

Ordinance No. 123743

Council Bill No. 117256

AN ORDINANCE relating to the Revenue Stabilization Account of the Cumulative Reserve Subfund; revising policies regarding deposits into the Subfund; amending Seattle Municipal Code Subsection 5.80.020 B in connection therewith; and superseding a portion of Resolution 31083.

The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: Jean Goodson
Councilmember

Committee Action:

Budget Committee Sept. 19, 2011 Held until Nov. 10, 2011
5 (SB, SC, RC, NL, TR) - 3 (Burgess, Goodson, D'Brien)

~~11.10.11~~ ^{on} 11.10.11 Pass as amended 8-0
(RC absent)
11.21.11 Passed 8-0 ~~absent~~: NL
_{excused}

This file is complete and ready for presentation to Full Council. Committee: _____ (initial/date)

CF No. _____

Date Introduced:	Aug. 8, 2011	
Date 1st Referred:	To: (committee)	Budget
Date Re - Referred:	Aug. 8, 2011	
Date Re - Referred:	To: (committee)	
Date Re - Referred:	To: (committee)	
Date of Final Passage:	Full Council Vote:	
11.21.11	8-0	
Date Presented to Mayor:	Date Approved:	
11.23.11	Nov. 30, 2011	
Date Returned to City Clerk:	Date Published:	T.O. <input checked="" type="checkbox"/> F.T. <input type="checkbox"/>
Nov. 30, 2011		
Date Vetoed by Mayor:	Date Veto Published:	
Date Passed Over Veto:	Veto Sustained:	

Law Department

Law Dept. Review

OMP Review

City Clerk Review

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Indexed

ORDINANCE 123743

1
2 AN ORDINANCE relating to the Revenue Stabilization Account of the Cumulative Reserve
3 Subfund; revising policies regarding deposits into the Subfund; amending Seattle
4 Municipal Code Subsection 5.80.020 B in connection therewith; and superseding a
5 portion of Resolution 31083.

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

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

12 WHEREAS, RCW 35.21.070 and Seattle Municipal Code 5.80.010 establish that the Cumulative
13 Reserve Subfund (CRS) may serve as financial reserve to help stabilize revenues; and

14 WHEREAS, the Revenue Stabilization Account (RSA) of the CRS was established to support
15 essential City operations during unanticipated shortfalls in the City's revenues; and

16 WHEREAS, the RSA was heavily relied upon during 2009 and 2010 to ease the financial impact
17 of the Great Recession of 2008; and

18 WHEREAS, the RSA balance is currently low relative to the target for the Account; and

19 WHEREAS, new economic realities mean that future revenue growth is likely to be subdued
20 relative to recoveries from past recessions and as a result existing policies for the
21 replenishment of the RSA will not be sufficient to restore the balance in a timely way;
22 and

23 WHEREAS, it is a priority of City leaders to replenish the RSA in order to better position the
24 City to weather future economic downturns; and

25 WHEREAS, requiring an automatic transfer of tax revenues at the outset of each year provides a
26 predictable and proactive method of filling the RSA; and

27 WHEREAS, changing the funding mechanism for the RSA from relying on surplus revenue to
28 relying on surplus fund balance in the General Subfund increases the likelihood of
providing adequate resources to the RSA in this new economic climate; and



1 WHEREAS, suspending contributions to the RSA when nominal tax revenue growth is negative
2 acknowledges that the City would likely be relying on the RSA in this type of situation;
3 and

4 WHEREAS, evaluating out-year financial forecasts is important in determining how much is
5 appropriate to draw down the RSA at any time in order to ensure a sustainable path for
6 the City; and

7 WHEREAS, the funding mechanisms for the RSA have not been adjusted since the RSA was
8 first established in 1999 and are currently stated in Policy 10 of the Financial Policies for
9 the City of Seattle Cumulative Reserve Subfund of the General Fund, adopted by the City
10 Council and Mayor under Section 1 of Resolution 31083; and

11 WHEREAS, it is appropriate to supersede Policy 10 of the Financial Policies for the City of
12 Seattle Cumulative Reserve Subfund of the General Fund to effectuate the changing of
13 the funding mechanism for the RSA; NOW THEREFORE,

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

15 Section 1. Subsection 5.80.020.B of the Seattle Municipal Code, which section was last
16 amended by Ordinance 123361, is amended as follows:

17 **5.80.020 Structure of subfund.**

18 * * *

19 B. The Revenue Stabilization Account shall be used for revenue stabilization for future
20 City operations and to fund activities that would otherwise be reduced in scope, suspended or
21 eliminated due to unanticipated shortfalls in General Subfund revenues. Transfers into and
22 expenditures from the Revenue Stabilization Account shall occur as follows:

23 1. Expenditures from the Revenue Stabilization Account shall require an ordinance((
24 ~~passed by two-thirds vote unless state law requires a higher super-majority vote of the City~~
25 ~~Council~~)). An assessment of the City's long-term financial outlook should be considered when
26



1 making decisions about how much to expend from the Revenue Stabilization Account, including
2 a projection of how Revenue Stabilization Account resources are expected to be used and at least
3 partially replenished over the following four years.

4 2. The Revenue Stabilization Account shall be funded by (a) ~~((1))~~ transfers by
5 ordinance, ~~((and))~~(b) ~~((2))~~ automatic transfer of 0.25 percent of General Subfund tax revenues
6 forecast for 2012 and the automatic transfer of 0.50 percent of forecast General Subfund tax
7 revenues for each year thereafter, and (c) ~~((to the extent described in this section. U))~~ upon
8 completion of fiscal year accounting, automatic transfer of 50 percent of the ending General
9 Subfund fund balance, less encumbrances, carryforwards as authorized by ordinance or state law,
10 and planned reserve amounts reflected in the adopted budget, ~~((tax revenues collected during the~~
11 closed fiscal year which are)) that is in excess of the latest revised estimate of the unreserved
12 ending fund balance ~~((tax revenues))~~ for that closed fiscal year (as published in the ~~((current~~
13 fiscal year)) adopted budget) ~~((shall automatically be deposited to the Revenue Stabilization~~
14 Account)). ~~((Such deposit))~~ A transfer as described in subsection 5.80.020.B.2.c shall occur at
15 that time the City completes its accounting for the closed fiscal year. ~~((At no time shall the~~
16 balance of the Revenue Stabilization Account exceed 5 percent of the amount of tax revenues
17 received by the City during the fiscal year prior to the closed fiscal year.))

18 3. For purposes of this subsection 5.80.020.B ~~((this paragraph))~~, the phrase "tax
19 revenues" means all tax revenues deposited into the General Subfund, including but not limited
20 to, tax revenue from the regular property tax levy, business and occupation tax, utility business
21 taxes, the portion of admissions tax not dedicated to the Arts Account, leasehold excise tax,
22 gambling taxes, and sales and use taxes.



1 4. At no time shall the balance of the Revenue Stabilization Account exceed 5 percent of
2 the General Subfund tax revenues forecast underlying the adopted budget for the current fiscal
3 year. Automatic transfers of funds into the Revenue Stabilization Account as required by
4 subsection 5.80.020.B.2 shall be made only to the extent that the fund balance for the Revenue
5 Stabilization Account does not exceed 5 percent of the tax revenues forecast for the current fiscal
6 year, and the automatic transfer of any amount that would result in such an excess shall be
7 suspended.

8
9 5. When the Revenue Stabilization Account balance reaches 5 percent of forecast tax
10 revenues, and automatic transfers are suspended, the amount that would have been automatically
11 transferred into the Revenue Stabilization Account had the Revenue Stabilization Account not
12 reached its maximum-allowed fund balance should be used to pay for existing obligations rather
13 than to fund new programs.

14
15 6. The transfer of 0.50 percent of General Subfund tax revenues and 50 percent of
16 General Subfund year-end balances that is described in subsection 5.80.020.B.2 shall be
17 temporarily suspended when revenue forecasts underlying the adopted budget anticipate a
18 nominal decline in General Subfund revenues, as compared to the revenue forecasts underlying
19 the adopted budget for the fiscal year immediately prior. Automatic transfers shall remain
20 suspended until positive revenue growth is reflected in the revenue forecasts underlying the
21 adopted budget.

22
23 7. In the first year during which positive revenue growth is again forecast, the automatic
24 transfer of tax revenues described in subsection 5.80.020.B.2.b shall be limited to 0.25 percent,
25 followed by an automatic transfer of 0.50 percent in each year thereafter, unless the City again
26



1 forecasts a nominal decline in General Subfund tax revenues or the value of the Revenue
2 Stabilization Account reaches 5 percent of forecast tax revenues.

3 8. The automatic transfer of 0.25 percent or 0.50 percent of General Subfund tax
4 revenues that is described in subsections 5.80.020.B.2.b and 5.80.020.B.7 shall also be
5 temporarily suspended in any year that an expenditure from the Revenue Stabilization Account is
6 authorized in the adopted budget.

7
8 Section 2. Policy 10 of the Financial Policies for the City of Seattle Cumulative Reserve
9 Subfund of the General Fund, adopted by the City Council and Mayor under Section 1 of
10 Resolution 31083, and attached as Exhibit A thereto, is superseded by this ordinance.

11 Section 3. This ordinance shall take effect and be in force 30 days after its approval by
12 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it
13 shall take effect as provided by Seattle Municipal Code Section 1.04.020.

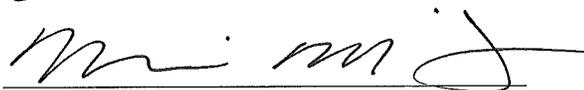
14
15 Passed by the City Council the 21 day of November, 2011, and
16 signed by me in open session in authentication of its passage this

17 21 day of November, 2011.

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21 President _____ of the City Council

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23 Approved by me this 30th day of November, 2011.

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26 Michael McGinn, Mayor



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Filed by me this 30th day of November, 2011.



For Monica Martinez Simmons, City Clerk

(Seal)



FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
City Budget Office	Beth Goldberg / 233-7115 Ben Noble / 684-8160	Hall Walker / 233-7065

Legislation Title: AN ORDINANCE relating to the Revenue Stabilization Account of the Cumulative Reserve Subfund; revising policies regarding deposits into the Subfund; amending Seattle Municipal Code Subsection 5.80.020 B in connection therewith; and superseding a portion of Resolution 31083.

Summary of the Legislation: This legislation would update the Revenue Stabilization Account (aka the Rainy Day Fund) policies to allow the City to replenish the Revenue Stabilization Account in a timely manner in order to ensure that the City has adequate resources to transition into periods of unexpected revenue shortfalls.

Background: The City first established the Revenue Stabilization Account (RSA) in 1999 to provide the City's General Subfund with a cushion in the event of unexpected shortfalls in revenue. The existence of such a fund allows time for the City to adjust its operations to the revenue shortfalls and potentially avoid disruption to City services that could result from mid-year budget reductions. In addition, the bond rating agencies look favorably on jurisdictions with healthy rainy day funds and robust rainy day fund policies. High bond ratings result in lower borrowing costs to the City, including City-run utilities.

Current policies provides two mechanisms to fund the RSA – by ordinance or when actual revenues for the closed fiscal exceed that last available revenue forecast for the closed fiscal year. These policies allowed the City to aggressively fund the RSA in the period between 2005 and 2008, when the RSA reached a total value of \$30.6 million, or 4% of General Subfund tax revenues. Then, in 2009 and as part of the 2010 Adopted Budget, as the impacts of the Great Recession took hold, the City made aggressive use of the RSA to ease into the new financial reality, lowering the value of the fund to \$10.5 million, or 1.4% of tax revenues. In the 2011 Adopted Budget, the City made a modest increase of in the size of the RSA, bringing the total value to \$11.2 million, or 1.5% of tax revenue. Despite these efforts, the value of the RSA remains well below the target fund level of 5% of tax revenues and there is real concern that the current policies do not provide the City with sufficient mechanisms to ensure that the RSA is replenished prior to the next downturn in revenues. This concern stems from the fact that revenue growth in future years is forecast to be more modest compared to past post-recessionary periods. Average annual tax revenue growth through 2014 is projected at 3.4%, which is significantly below the rates seen in the post-recessionary period of 1995 – 2000 (7.9%) and in the post-recessionary period of 2003 – 2007 (6.3%). This suggests that revenue growth alone will not be sufficient to replenish the RSA.

To ensure that the City has sufficient mechanisms to fund the RSA, this legislation proposes the following changes:

- Replace the current excess revenue mechanism with one that would automatically direct 50% of unanticipated excess fund balance to the Rainy Day Fund;
- Create a new policy that would sweep a percentage of forecasted tax revenues (0.25% for 2012 and 0.50% each year thereafter) at the outset of the budget process to the Rainy Day Fund;
- Establish a policy to suspend the funding mechanisms when a tax revenue declines;
- Establish language that requires the evaluation of out-year financial projections when developing plans to spend down the Rainy Day Fund; and
- Maintain existing policies that set the maximum funding level at 5% of tax revenue and that allow for contributions by ordinance.

In its review and consideration of this legislation, the City Council made a number of amendments to further clarify the purposes of the Revenue Stabilization Account and the conditions under which transfers will be made into and out of the Account. These amendments implemented the following changes:

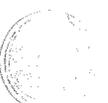
- Clarified that the Account can be used to fund activities that would otherwise be suspended or eliminated due to a shortfall in revenues;
- Eliminated the 2/3 vote required to transfer funds out of the Account (a simple majority will now be sufficient);
- Established that if the Account reaches its maximum balance, the funding that otherwise would have been transferred into the Account should be used to pay for existing obligations needs, rather than new programs;
- Established 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%.

X This legislation has financial implications.

Appropriations:

Fund Name and Number	Department	Budget Control Level*	2011 Appropriation	2012 Anticipated Appropriation
00100 General Fund	Finance General	Appropriation to General Fund Subfunds and Special Funds	\$0	\$1,950,000
TOTAL				

*See budget book to obtain the appropriate Budget Control Level for your department.



Appropriations Notes: No appropriations in 2011. Appropriations for 2012 will be included in the 2012 Budget. In 2013 and subsequent years, amount is expected to increase to approximately \$4,000,000 annually, based on current forecasts.

Appropriation amounts will vary with future updates to the revenue forecast and actual year-end experience.

Other Implications:

- a) **Does the legislation have indirect financial implications, or long-term implications?**
Adoption of these policies could help protect City services and allow the City time to transition into time of unexpected shortfalls in revenues.
- b) **What is the financial cost of not implementing the legislation?**
Not implementing this legislation could leave the City's General Subfund vulnerable to service disruptions in times of unexpected shortfalls in revenues that occur from time-to-time as the City would not have sufficient mechanisms to replenish the RSA. In addition, the absence of a well-funded RSA overtime could result in negative reactions by the bond rating agencies and potentially higher borrowing costs for the City and its utilities.
- c) **Does this legislation affect any departments besides the originating department?**
No.
- d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** None.
- e) **Is a public hearing required for this legislation?** No.
(If yes, what public hearing(s) have been held to date, and/or what public hearing(s) are planned for the future?)
- f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?** No.
- g) **Does this legislation affect a piece of property?** No
- h) **Other Issues:** None.

List attachments to the fiscal note below: None.





City of Seattle
Office of the Mayor

August 2, 2011

Honorable Richard Conlin
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Conlin:

I am please to transmit the attached proposed Council Bill that would update the City's General Subfund Revenue Stabilization Account (aka Rainy Day Fund), amend Seattle Municipal Code 5.80.020 B, and supersede Policy 10 of the Financial Policies for the City of Seattle Cumulative Reserve Subfund of the General Fund that was adopted under Section 1 of Resolution 31083. Updating these policies is essential if the City intends on having sufficient mechanisms to replenish the Revenue Stabilization Account following the Great Recession. The Revenue Stabilization Account is an important tool in helping the City weather unexpected shortfalls in revenues and helps protect important City services. The policy changes I am proposing in this Council Bill are reflective of information that my budget director, Beth Goldberg, presented to the Council Special Budget Committee on July 18, 2011.

The City first established the Revenue Stabilization Account (RSA) in 1999 to provide the City's General Subfund with a cushion in the event of unexpected shortfalls in revenue. The existence of such a fund allows time for the City to adjust its operations to the revenue shortfalls and potentially avoid disruption to City services that could result from mid-year budget reductions. In addition, the bond rating agencies look favorably on jurisdictions with healthy rainy day funds and robust rainy day fund policies. High bond ratings result in lower borrowing costs to the City, including City-run utilities.

Current policies provides two mechanisms to fund the RSA – by ordinance or when actual revenues for the closed fiscal exceed that last available revenue forecast for the closed fiscal year. These policies allowed the City to aggressively fund the RSA in the period between 2005 and 2008, when the RSA reached a total value of \$30.6 million, or 4% of General Subfund tax revenues. Then, in 2009 and as part of the 2010 Adopted Budget, as the impacts of the Great Recession took hold, the City made aggressive use of the RSA to ease into the new financial reality, lowering the value of the fund to \$10.5 million, or 1.4% of tax revenues. In the 2011 Adopted Budget, the City made a modest increase of in the size of the RSA, bringing the total value to \$11.2 million, or 1.5% of tax revenue. Despite these efforts, the value of the RSA remains well below the target fund level of 5% of tax revenues and there is real concern that the current policies do not provide the City with sufficient mechanisms to ensure that the RSA is replenished prior to the next downturn in revenues. This concern stems from the fact that revenue growth in future years is forecast to be more modest compared to past post-recessionary periods. Average annual tax revenue growth through 2014 is projected at 3.4%, which is significantly below the rates seen in the post-recessionary period of 1995 – 2000 (7.9%) and in the post-recessionary period of 2003 – 2007 (6.3%). This suggests that revenue growth alone will not be sufficient to replenish the RSA.

Michael McGinn, Mayor
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600 Fourth Avenue, 7th Floor
PO Box 94749
Seattle, WA 98124-4749

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Fax (206) 684-5360
TDD (206) 615-0476
mike.mcgin@seattle.gov



To ensure that the City has sufficient mechanisms to fund the RSA, this legislation:

- Replaces the current excess revenue mechanism with one that would automatically direct 50% of unanticipated excess fund balance to the Rainy Day Fund
- Creates a new policy that would sweep a percentage of forecasted tax revenues (0.25% for 2012 and 0.50% each year thereafter) at the outset of the budget process to the Rainy Day Fund
- Establishes a policy to suspend the funding mechanisms when absolute tax revenue growth is negative
- Establishes language that requires the evaluation of out-year financial projections when developing plans to spend down the Rainy Day Fund
- Maintains existing policies that set the maximum funding level at 5% of tax revenue and that allow for contributions by ordinance

The Revenue Stabilization Account has served the City well. The policy enhancements proposed in this legislation are important to ensuring that it continues to serve the City well as we look to the future. Thank you for your consideration of this legislation. Should you have questions, please contact Beth Goldberg, Director, City Budget Office at 233-7115.

Sincerely,



Michael McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council



ORDINANCE _____

1
2 AN ORDINANCE relating to the Revenue Stabilization Account of the Cumulative Reserve
3 Subfund; revising policies regarding deposits into the Subfund; amending Seattle
4 Municipal Code Subsection 5.80.020 B in connection therewith; and superseding a
5 portion of Resolution 31083.

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

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

12 WHEREAS, RCW 35.21.070 and Seattle Municipal Code 5.80.010 establish that the Cumulative
13 Reserve Subfund (CRS) may serve as financial reserve to help stabilize revenues; and

14 WHEREAS, the Revenue Stabilization Account (RSA) of the CRS was established to support
15 essential City operations during unanticipated shortfalls in the City's revenues; and

16 WHEREAS, the RSA was heavily relied upon during 2009 and 2010 to ease the financial impact
17 of the Great Recession of 2008; and

18 WHEREAS, RSA balances are currently low relative to target balances; and

19 WHEREAS, new economic realities means that future revenue growth is likely to be subdued
20 relative to recoveries from past recessions and as a result existing policies for the
21 replenishment of the RSA will not be sufficient to restore balances in a timely way; and

22 WHEREAS, it is a priority of City leaders to replenish the RSA in order to better position the
23 City to weather future economic downturns; and

24 WHEREAS, requiring an automatic transfer of tax revenues at the outset of each budget process
25 provides a predictable and proactive method of filling the RSA; and

26 WHEREAS, changing the funding mechanism for the RSA from relying on surplus revenue to
27 relying on surplus fund balances in the General Subfund increases the likelihood of
28 providing adequate resources to the RSA in this new economic climate; and



1 WHEREAS, suspending contributions to the RSA when absolute tax revenue growth is negative
2 acknowledges that the City would likely be relying on the RSA in this type of situation;
3 and

4 WHEREAS, evaluating out-year financial forecasts is important in determining how much is
5 appropriate to draw down the RSA at any time in order to ensure a sustainable path for
6 the City; and

7 WHEREAS, the funding mechanisms for the RSA have not been adjusted since the RSA was
8 first established in 1999 and are currently stated in Policy 10 of the Financial Policies for
9 the City of Seattle Cumulative Reserve Subfund of the General Fund, adopted by the City
10 Council and Mayor under Section 1 of Resolution 31083;

11 WHEREAS, it is appropriate to supersede Policy 10 of the Financial Policies for the City of
12 Seattle Cumulative Reserve Subfund of the General Fund to effectuate the changing of
13 the funding mechanism for the RSA; NOW THEREFORE,

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

15 Section 1. Effective October 1, 2011, Subsection 5.80.020 B of the Seattle Municipal
16 Code, last amended by Ordinance 123361, is amended as follows:

17 **5.80.020 Structure of subfund.**

18 * * *

19 B. The Revenue Stabilization Account shall be used for revenue stabilization for future
20 City operations. Expenditures from the Revenue Stabilization Account shall require an ordinance
21 passed by two-thirds vote unless state law requires a higher super majority vote of the City
22 Council. An assessment of the City's long-term financial outlook should be considered when
23 making decisions about how much to withdraw from the Revenue Stabilization Account. The
24 Revenue Stabilization Account shall be funded by (1) transfers by ordinance, ~~((and))~~(2)
25 automatic transfer of 0.25-percent of General Subfund tax revenues forecasted for 2012 and the
26



1 automatic transfer of 0.50-percent of forecasted General Subfund tax revenue for each year
2 thereafter, and (3) ~~((to the extent described in this section. U))~~ upon completion of fiscal year
3 accounting, automatic transfer of 50 percent of the ending General Subfund fund balance less
4 encumbrances, carryforwards, and planned reserve amounts ~~((tax revenues collected during the~~
5 closed fiscal year which are)) that is in excess of the latest revised estimate of the unreserved
6 ending fund balance ~~((tax revenues))~~ for that closed fiscal year (as published in the current
7 adopted budget for that previous fiscal year) ~~((shall automatically be deposited to the Revenue~~
8 Stabilization Account)). Such deposit shall occur at that time the City completes its accounting
9 for the closed fiscal year. At no time shall the balance of the Revenue Stabilization Account
10 exceed 5~~((-))~~percent of the ~~((amount of tax revenues received by the City during the fiscal year~~
11 prior to the closed fiscal year)) forecasted tax revenue for the current fiscal year. Automatic
12 transfers of funds into the Revenue Stabilization Account as required by this section shall be
13 made only to the extent that the fund balance for the Revenue Stabilization Account does not
14 exceed 5 percent of the amount of tax revenues forecast for the current for the current fiscal year
15 and the automatic transfer of any amount that would result in such an excess shall be suspended.
16
17 For purposes of this paragraph, the phrase "tax revenues" means all tax revenues deposited into
18 the General Subfund, including but not limited to, tax revenue from the regular property tax levy,
19 business and occupation tax, utility business taxes, leasehold excise tax, gambling taxes, and
20 sales and use taxes. The transfer of 0.50% General Subfund Revenues and 50% of unanticipated
21 General Subfund year-end balances that are described above shall be temporarily suspended
22 when revenue forecasts underlying the adopted budget anticipate a nominal decline in tax
23 revenues during the following year.
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1 Section 2. Policy 10 of the Financial Policies for the City of Seattle Cumulative Reserve
2 Subfund of the General Fund, adopted by the City Council and Mayor under Section 1 of
3 Resolution 31083, and attached as Exhibit A thereto, is superseded by this ordinance.

4 Section 3. This ordinance shall take effect and be in force 30 days after its approval by
5 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it
6 shall take effect as provided by Seattle Municipal Code Section 1.04.020.

7
8 Passed by the City Council the ____ day of _____, 2011, and
9 signed by me in open session in authentication of its passage this
10 ____ day of _____, 2011.

11
12
13 _____
14 President _____ of the City Council

15 Approved by me this ____ day of _____, 2011.

16
17 _____
18 Michael McGinn, Mayor

19
20 Filed by me this ____ day of _____, 2011.

21
22 _____
23 Monica Martinez Simmons, City Clerk

24 (Seal)



FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
City Budget Office	Beth Goldberg / 233-7115	Hall Walker / 233-7065

Legislation Title: AN ORDINANCE relating to the Revenue Stabilization Account of the Cumulative Reserve Subfund; revising policies regarding deposits into the Subfund; amending Seattle Municipal Code Subsection 5.80.020 B in connection therewith; and superseding a portion of Resolution 31083.

Summary of the Legislation: This legislation would update the Revenue Stabilization Account (aka the Rainy Day Fund) policies to allow the City to replenish the Revenue Stabilization Account in a timely manner in order to ensure that the City has adequate resources to transition into periods of unexpected revenue shortfalls.

Background: The City first established the Revenue Stabilization Account (RSA) in 1999 to provide the City's General Subfund with a cushion in the event of unexpected shortfalls in revenue. The existence of such a fund allows time for the City to adjust its operations to the revenue shortfalls and potentially avoid disruption to City services that could result from mid-year budget reductions. In addition, the bond rating agencies look favorably on jurisdictions with healthy rainy day funds and robust rainy day fund policies. High bond ratings result in lower borrowing costs to the City, including City-run utilities.

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To ensure that the City has sufficient mechanisms to fund the RSA, this legislation proposes the following changes:

- Replace the current excess revenue mechanism with one that would automatically direct 50% of unanticipated excess fund balance to the Rainy Day Fund
- Create a new policy that would sweep a percentage of forecasted tax revenues (0.25% for 2012 and 0.50% each year thereafter) at the outset of the budget process to the Rainy Day Fund
- Establish a policy to suspend the funding mechanisms when absolute tax revenue growth is negative
- Establish language that requires the evaluation of out-year financial projections when developing plans to spend down the Rainy Day Fund
- Maintain existing policies that set the maximum funding level at 5% of tax revenue and that allow for contributions by ordinance

X This legislation has financial implications.

Appropriations:

Fund Name and Number	Department	Budget Control Level*	2011 Appropriation	2012 Anticipated Appropriation
00100 General Fund	Finance General	Appropriation to General Fund Subfunds and Special Funds	\$0	\$2,000,000
TOTAL				

*See budget book to obtain the appropriate Budget Control Level for your department.

Appropriations Notes: No appropriations in 2011. Appropriations for 2012 will be included in the 2012 Proposed Budget. In 2013 and subsequent years, amount is expected to increase to approximately \$4,000,000 annually, based on current forecasts.

Appropriation amounts will vary with future updates to the revenue forecast and actual year-end experience.

Other Implications:

- Does the legislation have indirect financial implications, or long-term implications?**
 Adoption of these policies could help protect City services and allow the City time to transition into time of unexpected shortfalls in revenues.
- What is the financial cost of not implementing the legislation?**
 Not implementing this legislation could leave the City's General Subfund vulnerable to service disruptions in times of unexpected shortfalls in revenues that occur from time-to-



time as the City would not have sufficient mechanisms to replenish the RSA. In addition, the absence of a well-funded RSA overtime could result in negative reactions by the bond rating agencies and potentially higher borrowing costs for the City and its utilities.

- c) **Does this legislation affect any departments besides the originating department?**
No.
- d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** None.
- e) **Is a public hearing required for this legislation?** No.
(If yes, what public hearing(s) have been held to date, and/or what public hearing(s) are planned for the future?)
- f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?** No.
- g) **Does this legislation affect a piece of property?** No
- h) **Other Issues:** None.

List attachments to the fiscal note below: None.



STATE OF WASHINGTON – KING COUNTY

--SS.

279019
CITY OF SEATTLE, CLERKS OFFICE

No. TITLE ONLY

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.

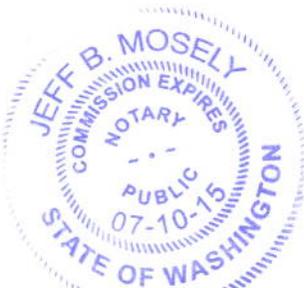
The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:123742-123764

was published on

12/09/11

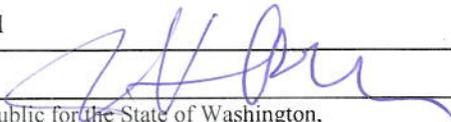
The amount of the fee charged for the foregoing publication is the sum of \$ 293.48, which amount has been paid in full.



Affidavit of Publication


Subscribed and sworn to before me on

12/09/11


Notary public for the State of Washington,
residing in Seattle

State of Washington, King County

City of Seattle

The full text of the following legislation, passed by the City Council on November 21, 2011, and published below by title only, will be mailed upon request, or can be accessed at <http://clerk.seattle.gov>. For information on upcoming meetings of the Seattle City Council, please visit <http://www.seattle.gov/council/calendar>. Contact: Office of the City Clerk at (206) 684-8344.

ORDINANCE NO. 123742

AN ORDINANCE relating to rates and charges for water services of Seattle Public Utilities; revising water rates and charges and amending Seattle Municipal Code Chapter 21.04 in connection therewith; removing Water District 61 and Richmond Beach Area meter surcharges and amending Seattle Municipal Code 21.12 in connection therewith; and revising credits to low-income customers and amending Seattle Municipal Code Chapter 21.76 in connection therewith.

ORDINANCE NO. 123743

AN ORDINANCE relating to the Revenue Stabilization Account of the Cumulative Reserve Subfund; revising policies regarding deposits into the Subfund; amending Seattle Municipal Code Subsection 5.80.020 B in connection therewith; and superseding a portion of Resolution 31083.

ORDINANCE NO. 123744

AN ORDINANCE relating to civil service; combining the staff of the Civil Service Commission and Public Safety Civil Service Commission and amending sections 4.04.250, 4.08.050, and 4.08.070 of the Seattle Municipal Code.

ORDINANCE NO. 123745

AN ORDINANCE relating to City employment; establishing a 2012 furlough program for certain employees not covered by collective bargaining agreements.

ORDINANCE NO. 123746

AN ORDINANCE amending Chapter 20.48 of the Seattle Municipal Code in order to modify City policies pertaining to capital appropriations.

ORDINANCE NO. 123747

AN ORDINANCE relating to solid waste taxation; amending Section 5.48.055 of the Seattle Municipal Code; and increasing the transfer tax rate effective January 1, 2012.

ORDINANCE NO. 123748

AN ORDINANCE relating to the financing of the South Lake Union Streetcar project; amending Ordinance 122603, last amended by Ordinance 123164, to extend the term of an interfund loan.

ORDINANCE NO. 123749

AN ORDINANCE relating to emergency assistance for low-income Seattle Public Utilities customers and amending Section 21.76.065 of the Seattle Municipal Code.

ORDINANCE NO. 123750

AN ORDINANCE relating to the 2008 Parks and Green Spaces Levy; accepting the recommendations of the 2008 Parks and Green Spaces Levy Oversight Committee concerning the Development Category Inflation Adjustment and the Opportunity Fund category; reallocating funds from the Development Category to the Opportunity Fund Category; and creating new major maintenance projects in the Opportunity Fund Category; all by a three-fourths vote of the City Council.

ORDINANCE NO. 123751

AN ORDINANCE relating to contracting indebtedness; authorizing and providing for the issuance and sale of limited tax general obligation bonds to pay all or part of the cost of financing elements of the City's capital improvement program, issuing and selling the bonds, and other City purposes approved by ordinance; providing for terms and sale of the bonds; creating a bond fund; and ratifying and confirming certain prior acts.

ORDINANCE NO. 123752

AN ORDINANCE relating to the electric system of The City of Seattle; authorizing the issuance and sale of municipal light and power revenue bonds for the purposes of providing funds for certain additions and betterments to and extensions of the existing municipal light and power plant and system of the City, paying the costs of issuing and selling those bonds and providing for the reserve fund requirement; providing for the terms, conditions, covenants and manner of sale of those bonds; describing the lien of those bonds; and ratifying and confirming certain prior acts.

ORDINANCE NO. 123753

AN ORDINANCE relating to financing of the drainage and wastewater system of The City of Seattle; adopting a system or plan of additions and betterments to and extensions of the drainage and wastewater system; authorizing the issuance and sale of drainage and wastewater revenue bonds, in one or more series, for the purposes of paying all or part of the cost of carrying out that system or plan, providing for the reserve requirement for bonds, and issuing and selling the bonds; providing for the terms, conditions, covenants and manner of sale of the bonds; describing the lien of the bonds; creating certain accounts of the City relating to the bonds; and ratifying and confirming certain prior acts.

ORDINANCE NO. 123754

AN ORDINANCE relating to the Seattle Department of Transportation; amending Section 11.23.120 of the Seattle Municipal Code establishing fees related to Commercial Vehicle Load Zone permits pursuant to the trucking and parking regulations of the Traffic Code.

ORDINANCE NO. 123755

AN ORDINANCE related to fees and charges for permits and activities of the Department of Planning and Development and related fees by other departments; amending a section of Ordinance 123453; and amending Seattle Municipal Code Chapter 22.900A, Administration and Enforcement; Chapter 22.900B, General Provisions; Chapter 22.900C, Fees for Land Use Review; Chapter 22.900D, Fees for New and Altered Buildings and Equipment; Chapter 22.900E, Fees for Certificates and Registrations; Chapter 22.900F, Compliance and Other Inspections; and Chapter 22.900G, Fees Collected for Other Departments.

ORDINANCE NO. 123756

AN ORDINANCE relating to a reorganization of the Human Services Department; amending Section 3.20.040 of the Seattle Municipal Code to restructure, rename and create various divisions in the Human Services Department.

ORDINANCE NO. 123757

AN ORDINANCE relating to the City Light Department, directing the transfer of certain funds in the Light Fund into the Rate Stabilization Account in 2011, and amending SMC 21.49.086 (G) relating to the operation of said Account.

ORDINANCE NO. 123758

AN ORDINANCE adopting a budget, including a capital improvement program and position modifications, for The City of Seattle for 2012; creating positions exempt from civil service, all by a two-thirds vote of the City Council.

ORDINANCE NO. 123759

AN ORDINANCE relating to the Department of Parks and Recreation; establishing the 2012 fee schedule for the use of park properties and other park and recreation facilities and services; superseding previous park and recreation fee schedules; and amending Section 18.28.010 of the Seattle Municipal Code.

ORDINANCE NO. 123760

AN ORDINANCE amending the 2011 Budget, including the 2011-2016 Capital Improvement Program (CIP); changing appropriations to various departments and budget control levels; and from various funds in the Budget; revising project descriptions; revising project allocations for certain projects in the 2011-2016 CIP; making cash transfers between various city funds; creating new appropriations, amending ordinances 123442 and 123664; and ratifying and confirming certain prior acts; all by a 3/4 vote of the City Council.

ORDINANCE NO. 123761

AN ORDINANCE relating to the Alaskan Way Viaduct and Seawall Replacement Program; authorizing the creation of a City fund; and authorizing the loan of funds from the City's Consolidated (Residual) Cash Pool, or its participating funds, to the new fund.

ORDINANCE NO. 123762

AN ORDINANCE relating to the levy of property taxes; fixing the rates and/or amounts of taxes to be levied, and levying the same upon all

taxable property, both real and personal, in The City of Seattle, to finance the departments and activities of City government and to provide for the general obligation bond interest and redemption requirements for the year beginning on the first day of January 2012; and ratifying and confirming certain prior acts.

ORDINANCE NO. 123763

AN ORDINANCE authorizing the levy of regular property taxes by The City of Seattle for collection in 2012, representing an increase above the regular property taxes levied for collection in 2011; and ratifying and confirming certain prior acts

ORDINANCE NO. 123764

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

Publication ordered by the City Clerk
Date of publication in the Seattle Daily Journal of Commerce, December 9, 2011.
12/9(279019)