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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.

Sponsors: Teresa Mosqueda

Indexes:

Attachments: 1. Summary and Fiscal Note, 2. Amendment 1 to RES 32116, 3. Signed Resolution 32116, 4. Affidavit of Publication

Date	Ver.	Action By	Action	Result
12/18/2023	2	City Clerk	attested by City Clerk	
12/18/2023	2	Mayor	returned unsigned	
12/7/2023	2	City Clerk	submitted for Mayor's signature	
12/5/2023	1	City Council	adopted	Pass
11/30/2023	1	Select Budget Committee	adopt as amended	Pass
11/21/2023	1	City Council	referred	
11/16/2023	1	Council President's Office	sent for review	
11/15/2023	1	City Clerk	sent for review	

CITY OF SEATTLE

RESOLUTION _____

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.

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 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"; and

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

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

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

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

WHEREAS, Statement of Legislative Intent (SLI) LEG-322-A-001-2023, requested recommendations from a

Council Central Staff (CS) and the City Budget Office (CBO) workgroup related to the annual budget process and treatment of General Fund planning reserves; and

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

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

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

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

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

A. For Year 1:

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

standalone amendments.

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

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

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

- a. Changes to the revenue forecast necessary to balance the budget;
- b. Changes to assumptions about the cost to deliver City programs and services;
- c. Proposals to carry forward appropriations from Year 1 as necessary to carry out an essential project or program that will not be fully expended in Year 1;
- d. Emergent community needs prioritized by the Mayor and the Council;
- e. A proclaimed civil emergency pursuant to Seattle Municipal Code Chapter 10.02; or
- f. New opportunities to partner with external organizations or other governmental agencies to leverage City investments.

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

Section 2. Supplemental budget changes

A. Definitions

1. "Supplemental budget bill" means a bill that proposes to amend the adopted annual budget under the authority provided in chapter 35.32A RCW, such as annual carryforward legislation, mid-year and

year-end supplemental budget bills, grant appropriation bills, and standalone budget bills.

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

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

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

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

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

B. Process

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

2. Comprehensive supplemental budget bills

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

b. Mid-year and year-end supplemental budget bills: The Executive may transmit comprehensive supplemental budget bills up to two times each year: (1) a mid-year supplemental budget bill transmitted to the Council by June 20; and (2) a year-end supplemental budget bill transmitted to the Council by the last Tuesday in September. The Mayor and the Council shall consider requests for amendments to the current year's adopted budget in the supplemental budget process if the requested amendment meets certain criteria. The summary and fiscal note shall describe how:

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

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

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

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

c. Supplemental grant appropriation bills: The Executive may transmit comprehensive supplemental grant bills up to three times each year: (1) a first quarter supplemental grant bill; (2) a mid-year

supplemental grant bill; and (3) a year-end supplemental grant bill. Supplemental grant appropriation bills will authorize the acceptance and spending of grants not identified at the time the annual budget was adopted.

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

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

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

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

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

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

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

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.

Adopted by the City Council the _____ day of _____, 2023, and signed by

me in open session in authentication of its adoption this _____ day of _____, 2023.

President _____ of the City Council

The Mayor concurred the _____ day of _____, 2023.

Bruce A. Harrell, Mayor

Filed by me this _____ day of _____, 2023.

Scheereen Dedman, City Clerk

(Seal)

Attachments (if any):