

2012 Seattle City Council Green Sheet

Ready for Notebook

Tab	Action	Option	Version
3	1	A	1

Budget Action Title: C.B. 117256 - revising "Rainy Day Fund" policies: Amend via substitution per previous Budget Committee discussions and then pass as amended.

Councilmembers: Budget Committee

Staff Analyst: Ben Noble

Council Bill or Resolution: C.B. 117256 (tab #10 in gray notebook)

Date		Total	SB	BH	SC	TR	JG	NL	RC	TB	MO
	Yes										
	No										
	Abstain										
	Absent										

Budget Action description:

C.B. 117256 would revise current City policies regarding deposits into the Revenue Stabilization Account (AKA "Rainy Day Fund"). This green sheet would amend the C.B. by substituting Version 7 (attached) for the original bill referred to the Budget Committee.

Under existing policies, funds are transferred to the Account in two ways:

1. Year-end General Subfund revenues that exceed the final forecast, which is prepared in early November, are automatically transferred into the Account; and
2. An ordinance, typically the budget ordinance or a quarterly supplemental, authorizes such a transfer.

Given that current and anticipated economic conditions are unlikely to produce patterns of revenue growth that will lead to significant under-forecasts, the Executive, in consultation with Council staff, has proposed to modify the existing policies to provide a more systematic mechanism for rebuilding the balance in the Revenue Stabilization Account (which currently stands at \$11.2 million). In particular, the new policies would:

1. Direct a fixed percentage of General Subfund tax revenues into the Account as part of the base budget -> 0.25% for 2012, stepping up to 0.50% for 2013 and beyond;
2. Shift 50% of unanticipated General Subfund year-end balances to the Account;
3. Maintain existing policies that (i) set a maximum funding level for the Account at 5% of total GSF tax revenue, and (ii) allow for additional "voluntary" contributions by ordinance; and

<i>Tab</i>	<i>Action</i>	<i>Option</i>	<i>Version</i>
3	1	A	1

4. Call for an evaluation of out-year financial projections before the City spends down any balance in the Account.

In 2012, these policies would require a \$1.95 million transfer to the Account. The Mayor's proposed budget includes funding for this transfer. In 2013, the revised policies will call for roughly \$4 million to be transferred to the Account.

The proposed amendments, which have been previously discussed by the Budget Committee, would:

- Clarify that the Account can be used to fund activities that would otherwise be suspended or eliminated due to a shortfall in revenues;
- Eliminate the 2/3 vote required to transfer funds out of the Account;
- Establish that if the Account reaches its maximum balance, the funding that otherwise would have been transferred into the Account should be used for one-time needs, rather than new on-going programs;
- Suspend contributions to the fund in years when General Subfund revenues decline, and
- Establish that in the year following a withdrawal from the Account, the transfer of General Subfund tax revenues will be set at 0.25% of tax revenues, rather than the full 0.50%.

The amending language is included in the attached version of the ordinance (Version 7), which is designed to substitute for the version that was proposed by the Executive and referred to the Budget Committee.