# City of Seattle

Gregory J. Nickels, Mayor

**Office of the Mayor**

September 24, 2007

Honorable Nick Licata
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Licata:

I am transmitting the attached proposed Council Bill that would raise the maximum allowable balance in the Cumulative Reserve Subfund's Revenue Stabilization Account (RSA) from 2.5 percent to 5.0 percent of the City's General Fund tax revenue. This action will allow the City to put additional money aside in a good economy that would help to mitigate the effects of an unexpected economic downturn or recession in the future.

The RSA, also known as the "Rainy Day Fund," was established to respond to sudden economic downturns that would result in revenue shortfalls and unacceptable disruptions to essential City services and operations. Such disruptions could be caused by a recession, changes in state law governing City revenue, or legal judgments. At the time the RSA was created in 1999, the maximum allowable balance was set at 2.5 percent of the amount of tax revenues received by the City for the fiscal year prior to the closed fiscal year. Recent changes in the Business and Occupation (B&O) tax structure, coupled with economic forecasts warning of difficult financial times ahead, lead me to propose an increase in the RSA's maximum allowable balance from 2.5 percent to 5.0 percent at this time. The Proposed Budget includes an additional $4.7 million for deposit into the RSA in 2008.

Raising the RSA's maximum allowable balance to 5.0 percent will allow the City to account for the significant increase in costs associated with providing essential services, and be better prepared for whatever the future may bring. Thank you for your consideration of this legislation. If you have questions, please call Glen Lee at 684-8079.

Sincerely,

GREG NICKELS
Mayor of Seattle

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# ORDINANCE 122557

AN ORDINANCE relating to the Revenue Stabilization Account of the Cumulative Reserve Subfund; authorizing an increase in the maximum balance allowed in the Revenue Stabilization Account; and amending Seattle Municipal Code Subsection 5.80.020 B in connection therewith.

WHEREAS, the City's revenue sources are susceptible to sudden unanticipated shortfalls due to a number of factors, including economic downturns, changes in state law governing City revenue, and legal judgments; and

WHEREAS, sudden downward adjustments to City spending plans mid-way through a fiscal year in response to unanticipated revenue shortfalls can result in unacceptable disruptions to essential City services and operations; and

WHEREAS, RCW 35.21.070 and Seattle Municipal Code 5.80.010 establish permissible uses of the Cumulative Reserve Subfund, including the provision of reserves for revenue stabilization for future operations; and

WHEREAS, the Revenue Stabilization Account (RSA) of the Cumulative Reserve Subfund (CRS) was established to support essential City operations during unanticipated shortfalls in the City's budget; and

WHEREAS, the maximum balance allowed in the RSA is based on a percentage of the amount of tax revenues received by the City during the fiscal year prior to the closed fiscal year; and

WHEREAS, it is the intent of the Mayor and City Council to avoid mid-year reductions to City spending plans by establishing a reserve that would be used to offset revenue shortfalls, and would be funded by (1) direct appropriations and (2) tax revenues that are greater than anticipated; and

WHEREAS, raising the maximum allowable balance in the RSA will allow the City to save more, and be in a better position, should it face a sudden economic downturn or revenue shortfall; and

WHEREAS, the RSA's maximum balance has not been adjusted since it was first established in 1999; NOW, THEREFORE,

**BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**



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Section 1. Effective January 1, 2008, Subsection 5.80.020 B of the Seattle Municipal Code is amended as follows:

**5.80.020 Structure of subfund.**

* * *

B. The Revenue Stabilization Account shall be used for revenue stabilization for future City operations. Expenditures from the Revenue Stabilization Account shall require an ordinance passed by two-thirds vote unless state law requires a higher super majority vote of the City Council. The Revenue Stabilization Account shall be funded by (1) transfers by ordinance, and (2) automatic transfer of tax revenues to the extent described in this section. Upon completion of fiscal year accounting, tax revenues collected during the closed fiscal year which are in excess of the latest revised estimate of tax revenues for that closed fiscal year (as published in the current fiscal year adopted budget) shall automatically be deposited to the Revenue Stabilization Account. Such deposit shall occur at that time the City completes its accounting for the fiscal year. At no time shall the balance of the Revenue Stabilization Account exceed ((~~two and one-half (2.5)~~)) five (5.0) percent of the amount of tax revenues received by the City during the fiscal year prior to the closed fiscal year. For purposes of this paragraph, the phrase "tax revenues" means all tax revenues deposited into the General Subfund, including but not limited to, tax revenue from the regular property tax levy, business and occupation tax, utility



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business taxes, admissions tax, leasehold excise tax, gambling taxes, and sales and use taxes.

Section 2. Any acts consistent with the authority and prior to the effective date of this ordinance are hereby ratified and confirmed.

Section 3. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the 19th day of November, 2007, and signed by me in open session in authentication of its passage this 19th day of November, 2007.

President _____ of the City Council

Approved by me this 26th day of November, 2007.

Gregory J. Nickels, Mayor

Filed by me this 26th day of November, 2007.

City Clerk

(Seal)



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2008 Budget Legislation
Glen Lee / Lisa Peyer
September 12, 2007
DOF Revenue Stabilization Account Cap Increase
Version #7

Form revised October 16, 2006

# 2008 BUDGET LEGISLATION FISCAL NOTE

*Note: This fiscal note template may be used for most pieces of budget legislation. Certain legislation submitted with the budget (e.g., the Supplemental Ordinance, Drug Forfeiture Legislation, Money Laundering Forfeiture Legislation, etc.), require that the standard fiscal note template be used with some modification. Please work with your Budget Analyst so that your fiscal note provides the information that is required during the budget process. The standard template can be found on the Legislation Tracking Page on the inweb at http://inweb/legislationtracking/*

| Department: | Contact Person/Phone: | DOF Analyst/Phone: |
|---|---|---|
| Finance | Glen Lee 684-8079 | Glen Lee 684-8079 |

Legislation Title: AN ORDINANCE relating to the Revenue Stabilization Account of the Cumulative Reserve Subfund; authorizing an increase in the maximum balance allowed in the Revenue Stabilization Account; and amending Seattle Municipal Code Subsection 5.80.020 B in connection therewith.

- **Summary of the Legislation:** This legislation will raise the maximum allowable balance in the Cumulative Reserve Subfund's Revenue Stablilization Account from 2.5 percent to 5.0 percent of the City's General Subfund tax revenue received by the City for the fiscal year prior to the closed fiscal year.

- **Background:** In 1999, the Revenue Stabilization Account (RSA) was established to respond to sudden downward financial adjustments due to unanticipated revenue shortfalls that would result in unacceptable disruptions to essential City services and operations. Such disruptions could be caused by unanticipated economic downturns, changes in state law governing City revenue, or legal judgments. At the time the RSA was created, the maximum allowable balance was set at 2.5 percent of the amount of tax revenues received by the City for the fiscal year prior to the closed fiscal year. Recent changes in the Business and Occupation (B&O) tax structure, coupled with economic forecasts warning of difficult times ahead, make it an excellent time to increase the RSA's maximum allowable balance, allowing the City to put additional funds aside in a strong economy that can be used to mitigate the effects of a weak economy or recession in the future.

X **This legislation has financial implications.** (Please complete all relevant sections that follow.)



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**Summary of Changes to Revenue Generated Resulting From This Legislation**

| Fee Type | 2007 Adopted | 2008 Proposed | Total of New Revenue Proposed |
|---|---|---|---|
| **Total Fees and Charges Resulting From Passage of This Ordinance** | | | |

**Note:** While this legislation does not affect the amount of tax revenue collected by the City, it does increase the maximum dollar amount allowed in the RSA. Upon passage of this legislation, the maximum allowable RSA limit for fiscal year 2008 doubles from $16.3 million to $32.7 million. In his 2008 Proposed Budget, the Mayor proposes to transfer $4.7 million of General Subfund resources to the RSA, increasing its current balance of approximately $14.9 million to a total of $19.6 million.

- **What is the financial cost of not implementing this legislation?** *(Estimate the costs to the City of not implementing the legislation, including estimated costs to maintain or expand an existing facility or the cost avoidance due to replacement of an existing facility, potential conflicts with regulatory requirements, or other potential costs if the legislation is not implemented)* N/A

- **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** *(Include any potential alternatives to the proposed legislation, such as reducing fee-supported activities, identifying outside funding sources for fee-supported activities, etc.)* The City could cut operations and services in the event of a significant revenue shortfall.

- **Is the legislation subject to public hearing requirements?** *(If yes, what public hearings have been held to date)* No

- **Other Issues** (*including long-term implications of the legislation*):



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# STATE OF WASHINGTON – KING COUNTY

--ss.

217864 No.
CITY OF SEATTLE,CLERKS OFFICE

## Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County..

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:TITLEONLY ORD ~~122572~~ 122557

was published on

11/28/07

The amount of the fee charged for the foregoing publication is the sum of $ 153.45, which amount has been paid in full.

Pamela Oglesby

Subscribed and sworn to before me on

11/28/07

Notary public for the State of Washington,
residing in Seattle

JENNIFER A. PATZER
COMMISSION EXPIRES
NOTARY
PUBLIC
OCT 24 2011
STATE OF WASHINGTON

# State of Washington, King County

## City of Seattle

TITLE-ONLY PUBLICATION

The full text of the following ordinances, passed by the City Council on November 19, 2007, and published here by title only, will be mailed, at no cost, on request for two months after this publication. For further information, contact the Seattle City Clerk at 684-8344.

ORDINANCE NO. 122572

AN ORDINANCE appropriating money to pay certain audited claims and ordering the payment thereof.

ORDINANCE NO. 122570

AN ORDINANCE amending the 2007 Adopted Budget, including the 2007-2012 Capital Improvement Program (CIP); changing appropriations to various departments and from various funds in the Budget; creating an exempt position; and establishing a Capital Improvement Project, all by a three-fourths vote of the City Council.

ORDINANCE NO. 122569

AN ORDINANCE relating to compensation for certain City officers and employees not covered by collective bargaining agreements and providing salary increases effective December 26, 2007; January 7, 2009; and January 6, 2010; and providing payment therefor.

ORDINANCE NO. 122568

AN ORDINANCE relating to indigent public defense services; authorizing the Director of Executive Administration to negotiate and execute amendments to the terms of the agreements with Associated Counsel for the Accused and The Defender Association for indigent public defense services for a period of six months.

ORDINANCE NO. 122566

AN ORDINANCE amending the 2007 Adopted Budget, changing appropriations to various departments and budget control levels; and from various funds in the Budget; all by a three-fourths vote of the City Council.

ORDINANCE NO. 122565

AN ORDINANCE implementing a court order regarding the City Light Department's funding of a greenhouse gas offset program; transferring cash from the General Subfund to reimburse the Light Fund for expenditures under the offset program.

ORDINANCE NO. 122562

AN ORDINANCE related to parking lot management agreements between the City of Seattle and the Pike Place Market Preservation and Development Authority; authorizing the execution of said agreements; and directing the deposit of revenues into the Cumulative Reserve Subfund, Unrestricted Subaccount.

ORDINANCE NO. 122560

AN ORDINANCE adopting a budget, including a capital improvement program and position modifications, for the City of Seattle for fiscal year 2008.

ORDINANCE NO. 122559

AN ORDINANCE eliminating the Engineering Services Fund; providing for the disposition of its assets and liabilities; amending Ordinance 116441 as amended by Ordinance 120637; and amending Chapter 5.76 of the Municipal Code in connection therewith.

ORDINANCE NO. 122558

AN ORDINANCE relating to the Joint Training Facility Project; amending Ordinance 121179, as previously amended by Ordinances 121363, 121980, and 122289 to extend the term of an interfund loan.

ORDINANCE NO. 122557

AN ORDINANCE relating to the Revenue Stabilization Account of the Cumulative Reserve Subfund; authorizing an increase in the maximum balance allowed in the Revenue Stabilization Account; and amending Seattle Municipal Code Subsection 5.80.020.B in connection therewith.

ORDINANCE NO. 122555

AN ORDINANCE authorizing the Director of Finance, or the Director's designee, to execute a Second Amendment to the Lease and Concession Agreement between the City of Seattle and BH Music Center.

Joe Ji Marquez, Information Specialist, Seattle City Clerk's Office

(206) 233-5039

The Office of the City Clerk supports open government and the democratic process by preserving and maximizing public access to the City's official and historical records, promoting City-wide compliance with records retention law, and facilitating the legislative process.

Date of publication in the Seattle Daily Journal of Commerce, November 28, 2007.

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