

May 9, 2023

MEMORANDUM

To: Finance & Housing Committee
From: Edin Sisic, Analyst
Subject: Council Bill 120572: 2022 Carryforwards & Council Bill 120573: 2022 Exceptions

On Wednesday, May 17, 2023, the Finance & Housing Committee will discuss and possibly vote on [Council Bill \(CB\) 120572](#) and [CB 120573](#). CB 120573 would appropriate in 2023, a portion of select department's unspent 2022 appropriations, and CB 120572 would retroactively provide additional 2022 expenditure authority for department spending above approved 2022 levels.

This memo provides (1) background on the budget adjustment process and describes all approved adjustments since January 1 of this year; (2) describes the CBs and highlights notable increases proposed in the legislation; (3) describes next steps in the budget adjustment process for 2023.

Background - Budget Adjustment Process

The following describes how spending authority in the adopted budget is modified during the year with a combination of unspent appropriations from prior years, and new 'emergency' funding requests during the current year.

I. Adopted Budget

Pursuant to [RCW 35.32A.050](#), in late November of every year the City Council passes an ordinance that establishes the City's budget for the upcoming year, covering the period from January 1st through December 31st. This ordinance is the 'Adopted Budget' for the fiscal year and sets spending levels for the next year's operations and provides one year's worth of investments in the City's six-year capital improvement program. Passed by the City Council on November 29, 2022, [Ordinance 126725](#) authorized a 2023 Adopted Budget from all sources of \$7.4 billion.

II. Automatic Carryforward

Consistent with the provisions in [RCW 35.32A.080](#), most unspent annual operating budget appropriations expire, or 'lapse', at the end of the year, while capital appropriations continue into future years until they are either spent, or formally abandoned by ordinance. In addition, if explicitly authorized in ordinance, operating budget appropriations can also be 'non-lapsing' and continue until spent or abandoned. This is common in the instance of grants, for which non-lapsing spending authority is necessary until the grant is fully expended or the appropriation is abandoned. Finally, to cover promises to pay for services provided by outside vendors per contract or purchase order, amounts can be encumbered and may carry into the next year.

According to City financial data, at the end of 2022 there was a total of \$1.9 Billion of unspent prior-year budget authority that has been automatically added to the 2023 Budget. As noted, this largely represents prior year capital projects funding, grant-backed spending, other spending authorized by legislation to continue beyond the first year, and carryforwards for encumbrances. Since these appropriations were adopted with non-lapsing provisions in prior years or are otherwise encumbered to satisfy external obligations, no further Council authorization is necessary for this budget authority to continue until completely spent. Table 1 shows, for funds with significant automatic carryforward, by fund and type (capital and operating), the amount of prior years’ budget authority that is added to the 2023 Adopted Budget. This spending authority is largely backed by revenues that have already been deposited in the City treasury, although in some cases, particularly in instances involving grants accepted late in 2022, the cash has not yet been received.

Table 1¹. Funds with Significant Automatic Carryforward

Fund	Carryforward Type (\$ millions)		
	Capital	Operating	Total
Transportation Fund	\$302.6	\$34.3	\$336.9
Light Fund	\$226.3	\$0.2	\$226.5
General Fund	\$7.4	\$99.4	\$106.8
Housing Program Support Fund	-	\$71.6	\$71.6
Drainage and Wastewater Fund	\$66.6	\$1.0	\$67.6
All Others	\$662.8	\$385.6	\$1,048.4
Total	\$1,265.7	\$592.1	\$1,857.8

As shown in the table, approximately two thirds of this automatic carryforward spending authority is in capital project budgets.

III. Supplementals

After the Adopted Budget is passed, as provided by [RCW 35.32A.060](#), it may be modified during the following year by way of ‘supplemental’ spending legislation, which allows the Council, with a three-fourths approval threshold, to appropriate:

“from the emergency fund, or other designated funds, an amount sufficient to meet the actual necessary expenditures of the city for which insufficient or no appropriations have been made due to causes which could not reasonably have been foreseen at the time of the making of the budget”²

¹ Data from Citywide Financial Pivot Report as of 4/13/2023.

² RCW 35.32.A.060.

The approval threshold for supplemental budget legislation is two-thirds of the Council if the new spending is necessary to address a specific emergency, including those:

- Caused by fire, flood, explosion, storm, earthquake, epidemic, riot, insurrection, act of God, act of the public enemy or any other such happening that could not have been anticipated; or
- For the immediate preservation of order or public health or for the restoration to a condition of usefulness of public property the usefulness of which has been destroyed by accident; or
- In settlement of approved claims for personal injuries or property damages, exclusive of claims arising from the operation of a public utility owned by the city; or
- To meet mandatory expenditures required by laws enacted since the last budget was adopted.³

If the new spending accompanies the addition of new grant revenue, or if the new spending is fully offset by an equivalent reduction elsewhere in the budget, and total appropriation authority is not increased, the approval threshold is a simple majority. Supplemental appropriation legislation can either be 'standalone' and add funding for a single discrete City program, or more 'comprehensive', increasing several City departments and funds in a single bill.

As of April 10, 2023 the City Council has passed four standalone and one comprehensive supplemental bills that revise 2023 appropriations, including:

Standalone Legislation:

- [Ordinance 126758 – Seattle Waterfront Park Public Safety Staffing](#): \$596,250 Seattle Center Fund appropriation increase as a result of a funding agreement between the City and Friends of the Waterfront Seattle to support public safety hiring in the Seattle Waterfront Park.
- [Ordinance 126761 – Police Data Technician pay increase](#): \$882,176 General Fund appropriation increase to the Seattle Police Department (SPD) resulting from a Memorandum of Understanding (MOU) between the City and PROTEC17 bargaining unit. This agreement provides a 23 percent wage increase for approximately 30 regularly appointed Police Data Technician employees at SPD.
- [Ordinance 126782 – City Prosecuting Attorneys pay increase](#): \$933,000 General Fund appropriation increase to the Law Department resulting from an MOU between the City and the Washington State Council of County and City Employees for the Local 21-PA Assistant City Prosecutors bargaining unit. This 20 percent pay increase is intended to address recruiting and retention challenges related to staffing Prosecuting Attorney positions.

³ Ibid.

- [Ordinance 126783 – City Light Electrical meter installations](#): \$472,000 Light Fund appropriation increase resulting from an MOU between the City and the International Brotherhood of Electrical Workers, Local 77 bargaining unit. The MOU provides for training and installation of meters as well as a 5 percent wage increase for members in the Meter Electrician classification series.

Comprehensive Legislation

- [Ordinance 126791 – CBO First Quarter Grant Acceptance and Appropriations](#): The first comprehensive legislation transmitted by the Executive in 2023, authorizing City departments to accept and appropriate the expenditure of \$30.2 million from external funding sources. All of the grants that were accepted and appropriated in this bill are described in [Attachment A](#) to the summary and fiscal note submitted by the Executive.

Comprehensive supplemental budget legislation that revises several City departments budgets takes one of two forms, as follows:

- **Annual Carryforward**: Typically the first comprehensive supplemental legislation introduced in a year, this bill requests that a portion of select department’s unspent prior year budget be reappropriated in the current year to continue or to complete a discrete program or project for which the funding was originally provided, but which could not be fully completed for reasons that vary specific to the request. Distinct from the automatic carryforward, the budget authority for each requested item has lapsed at the end of the prior fiscal year – each carryforward request essentially asks that the budget authority given in the prior year be reapproved for the current year. This bill is produced through a periodic submittal and review process covering all departments that is centrally managed by the City Budget Office (CBO).
- **Supplemental and Grant Appropriations**: Received at regular intervals during the year, these supplemental budget requests form the bulk of City departments’ requests for additional spending authority. Together with requests to spend dollars generated through year-end fund reconciliation and revenue forecast updates, these bills provide spending authority for grant and other non-City revenues. In prior years, the appropriation of grants was authorized via a supplemental appropriations ordinance, while grants were accepted through a separate, grant acceptance ordinance. This year, Council Central Staff, in partnership with the Law Department and City Budget Office, created a standalone grant acceptance and appropriation ordinance to improve grant legislation processes. These bills are produced through a periodic submittal and review process covering all departments that are centrally managed by CBO.

IV. Exceptions

The final type of budget adjustment legislation is the exceptions ordinance. Typically introduced several months after the fiscal year-end, this bill provides retroactive budget authority to the prior-year’s budget for spending that has exceeded the revised budget after all automatic and legislated appropriation increases.

Table 2 summarizes at a high level the City’s 2023 Revised Budget, starting from the Adopted Budget and accounting for all automatic and legislated changes to date.

Table 2. 2023 Revised Budget-to-Date

Fund	(a)	(b)	(c)	(d) = a+b+c	d/a
	2023 Adopted	Auto Carryforward	Standalone Bills	2023 Revised	% Increase
General	\$1,606 M	\$106.8 M	\$8.9 M	\$1,722 M	7%
All Other	\$5,828 M	\$1,751 M	\$24.2 M	\$7,603 M	30%
Total	\$7,434 M	\$1,858 M	\$33.1 M	\$9,325 M	25%

As shown in the table, automatic and legislated increases to date result in a 25 percent increase compared to the 2023 Adopted Budget. The bulk of this is automatic carryforward authority from prior years, and as shown in Table 1, much of this automatic carryforward is for ongoing capital projects. This information is shown at the department level in Attachment 1 to this memo.

CB 120573 – 2022 Carryforward

CB 120573 the 2022 Carryforward bill, requests approval for a total 2023 budget increase of \$154.0 million from several City funds. As described in this memo, these carryforward increases are intended to support activities that were budgeted, but not completed in 2022. Attachment 1 to this memo shows each department’s aggregate carryforward request as a percentage of the Revised Budget.

As shown in Attachment 1 select department’s total carryforward requests represent significant percentages compared to their 2023 Revised budget, as follows:

- Office of Planning and Community Development:** A \$44.3 million (96 percent) overall increase across multiple funds, \$22.9 million of which is GF, and \$17.9 million of which is JumpStart Payroll Expense Tax Fund (JumpStart). \$40.9 million of the total carryforward request is for Equitable Development Initiative (EDI) awards that have not yet been contracted. According to the Executive, the contracting process for these long-term projects often takes multiple years and funds do not always get contracted within the year of the associated EDI Request for Proposals. Another notable item includes \$2.3 million of JumpStart Fund to continue the Duwamish Valley Program work, which includes investments in community assets such as the South Park Community Center, South Park Neighborhood Center, Georgetown gathering spaces, and community-supported development at the Unity Electric site. In addition, a \$600,000 carryforward is requested to continue a multi-year planning effort for regional growth center subarea plans. Of this funding, \$150,000 is GF and \$450,000 is JumpStart Fund. The Request for Proposals (RFP) for engagement, policy, and plan development was released in December 2022 and the RFP for technical analysis will occur in March 2023.

- **Finance General:** A \$36.2 million (10 percent) increase across multiple funds, \$28.5 million of which is for GF supported reserves, including Participatory Budgeting (\$27.3 million) and Alternative 911 Response (\$1.2 million). Other notable items include \$5.4 million in the 2021 Multipurpose LTGO Bond Fund to allow for billing of ITD projects against bond proceeds received to support them in 2022, and \$2.0 million in the Unrestricted Cumulative Reserve Fund to continue funds originally added in the 2020 budget for a partnership between the City and King County to create a 40-60 bed, comprehensive place-based treatment center at the “West Wing” of the King County Correctional Facility.
- **Office of Housing:** A \$36.1 million (8 percent) overall increase, \$34.5 million of which is JumpStart Fund related to Multifamily Housing. According to the executive, these funds have been awarded to specific projects, but have not yet been encumbered in the City’s financial system due to the timing of loan closings for funded projects.
- **Office of Arts and Culture:** A \$4.3 million (14 percent) overall increase, \$3.2 million of which is from the GF to implement Strategic Investment Fund (SIF) allocations that were awarded in 2021. For reference, the SIF was first budgeted in 2020 using \$30 million of Mercer Megablock sales proceeds, and this one-time allocation of funds, which had not been spent in 2020, was reappropriated in the 2021 budget. One of the two selected projects could not be completed due to a property owner deciding not to sell the property that was to be acquired, so OPCD is actively working with the awardee to identify a new site. The Strategic Investment Fund (SIF) is intended to support strategic land and real estate acquisitions in areas at high risk of displacement or in areas of low access to opportunity that present unique opportunities for transformational equitable development.

Other notable items include:

- **Childcare Bonus Fund Carryforward:** A \$5.7 million Human Services Fund increase in the Human Services Department for implementing childcare facility development contracts in Seattle. This budget was not encumbered in 2022 and is required to support identified childcare facility projects backed by Childcare Bonus Fund revenue. Budget authority for these projects was added as one-time appropriation in the 2022 mid-year supplemental budget.
- **Seattle Transportation Plan:** A \$1.4 million Transportation Fund increase in the Seattle Department of Transportation for the Seattle Transportation Plan – a multi-year effort to revise and unify all of the existing modal plans (bike, pedestrian, transit, freight) into a single comprehensive document. The remaining unspent funding from 2022 is needed to continue this work and complete the plan. The Seattle Transportation Plan is being developed in coordination with the 2024 Comprehensive Plan update.

These and all other requested items are described in in Attachment A to the summary and fiscal note submitted by the Executive. The bill requires approval by $\frac{3}{4}$ of the City Council to pass.

CB 120572 – 2022 Exceptions Ordinance

CB 120572, the 2022 Exceptions bill, requests approval for a total 2022 budget increase of \$4.9 million. These appropriations increases are intended to resolve instances where departments overspent their revised 2022 Budget allocations. Notable requests include:

- Department of Finance and Administrative Services (FAS) Budget Exception:** A \$1.7 million FAS Fund increase due to fuel price increases and increased vendor costs related to the increased need for fleet maintenance. According to the Executive, the fleet group is working to hire and train staff in the maintenance area, which will reduce the need to use external vendors in the future.
- Seattle Department of Transportation (SDOT) Budget Exceptions:** A \$1.5 million GF increase due to unanticipated and higher than budgeted overhead labor costs for the Parking Enforcement Division at SDOT. This is a one-time exception request as Parking Enforcement Officers were transferred back to the Seattle Police Department in the 2023 Adopted Budget.

These and all other requested items are described in [Attachment A](#) to the summary and fiscal note submitted by the Executive. The bill requires approval by three-fourths of the City Council to pass.

For historical context, Table 3 shows a five-year history of past budget exception ordinances by department and includes CB 120572 for comparison.

Table 3. Five-Year History of Budget Exception Ordinances by Department

Amounts in \$1,000s	2018	2019	2020	2021	2022
	O-125893	O-126127	O-126471	O-126587	CB 120572
Office of Housing	-	-	\$6,575	-	
Seattle Department of Transportation	\$1,063	\$8,794	\$9,441	\$6,774	\$2,783
Seattle Parks & Recreation	-	-	\$455	-	
Seattle Public Utilities	-	-	\$13,588	-	
Seattle City Retirement System	-	\$882		-	
Seattle Department of Human Resources	\$95	\$3,433	-	\$6,542	
Human Services Department	-	\$864	-	-	
Seattle Police Department	\$199	-	-	-	
Department of Finance and Administrative Services	\$12,136	-	-	-	\$2,052
Ethics and Elections Commission					\$45
Total	\$13,493	\$13,972	\$30,059	\$13,316	\$4,879

As shown in the table, the total amount of budget exceptions has varied over the years. The departments requesting retroactive budget authority have also varied from year-to-year, apart from SDOT. SDOT is the only Department that submitted budget exceptions every year over the past 5 years. To reduce the number of future SDOT budget exceptions, the Council could request that the City Budget Office focus on addressing this reoccurring issue.

Budget Development - Next Steps

Based on information to date, and recent practice, there will likely be additional proposed standalone and comprehensive supplemental appropriations bills. While proposed standalone bills are not known at this time, additional comprehensive appropriation bills could include:

- Mid-year Supplemental: Typically introduced in July, this bill would represent the second comprehensive supplemental appropriations bill.
- Mid-year and Year-end Grant Acceptance and Appropriation: Introduced along with the supplemental legislation in July and September, respectively, these bills accept and provide spending authority for grants and other non-City revenues.
- Year-end Supplemental: Introduced during the deliberative process for the next year's budget bill, which runs from October through the budget bill's final passage in late November, this bill would represent the second comprehensive, citywide budget increase request from the Executive. Considering this bill during the fall budget process allows the City Council to consider the full picture of the City's finances during the 2024 mid-biennium budget review and adjustment process.

Attachments:

1. 2022 Budget Adjustments through April 11, 2023.

cc: Esther Handy, Director
Aly Pennucci, Deputy Director

Attachment 1. 2023 Budget Adjustments Through April 20, 2023

Department	Adopted Budget	Automatic Carryforward	Approved Supplementals as of 4/20/23	Revised Budget	CB 120573	CB 120573 % Increase to Revised Budget
City Budget Office	\$8,215,845	\$2,901,065	-	\$11,116,910	-	0%
Civil Service Commissions	\$895,019	-	-	\$895,019	\$97,672	11%
Community Police Commission	\$1,887,566	-	-	\$1,887,566	-	0%
Community Safety and Communications Center	\$20,522,661	\$80,829	-	\$20,603,490	\$614,755	3%
Department of Education and Early Learning	\$130,168,307	\$69,762,966	-	\$199,931,273	\$1,026,217	1%
Department of Finance and Administrative Services	\$417,286,575	\$88,047,362	\$500,000	\$505,833,937	\$4,632,601	1%
Department of Neighborhoods	\$19,945,169	\$9,404,716	-	\$29,349,885	\$148,000	1%
Employees' Retirement System	\$10,474,069	\$33,853	-	\$10,507,922	\$1,010,389	10%
Ethics and Elections Commission	\$8,011,393	-	-	\$8,011,393	-	0%
Finance General	\$339,046,614	\$6,234,805	-	\$345,281,419	\$36,155,387	10%
Firefighter's Pension	\$22,972,698	-	-	\$22,972,698	-	0%
Human Services Department	\$319,126,706	\$109,179,884	\$582,000	\$428,888,590	\$8,751,893	2%
Law Department	\$40,023,100	\$1,004,893	\$933,000	\$41,960,993	-	0%
Legislative Department	\$20,817,262	\$537,693	-	\$21,354,955	-	0%
Office for Civil Rights	\$7,910,594	\$4,321,087	-	\$12,231,681	\$30,463	0%
Office of Arts and Culture	\$18,885,122	\$11,836,833	-	\$30,721,955	\$4,296,684	14%
Office of Economic and Revenue Forecasts	\$702,468	-	-	\$702,468	-	0%
Office of Economic Development	\$27,636,887	\$29,213,262	-	\$56,850,149	-	0%
Office of Emergency Management	\$2,786,495	\$1,099,771	\$1,937,247	\$5,823,513	-	0%
Office of Hearing Examiner	\$1,163,296	-	-	\$1,163,296	-	0%
Office of Housing	\$252,994,634	\$189,033,977	\$1,050,000	\$443,078,611	\$36,143,372	8%
Office of Immigrant and Refugee Affairs	\$5,063,161	\$1,354,655	-	\$6,417,816	\$80,878	1%
Office of Inspector General for Public Safety	\$3,933,921	\$313,732	-	\$4,247,653	-	0%
Office of Intergovernmental Relations	\$3,105,777	\$86,800	-	\$3,192,577	-	0%
Office of Labor Standards	\$8,432,555	\$1,165,010	-	\$9,597,565	\$45,198	0%
Office of Planning and Community Development	\$35,267,422	\$10,982,619	-	\$46,250,041	\$44,330,532	96%
Office of Sustainability and Environment	\$29,122,633	\$3,818,187	-	\$32,940,820	\$1,349,288	4%
Office of the City Auditor	\$2,276,049	\$346,754	-	\$2,622,803	\$500,000	19%
Office of the Employee Ombud	\$1,151,996	-	-	\$1,151,996	-	0%
Office of the Mayor	\$10,406,048	\$500,464	-	\$10,906,512	\$38,132	0%
Police Relief and Pension	\$26,741,006	-	-	\$26,741,006	-	0%
Seattle Center	\$57,964,283	\$20,511,180	\$596,250	\$79,071,713	-	0%
Seattle City Light	\$1,508,035,941	\$336,921,973	\$472,000	\$1,845,429,914	\$2,575,509	0%
Seattle Department of Construction and Inspections	\$111,803,499	\$2,218,612	-	\$114,022,111	\$2,594,000	2%
Seattle Department of Human Resources	\$399,898,188	\$26,686	-	\$399,924,874	\$641,771	0%
Seattle Department of Transportation	\$712,896,701	\$496,918,975	\$17,270,465	\$1,227,086,141	\$2,405,645	0%
Seattle Fire Department	\$271,287,290	\$6,704,472	\$3,318,947	\$281,310,709	-	0%
Seattle Information Technology Department	\$312,775,473	\$60,371,044	-	\$373,146,517	\$4,520,140	1%
Seattle Municipal Court	\$40,915,616	\$343,827	-	\$41,259,443	\$394,228	1%
Seattle Parks and Recreation	\$328,941,463	\$217,907,506	-	\$546,848,969	\$700,000	0%
Seattle Police Department	\$374,319,533	\$23,516,157	\$2,713,334	\$400,549,024	-	0%
Seattle Public Library	\$98,941,185	\$27,024,496	-	\$125,965,681	\$868,000	1%
Seattle Public Utilities	\$1,418,930,728	\$124,061,999	\$3,702,088	\$1,546,694,815	-	0%
Total	\$7,433,682,948	\$1,857,788,144	\$33,075,331	\$9,324,546,423	\$153,950,753	2%