

April 26, 2024

MEMORANDUM

To: Finance, Native Communities & Tribal Governments Committee
From: Edin Sisic, Analyst
Subject: Council Bill 120774: 2023 Carryforwards & Council Bill 120773: 2023 Exceptions

On Wednesday, May 1, 2024, the Finance, Native Communities & Tribal Governments Committee will discuss and possibly vote on Council Bill (CB) 120773 and 120774. CB 120774 would amend the 2024 Adopted Budget, appropriating a portion of select department's unspent 2023 appropriations, and CB 120773 would retroactively provide additional 2023 expenditure authority for department spending above approved 2023 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 2024.

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 21, 2023, [Ordinance 126955](#) authorized a 2024 Adopted Budget from all sources of \$7.8 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 2023 there was a total of \$1.8 billion of unspent prior-year budget authority that has been automatically added to the 2024 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 2024 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 2023, the cash has not yet been received.

Table 1¹. Funds with Significant Automatic Carryforward

Fund	Carryforward Type (\$ millions)		
	Capital	Operating	Total
Light Fund	\$263.6	\$37.6	\$301.2
Transportation Fund	\$159.6	\$4.7	\$164.3
REET I Capital Fund	\$134.7	\$0.0	\$134.7
General Fund	\$5.0	\$118.1	\$123.1
Payroll Expense Tax	\$3.2	\$100.2	\$103.3
Drainage and Wastewater Fund	\$76.7	\$1.0	\$77.7
Human Services Fund	\$0.0	\$71.8	\$71.8
Seattle Park District Fund	\$70.2	\$0.0	\$70.2
Park And Recreation Fund	\$63.3	\$0.0	\$63.3
All Others	\$427.7	\$308.9	\$736.6
Total:	\$1,204.1	\$642.2	\$1,846.3

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

¹ Data from Citywide Financial Pivot Report as of 4/17/2024.

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

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.

² RCW 35.32.A.060.

³ Ibid.

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

- **Annual Carryforward:** Typically one of the first comprehensive supplemental bills introduced in a year, this legislation 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 and 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. Starting in 2023, 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 and enhance fiscal transparency. These bills are produced through a periodic submittal and review process covering all departments that are centrally managed by CBO.

As of April 17, 2024, the City Council has passed one standalone and one comprehensive supplemental bill that revise 2024 appropriations, including:

Standalone Legislation:

- [Ordinance 127002 – WA State Department of Commerce Grant](#): \$50,000 GF grant appropriation increase to the Office of Economic Development for Wing Luke Museum repairs. On September 14, 2023, the Wing Luke Museum on South King Street in Seattle was targeted in an apparent hate crime that resulted in significant property damage. The City and State of Washington Department of Commerce have jointly committed \$100,000 to assist in repairs to the Museum.

Comprehensive Legislation

- [Ordinance 127011 – CBO First Quarter Grant Acceptance and Appropriations](#): The first comprehensive legislation transmitted by the Executive in 2024, authorizing City departments to appropriate the expenditure of \$7.3 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.

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 the City's 2024 Revised Budget at a high level, starting from the Adopted Budget and accounting for all automatic and legislated changes to date.

Table 2. 2024 Revised Budget-to-Date (\$ in millions)

Fund	2024 Adopted	Auto Carryforward	Standalone Bills	2024 Revised	% Increase
General Fund	\$1,701	\$123	\$3	\$1,827	7%
All Other	\$6,116	\$1,723	\$5	\$7,844	28%
Total	\$7,817	\$1,846	\$8	\$9,671	24%

As shown in the table, automatic and legislated increases to date result in a 24 percent increase compared to the 2024 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 120774 – 2023 Carryforward

CB 120774, the 2023 Carryforward bill, requests approval for a total 2024 budget increase of \$201.4 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 2023. 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 2024 Revised budget, as follows:

- **Office of Planning and Community Development (OPCD):** A \$53.5 million (107 percent) overall increase across multiple funds, \$19.7 million of which is GF, and \$26.3 million of which is from the JumpStart Payroll Expense Tax Fund (JumpStart Fund). \$51.4 million of the total carryforward request is for Equitable Development Initiative (EDI) awards that have not yet been contracted. 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 \$1.9 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. OPCD and OSE continue to work closely with the South Park and Georgetown communities to implement these multi-faceted projects.

- **Office of Housing (OH):** A \$72 million (13 percent) overall increase, \$71.5 million of which is JumpStart Fund related to Multifamily Housing. 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.
- **Finance General (FG):** A \$28.6 million (8 percent) increase across multiple funds, \$27.3 million of which is for GF supported reserves for Participatory Budgeting. The recommendations for using this funding were not completed last year, and are expected to be completed by June 2024. The remaining \$1.3 million in the 2021 Multipurpose LTGO Bond Fund to allow for billing of ITD projects against bond proceeds received to support them in 2023.
- **Community Assisted Response and Engagement (CARE):** A 2.1 million (eight percent) GF increase, including \$1.5 million to implement the 911 Call Data Recorder, which will provide users with search capabilities through the integration of the call data recording and computer aided dispatch systems. This funding increment could not be spent in 2023 due to the necessary sequencing of related IT projects. In addition, \$400,000 is requested to support the purchase, customization, outfitting, and lease costs of three dedicated vehicles for the six-person Crisis Care Responder team. Vehicles currently in use are on loan to CARE from other departments. The Executive's initial concept and budget for a Crisis Care Responder team included only one vehicle, and expansion to three vehicles per team will increase the City's future cost to provide this response.

Other notable items include:

- **Childcare Bonus Fund:** A \$5 million Human Services Fund increase in the Human Services Department (HSD) for implementing childcare facility development contracts in Seattle. Due to project delays, this budget was not encumbered in 2023 and is required to support three identified childcare facility projects backed by Childcare Bonus Fund revenue. The three projects include El Centro de la Raza-Columbia City (\$2.5M), Bellwether Housing-Rose St. (\$1M), and Tiny Tots in Seattle Children's Hospital (\$1.5M). Budget authority for these projects was added as one-time appropriation in the 2023 mid-year supplemental budget.
- **Seattle Transportation Planning:** A \$3 million Transportation Fund increase in the Seattle Department of Transportation, \$2 million of which is 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 2023 is needed to complete this work in 2024. STP is being developed in coordination with the 2024 Comprehensive Plan update in advance of the proposed levy renewal. The remaining \$1 million is requested for the Transportation Technology Plan, which assesses Seattle Department of Transportation (SDOT's) information technology capacity and needs for managing the transportation system.

- **Judgement & Claims:** A \$10 million Judgement & Claims Fund increase in the Department of Finance and Administrative Services (FAS) for the payment of legal claims and suits brought against the City. The related settlements were not concluded in 2023 and are anticipated to settle this year.
- **AiPACE Community Facility:** A \$1.5 million GF increase in HSD to continue the construction of a new senior care facility (“AiPACE”), that expands International Community Health Services’ (ICHS) Program for All-Inclusive Care for the Elderly (PACE) and increases capacity to serve seniors. ICHS signed a purchase and sale agreement with the Seattle Chinatown International District Preservation and Development Authority (SCIDpda) and acquired a 25,000 square-foot space in SCIDpda’s Beacon Pacific Village for this new facility.
- **Rainier Valley Early Learning Campus (RVELC):** A \$5 million JumpStart Fund increase in HSD to support the development of the Rainier Valley Early Learning Campus – a joint childcare facility investment with the State of Washington, King County, federal government, and philanthropy. Due to project delays, this funding was not spent in 2023, and is anticipated to be spent this year instead.
- **Climate Resilience Hubs:** A \$1.5 million JumpStart Fund increase in the Office of Sustainability and Environment (OSE) to support community-led efforts to develop [resilience hubs](#), prioritizing projects that are currently underway, which will include a location in South Beacon Hill. In 2023, OSE was still working on a resilience hub plan so were not ready to expend funds last year.
- **Generational Wealth Initiative:** A \$1.6 million JumpStart Fund increase in the Department of Neighborhoods to continue the work of the Generational Wealth Initiative, which was started in 2021 to identify and fund community-centered solutions to the City’s longstanding racial wealth gap. The 2023 budget included provisos on most of the funding for the Generational Wealth Initiative, pending DON’s publication of a final [report](#) on the Initiative, which was released on schedule in September of 2023. The remaining unspent funding is required to continue the implementation of the report.
- **Evergreen Treatment Services Program Expansion:** A \$1 million GF increase in HSD to contract with Evergreen Treatment Services (ETS) to support the expansion of its Treatment in Motion (TIM) program. This funding was added in 2023 to allow ETS to expand TIM’s coverage area to the Pioneer Square area (to a specific area to be identified in consultation with the City). TIM has operated in Belltown since May 2022, serving those with opioid use disorder through the provision of medical treatment including buprenorphine (Suboxone) prescription, counseling, and nurse consultation services at a mobile medical van and the dispensation of methadone at a mobile medication unit. TIM’s ongoing costs are supported by Medicaid reimbursements and grant funding; however, these revenues are not sufficient to fund operating costs on an ongoing basis.

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 120773 – 2023 Exceptions Ordinance

CB 120773, the 2023 Exceptions bill, requests approval for a total 2023 budget increase of \$12.8 million. These appropriations increases are intended to resolve instances where departments overspent their revised 2023 Budget allocations. Over 90 percent of the total requested amount is for exception items in the Seattle Department of Human Resources (SDHR) and Seattle Public Utilities (SPU), including:

- \$8.3 million Industrial Insurance Fund exception request in SDHR to pay for unanticipated costs due to a high number of pensionable claims. These are large payouts (\$800,000 average in 2023) made to WA Labor & Industries to seed pension accounts for claimants who are unable to return to work or die due to workplace injury. Departments will reimburse the fund for a portion of these excess claims, while a sufficient fund reserve balance exists to cover the remaining payouts.
- \$3.3 million Solid Waste Fund exception request in SPU. The exception was driven by higher-than-expected inflationary adjustments to SPU's major service contracts with Solid Waste collectors, and relatedly, taxes due on the Solid Waste line of business. Given that the Solid Waste contracts budget is approximately \$130 million, this \$3.3 million exception represents less than three percent of the total 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 six-year history of past budget exception ordinances by department and includes CB 120773 for comparison.

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

\$ in 000s	2018	2019	2020	2021	2022	2023
	O-125893	O-126127	O-126471	O-126587	O-126826	CB-120773
OH	-	-	\$6,575	-		
SDOT	\$1,063	\$8,794	\$9,441	\$6,774	\$2,783	
SPR	-	-	\$455	-		\$3,744
SPU	-	-	\$13,588	-		
SCERS	-	\$882		-		
SDHR	\$95	\$3,433	-	\$6,542		\$8,291
HSD	-	\$864	-	-		
SPD	\$199	-	-	-		
FAS	\$12,136	-	-	-	\$2,052	\$729
SEEC					\$45	\$53
Total	\$13,493	\$13,972	\$30,059	\$13,316	\$4,879	\$12,817

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.

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. 2023 Budget Adjustments through April 17, 2024.

cc: Ben Noble, Director
Aly Pennucci, Deputy Director

Attachment 1. 2024 Budget Adjustments Through April 17, 2024

Department	Adopted Budget	Automatic Carryforward	Approved Supplementals (as of 4/17)	Revised Budget	CB 120774	CB 120774 % Increase to Revised Budget
Office of Arts and Culture	\$ 22,903,564	\$ 7,406,351	\$ -	\$ 30,309,915	\$ 1,330,000	4%
City Auditor Department	\$ 2,329,573	\$ 273,258	\$ -	\$ 2,602,831	\$ -	0%
City Budget Office Department	\$ 8,959,111	\$ 1,774,895	\$ -	\$ 10,734,006	\$ -	0%
Civil Service Commissions	\$ 881,534	\$ -	\$ -	\$ 881,534	\$ 95,000	11%
Community Assisted Response and Engagement	\$ 26,343,050	\$ 328,372	\$ 395,439	\$ 27,066,861	\$ 2,056,732	8%
Community Police Comm Department	\$ 2,112,770	\$ 40,600	\$ -	\$ 2,153,370	\$ -	0%
Seattle Department of Construction and Inspections	\$ 117,667,383	\$ 2,506,346	\$ 27,960	\$ 120,201,689	\$ 1,681,008	1%
Department of Education and Early Learning	\$ 156,798,353	\$ 65,767,919	\$ -	\$ 222,566,272	\$ 594,446	0%
Department Of Neighborhoods	\$ 18,723,879	\$ 7,848,308	\$ -	\$ 26,572,187	\$ 1,581,105	6%
Seattle Department of Transportation	\$ 711,293,366	\$ 428,113,273	\$ -	\$ 1,139,406,639	\$ 3,015,000	0%
Econ & Revenue Forecasts Department	\$ 835,712	\$ -	\$ -	\$ 835,712	\$ -	0%
Employees' Retirement System	\$ 10,656,304	\$ 252,629	\$ -	\$ 10,908,933	\$ 531,000	5%
Ethics And Elections Department	\$ 4,305,873	\$ -	\$ -	\$ 4,305,873	\$ -	0%
Department of Finance and Administrative Services	\$ 450,799,506	\$ 119,394,008	\$ -	\$ 570,193,513	\$ 10,491,363	2%
Finance General	\$ 342,025,906	\$ 862,626	\$ -	\$ 342,888,532	\$ 28,557,959	8%
Seattle Fire Department	\$ 282,575,015	\$ 6,744,426	\$ 1,509,474	\$ 290,828,915	\$ 127,616	0%
Firefighter's Pension	\$ 23,037,831	\$ -	\$ -	\$ 23,037,831	\$ 860,000	4%
Hearing Examiner Department	\$ 1,218,519	\$ 5,205	\$ -	\$ 1,223,724	\$ -	0%
Human Services Department	\$ 341,028,165	\$ 128,989,012	\$ 176,873	\$ 470,194,050	\$ 13,589,209	3%
Immigrant & Ref Affairs Department	\$ 6,404,121	\$ 1,924,222	\$ -	\$ 8,328,343	\$ -	0%
Intergovernment Relations Department	\$ 3,124,456	\$ -	\$ -	\$ 3,124,456	\$ -	0%
Law Department	\$ 40,780,772	\$ 462,190	\$ -	\$ 41,242,962	\$ 70,000	0%
Legislative Department	\$ -	\$ 524,790	\$ -	\$ 524,790	\$ -	0%
Seattle Public Library	\$ 95,777,023	\$ 21,985,137	\$ -	\$ 117,762,160	\$ 108,000	0%
Mayors Office Department	\$ 11,865,768	\$ 573,542	\$ -	\$ 12,439,311	\$ -	0%
Seattle Municipal Court	\$ 43,279,980	\$ (71,163)	\$ -	\$ 43,208,817	\$ 82,600	0%
Off Inspect Gen For Pub S Department	\$ 4,700,173	\$ 225,915	\$ -	\$ 4,926,088	\$ -	0%
Office of Emergency Management	\$ 2,922,504	\$ 1,940,746	\$ 402,567	\$ 5,265,817	\$ -	0%
Off Of Labor And Stand Department	\$ 9,041,478	\$ 338,703	\$ -	\$ 9,380,181	\$ -	0%
Office Of Civil Rights Department	\$ 7,986,095	\$ 2,540,384	\$ -	\$ 10,526,479	\$ -	0%
Office of Economic Development	\$ 37,241,269	\$ 27,557,633	\$ 50,000	\$ 64,848,902	\$ 315,000	0%
Office of Empl Ombud Department	\$ 1,154,216	\$ -	\$ -	\$ 1,154,216	\$ -	0%
Office Of Housing	\$ 339,334,973	\$ 214,549,971	\$ 580,000	\$ 554,464,944	\$ 71,952,068	13%
Office of Planning and Community Development	\$ 35,891,221	\$ 14,123,923	\$ 50,000	\$ 50,065,144	\$ 53,462,803	107%
Parks Department	\$ 320,716,190	\$ 220,583,309	\$ -	\$ 541,299,498	\$ -	0%
Seattle Police Department	\$ 395,794,770	\$ 19,707,553	\$ 53,896	\$ 415,556,219	\$ -	0%
Police Relief And Pension Department	\$ 26,748,732	\$ -	\$ -	\$ 26,748,732	\$ -	0%
Seattle Center	\$ 55,525,563	\$ 50,398,705	\$ -	\$ 105,924,267	\$ 1,701,222	2%
Seattle City Light	\$ 1,531,412,532	\$ 301,217,441	\$ -	\$ 1,832,629,973	\$ 776,156	0%
Seattle Department Of HR	\$ 409,546,688	\$ 11,000	\$ -	\$ 409,557,688	\$ -	0%
Seattle Information Technology Department	\$ 302,496,108	\$ 43,468,509	\$ -	\$ 345,964,617	\$ 4,983,580	1%
Seattle Public Utilities	\$ 1,580,692,614	\$ 133,775,565	\$ 4,500,000	\$ 1,718,968,180	\$ 352,108	0%
Office of Sustainability and Environment	\$ 30,585,488	\$ 20,122,013	\$ 75,000	\$ 50,782,501	\$ 3,093,390	6%
Grand Total	\$7,817,518,147	\$1,846,267,314	\$7,821,209	\$9,671,606,670	\$201,407,365	2%