Housing Committee on the City’s cost

allocation plan, estimates of central rates, and indirect cost changes, for the 2025-2026 biennium.

The purpose of this request is to enhance transparency through greater understanding for the public and the Council on the central rate process, including understanding central costs by department and by fund, amount charged, and how that amount is determined. By requesting this briefing, the Council states its intent to understand and assess all central service costs to determine the appropriate level of funding to support the delivery of City services and identify cost-saving opportunities. This could include reprioritization and consolidation of services to free up resources and help address the projected deficit in the General Fund.

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

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

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

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