

RESOLUTION No. 31083

Jean Gaddis

A RESOLUTION adopting revised financial policies for the Cumulative Reserve Subfund of the General Subfund, and superseding Section 3 of Resolution 30379.

ⓔ
Adopt AS Amended
JG, SC, NL

ⓔ
9-29-08 Adopted AS Amended 90

Introduced: 8/18/08	By:
Referred:	To: Finance and Budget (FAB)
Referred:	To:
Reported:	
Passed: 9.29.08	Signed: 9.29.08
Filed: 10.8.08	Published: Titu 3

US5171

Law Department

RESOLUTION 31083

A RESOLUTION adopting revised financial policies for the Cumulative Reserve Subfund of the General Subfund, and superseding Section 3 of Resolution 30379.

WHEREAS, the Mayor and City Council are committed to maintaining high standards of financial management; and

WHEREAS, adopting and periodically updating financial policies are important actions that help to assure consistent and rational financial planning and management; and

WHEREAS, the Cumulative Reserve Subfund is an essential component of the City of Seattle's financial program; and

WHEREAS, the Mayor and City Council have reviewed the financial policies for the Cumulative Reserve Subfund, and wish to update and revise certain parts of those policies; NOW, THEREFORE,

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

Section 1. The Mayor and City Council hereby supersede Section 3 of Resolution 30379 and adopt the policies on the Cumulative Reserve Subfund of the General Fund, attached hereto as Exhibit A.

Section 2. The Mayor and City Council hereby acknowledge and endorse the following changes to the Cumulative Reserve Subfund of the General Fund policies that were adopted in Resolution 30379:

- a) Policy 5c is added regarding the Fleets and Facilities Department's asset preservation financial policies endorsed by Resolution 30812.
- b) Policy 6a is added regarding allocation from the Capital Projects Account for asset preservation in City departments other than the Seattle Department of Transportation (SDOT) and the utilities.



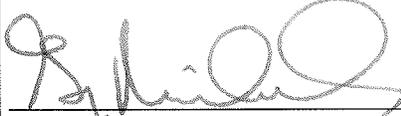
- 1 c) Policy 6b is added regarding allocation from the Capital Projects Account to SDOT for
2 transportation asset preservation.
- 3 d) Policy 6c is added regarding use of Capital Project Account revenues for funding shortfalls in
4 the Fire Facilities and Emergency Response Levy.
- 5 e) Policy 6d is added regarding the use of the General Subfund for asset preservation when the
6 Cumulative Reserve Subfund is insufficient and regarding reductions in funding for Policies 6a
7 and 6b when total funding is insufficient.
- 8 f) Policy 6e is added regarding annual reports on the budget and estimated need for asset
9 preservation.
- 10 g) Policy 7 is added regarding the use of Real Estate Excise Tax revenues for new debt service for
11 most new facilities.
- 12 h) Policy 8 is added regarding the use of Real Estate Excise Tax revenues for most future voter-
13 approved programs or levy programs.
- 14 i) Policy 9 is added establishing a policy that the highest priority for use of Real Estate Excise
15 Tax revenues above revenue forecast will be enhanced asset preservation
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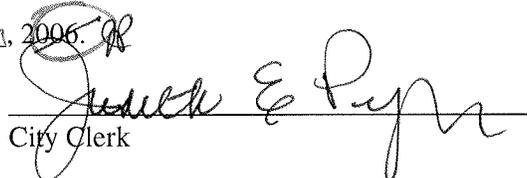


1 Adopted by the City Council the 29th day of September, 2006, and signed by me in open
2 session in authentication of its adoption this 29th day of September, 2006. 2008

3
4 
President _____ of the City Council

5 THE MAYOR CONCURRING:

6
7  10/8/08
8 Gregory J. Nickels, Mayor

9 Filled by me this 8th day of October, 2006. 2008
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11 
City Clerk

12 (Seal)

13 Exhibit A: Financial Policies for the City of Seattle Cumulative Reserve Subfund of the General Fund
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FINANCIAL POLICIES FOR THE CITY OF SEATTLE CUMULATIVE RESERVE SUBFUND OF THE GENERAL FUND

Introduction

The Cumulative Reserve Subfund of the General Fund is comprised of two accounts, the Capital Projects Account and the Revenue Stabilization Account. The Capital Projects Account is used to pay debt service on the City's Capital Facilities Bonds (through 2017) and is the primary resource for asset preservation funding for non-utility departments other than Seattle Department of Transportation. The Revenue Stabilization Account (also called the Rainy Day Fund) is intended to cushion the City from sudden unanticipated shortfalls in revenue due to economic downturns in order to avoid or mitigate mid-year expenditure reductions.

Fund Structure

Policy 1. Subfund Accounts. The Cumulative Reserve Subfund shall be comprised of two (2) accounts: the Capital Projects Account, with its several sub-accounts, and the Revenue Stabilization Account. [Ord 119761]

Policy 2. Capital Projects Account Subaccounts. The Capital Projects Account shall be comprised of several subaccounts, including but not limited to the Real Estate Excise Tax I Subaccount; the Real Estate Excise Tax II Subaccount; the South Lake Union Property Proceeds Subaccount; and the Unrestricted Subaccount. [Ord 120411] The Asset Preservation Subaccount - Fleets and Facilities Subaccount [Ord 121642] and Street Vacation Subaccount [Ord 121661] are also subaccounts of the Capital Projects Account. [Updates policy adopted in Resolution 30379, Exhibit C-2.]

Expenditures

Policy 3. Purposes of Subfund. There is hereby established under authority of RCW 35.21.070, as a subfund of the General Fund, a cumulative reserve fund for several different municipal purposes as well as certain specific municipal purposes as follows:

- a) The making of any public improvement, including but not limited to the construction, alteration, renovation or repair of City buildings; the establishment, widening and extending of streets and highways; and the construction and repair of sewers;
- b) Investigations and studies in connection with any public improvement;
- c) The acquisition of real property;
- d) The purchase of supplies, material or equipment as specified in the ordinance making an appropriation therefore;



- e) Civil defense;
- f) The provision of low-income housing;
- g) The provision of reserves for revenue stabilization for future operations;
- h) Short-term loans for capital projects to meet cash-flow requirements, provided that a source of repayment is identified and that a schedule and term of repayment are specified;
- i) The financing of capital projects specified in the capital facilities element of the City's Comprehensive Plan and housing relocation assistance, as authorized by Chapter 82.64 RCW;
- j) The matching of federal or state funds for any of the foregoing or any other municipal purpose the nature of which shall be specified in the appropriating ordinance.

The subfund shall be known as the Cumulative Reserve Subfund.
[Ord 117977]

Policy 4 Revenue Stabilization Account expenditures. 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 supermajority vote of the City Council. [Ord 119761]

Policy 5. Capital Projects Account expenditures. Expenditures from the Capital Projects Account shall require an ordinance adopted by a majority of the members of the City Council. [Ord 119761]

- a) Real Estate Excise Tax I Subaccount expenditures. The Real Estate Excise Tax I Subaccount shall be expended only for the purposes and capital projects contemplated by RCW 82.46.010. [Ord 119761] RCW 82.46.010 requires that expenditures from this subaccount be limited to financing capital projects specified in a capital facilities plan element of a comprehensive plan and housing relocation assistance, except for (a) revenues pledged to debt retirement prior to April 30, 1992, which may be used for that purpose until the original debt is retired, or (b) revenues committed prior to April 30, 1992 to a project, which may be used for that purpose until the project is completed. "Capital project" is defined in RCW 82.46.010(6) to mean those public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, parks, recreational facilities, law enforcement facilities, fire protection facilities, trails, libraries, administrative and/or judicial facilities, river and/or waterway flood control projects (for jurisdictions that had expended funds from this tax prior to June 11, 1992 for such purpose), and housing projects (until December 31, 1995 and only for those jurisdictions that had expended funds from this tax prior to June 11, 1992 for this purpose).



- b) Real Estate Excise Tax II Subaccount expenditures. The Real Estate Excise Tax II Subaccount shall be used solely for the purposes and capital projects contemplated by RCW 82.46.035. [Ord 119761] RCW 82.46.035 requires that expenditures from this subaccount be limited to financing capital projects specified in a capital facilities plan element of a comprehensive plan, except for (a) revenues pledged to debt retirement prior to March 1, 1992, which may be used for that purpose until the original debt is retired, or (b) revenues committed prior to March 1, 1992 to a project, which may be used for that purpose until the project is completed. "Capital project" is defined in RCW 82.46.035(5) to mean those public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, and planning, construction, reconstruction, repair, rehabilitation, or improvement of parks.
- c) Asset Preservation Subaccount - Fleets and Facilities expenditures. Expenditures from the Asset Preservation Subaccount – Fleets and Facilities are governed by the financial policies endorsed by Resolution 30812.
- d) South Lake Union Property Proceeds Subaccount expenditures. Expenditures from the South Lake Union Property Proceeds Subaccount shall be used for the purposes described in Sections 1 through 6 of Resolution 30334, including transaction costs, the Fairview-Valley Corridor realignment project, legal reserves, affordable housing, and other South Lake Union transportation projects.
- e) Street Vacation Subaccount expenditures. Expenditures from the Street Vacation Subaccount shall be dedicated to the acquisition, improvement, and development of public open space or transportation capital projects. [Ord 121661]
- f) Unrestricted Subaccount expenditures. Expenditures from the Unrestricted Subaccount shall be for asset preservation, facility improvements that do not expand capacity (though they may expand utilization), and planning and development of new or expanded capital infrastructure.

Policy 6. Capital Projects Account Spending Priorities

- a) Beginning in 2009, the City shall estimate the average amount of annual funding required to preserve existing assets owned by City departments other than Transportation and the utilities. Until and unless the City develops a method for estimating this annual target based wholly or in part on actual facility conditions and service requirements, the target shall begin at \$47 million in 2008 and shall be adjusted for the effects of inflation on the buying power of the dollar. Beginning in 2009, an amount of Capital Projects Account revenue at least equal to 65% of the target shall be allocated for asset preservation (formerly known as "major maintenance" as defined by Resolution 30365) for facilities owned by City departments other than Transportation and the utilities. [New Policy]



- b) Beginning in 2009, at least \$5 million in Capital Projects Account revenue shall be allocated for asset preservation in the Seattle Department of Transportation. This amount shall be adjusted for the effects of inflation on the buying power of the dollar. [New Policy]
- c) Capital Projects Account revenue shall continue to be used in 2009 and subsequent years as it has been since 2007 to pay current year expenses plus debt service on bonds issued to address project funding shortfalls in the neighborhood stations program of the Fire Facilities and Emergency Response Levy. Bonds issued for this purpose shall have final maturities no later than one year after expiration of the Levy. [New Policy]
- d) If the Capital Projects Account does not have sufficient funding to meet the requirements of Policy 6a and Policy 6b above and Policy 12 below, the City shall consider the use of General Subfund to eliminate the funding shortfall. With or without the addition of any General Subfund support, if the total available funding remains insufficient for Policy 6a and Policy 6b, funding for these two policies shall be reduced proportionately. [New Policy]
- e) Beginning in 2010, the annual adopted budget shall state the difference between (i) the budget for asset preservation for departments other than Transportation and the utilities and (ii) both the annual average amount required for asset preservation defined by Policy 6a (known as the target) and the minimum funding requirement of Policy 6a. In subsequent years the annual adopted budget shall state the cumulative differences since 2010. [New Policy]

Policy 7. Use of Real Estate Excise Tax revenues for future Debt Service. Beginning in 2009 and except for fire facilities projects described in Policy 6c above, no new debt service for new facilities shall be charged to Real Estate Excise Tax revenues. [New Policy]

Policy 8. Use of Real Estate Excise Tax revenues for future Levy matches. Beginning in 2009 and except for transportation projects described in Policy 6b above, the City shall not pass legislation committing Real Estate Excise Tax revenue to partial funding of voter-approved projects or levy programs. [New Policy]

Policy 9. Use of Real Estate Excise Tax revenues above revenue forecast. In keeping with the City's commitment to maintaining its existing infrastructure, the highest priority use for any revenues received above forecast will be enhanced asset preservation. [New Policy]

Revenues/Fund Balances

Policy 10. Revenues to, and fund balance of, the Revenue Stabilization Account. 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) 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 business taxes, admissions tax, leasehold excise tax, gambling taxes, and sales and use taxes. [Ord 119761]

Policy 11. Revenues to, and fund balance of, the Capital Projects Account

- a) Revenues into REET I Subaccount. The Real Estate Excise Tax I Subaccount shall be comprised of the first one-quarter (1/4) of one (1) percent excise tax on real estate sales collected on or after May 1, 1992. [Ord 119761]
- b) Revenues into REET II Subaccount. The Real Estate Excise Tax II Subaccount shall be comprised of the second one-quarter (1/4) of one (1) percent excise tax on real estate sales collected on or after May 1, 1992. [Ord 119761]
- c) Revenues to Asset Preservation – Fleets and Facilities Subaccount. The Asset Preservation – Fleets and Facilities Subaccount shall, unless provided otherwise by ordinance, be comprised of revenues from space rent charges levied by the Fleets and Facilities Department on occupants of the facilities it manages, operates, or maintains, investment earnings attributable to the Subaccount, and other fund sources approved through the City's annual budget process or by other ordinance. [Ord 121642]
- d) Revenues to Street Vacation Subaccount. One-half of the revenue received by the City as compensation for areas vacated pursuant to Seattle Municipal Code Section 15.62.090 shall be deposited into the Street Vacation Subaccount. [Ord 121661]
- e) Revenues to the South Lake Union Property Proceeds Subaccount. The South Lake Union Property Proceeds Subaccount shall, unless provided otherwise by ordinance, be comprised of revenues from sales of certain surplus City property located adjacent to South Lake Union, investment earnings attributable to the Subaccount, and other revenues identified through ordinance. [Ord 120411]
- f) Revenues into the Unrestricted Subaccount. The Unrestricted Subaccount shall, unless provided otherwise by ordinance, be comprised of revenues from sales of surplus City property net of sale proceeds deposited into the South Lake Union Property Proceeds Subaccount, transfers of General Fund balances, investment earnings attributable to the Capital Projects Account of the Cumulative Reserve Subfund net of investment earnings attributable to the South Lake Union Property Proceeds Subaccount and the Asset Preservation Subaccount - Fleets and Facilities, and other unrestricted contributions to the Cumulative Reserve Subfund. [Ord 120411]

Policy 12. Ending Fund Balance for REET I and REET II Subaccounts. In order to guard against revenue fluctuations, the City intends to maintain at least a total \$5 million ending fund balance for the REET I and REET II subaccounts of the Cumulative Reserve Subfund. [New Policy]



Policy 13. Interest payments on loans. It is the City's general policy that the Cumulative Reserve Subfund charge interest on any loan to another City fund or subfund. Loans made for a period of more than 90 (ninety) days will be approved by ordinance, and interest charges established via ordinance.



2007 BUDGET LEGISLATION FISCAL NOTE

Department:	Contact Person/Phone:	DOF Analyst/Phone:
Department of Finance	Jan Oscherwitz 4-8510	Jan Oscherwitz 4-8510

Legislation Title:

A RESOLUTION adopting revised financial policies for the Cumulative Reserve Subfund of the General Subfund, and superseding Section 3 of Resolution 30379.

- **Summary of the Legislation:** The proposed resolution adopts updated financial policies for the Cumulative Reserve Subfund (CRF) and supercedes Section 3 of Resolution 30379 . The CRF policies are updated in seven ways:
 - a) Policy 5c. is added regarding the Fleets and Facilities Department's asset preservation financial policies adopted by Resolution 30812.
 - b) Policy 6a is added regarding asset preservation spending from the Capital Projects Account. This policy relates to an annual target of at least \$30M for asset preservation projects.
 - c) Policy 6b is added regarding transportation spending from the Capital Projects Account. This policy relates to annual targets for allocating funds for transportation projects.
 - d) Policy 6c is added regarding use of Capital Project Account revenues for funding shortfalls in the Fire Facilities and Emergency Response Levy.
 - e) Policy 7 is added regarding use of Real Estate Excise Tax (REET) revenues for new debt service for new facilities. Beginning in 2007 and except for fire facilities projects described in Policy 6c, no new debt service for new facilities would be charged to REET revenues.
 - f) Policy 8 is added regarding use of REET revenues for future Levy matches. Beginning in 2007 and except for transportation projects described in Policy 6b, REET revenues would not be used for future voter-approved projects or levy programs.
 - g) Policy 9 is added regarding use of REET revenues above revenue forecast. In keeping with the City's commitment to maintaining its existing infrastructure,

the highest priority use for any revenues received above forecast would be enhanced asset preservation.

- **Background:** During the 2006 Budget process, the City Council adopted a Statement of Legislative Intent (SLI) that directed the Department of Finance to develop financial policies, including debt policies, for the use of Real Estate Excise Tax (REET) revenues on a City-wide basis, and guidelines regarding projecting future levels of REET revenues. Specifically, these policies are to address how available REET funds will be allocated among departments to support minimum levels of basic maintenance investments and determine what share of future REET revenues can be prudently allocated toward debt service, City-wide.

The proposed Resolution and its attached revised policies constitute a response to the Council's 2006 SLI. The Executive's 2007-2008 Proposed Budget and 2007-2012 Proposed Capital Improvement Program (CIP) reflect these proposed policies.

Previous City Policies Regarding Use of CRF

- **Use of CRF for Debt Service:** While the City previously did not have a debt policy regarding use of CRF, recent practice has been to use this fund source for debt service on large asset preservation projects that would otherwise be too costly for upfront cash financing. Examples include work on Pier 59 and the roofs at Seattle Center. The City has also been using REET revenues to cover the cost of debt service for some transportation projects and costly new initiatives (e.g., Northgate Park & Ride acquisition).
- **Use of REET for Asset Preservation:** Although State law allows REET to be used for new and expanded facilities, the City's highest priority for many years has been to use REET for asset preservation. The City's Capital and Major Maintenance Planning and Funding Policies, updated by Resolution 30365 (adopted in August 2001), state that the City is committed to investing at least \$18.7M per year (2001 dollars) to maintain and make non-expansion improvements to existing infrastructure (excluding utility and transportation infrastructure). In 2006, this amounted to a \$23M commitment to asset preservation. REET is the typical funding source for this investment.

In 2002, DOF sponsored an Asset Preservation (AP) Study that recommended 1% replacement value for buildings and 0.5% replacement for non-buildings as a proxy for our annual general government, asset preservation target. This target, in 2002 dollars, was \$38M. This target is a guideline and has not been adopted as City policy.

The following table shows AP target to actuals:

	2002	2006	2007/08 (annually)
Annual Target per Resolution 30365	\$19M	\$23M	\$24M
Annual Target per 2002 Asset Preservation Study	\$38M	\$44M	\$44M (revised to include FFD's AP requirement and exclude fire facilities)
Department of Parks and Recreation (Parks), Seattle Center, Seattle Public Library Actual AP, and Debt Service	\$25M	\$26M	TBD
Fleet and Facilities Department (FFD) Actual AP	\$2.7M	\$2.9M	TBD
Gap Between 2002 AP Target and Actual Spending	(\$10.3M)	(\$15.1M)	TBD
Actual Spending Above Policy Target	\$8.7M	\$5.9M	TBD

- Use of REET for New and Expanded Facilities:** In the absence of a formal policy regarding use of CRF for asset preservation beyond the minimum investment target, in recent years this fund source has been used to cover shortfalls in a growing number of new and expanded facilities, including the Fire Station 10, Civic Center, and Northgate Community Center projects.
- REET Allocations by Department:** Departments that have historically received REET are Fleets and Facilities Department (FFD), Seattle Center, Library, Department of Parks and Recreation (Parks), and Seattle Department of Transportation (SDOT). Although permitted by state law, the City generally has not used REET for utility projects. Approximate historical annual allocations for departments are as follows: \$9M for Parks, \$1.5M for Library, \$1.7M for Seattle Center, and \$1M for FFD (before FFD developed its AP program through space rent).

Given the historical use of REET as described above, the Executive proposes a set of revised CRF policies that support the following funding priorities:

Commitment to Asset Preservation. Beginning in 2007, at least \$30 million per year of Capital Projects Account revenues shall be allocated for asset preservation (formerly known as "major maintenance" as defined by Resolution 30365). This amount shall be adjusted for the effects of inflation on the buying power of the dollar. Although far from a revised annual target of \$44M as recommended by the 2002 Asset Preservation Study, funding at this level is in keeping with the City's major maintenance policies, adopted by Resolution 30365.

Transportation Priorities. In recent years, SDOT has received an increasingly large amount of CRF, averaging about \$9M annually, except for a large spike in 2006. Starting



with the Mayor's 2007-2008 Proposed Budget, SDOT would receive at least \$9M in 2007 and \$5M annually thereafter, in addition to level funding for the NSF/CRF program and existing debt service.

Supplemental Funding for the Fire Levy Neighborhood Stations Program. A CRF funding commitment was made in the original levy package, but new shortfalls due to construction inflation make the need for supplemental funding clear. Starting with the 2007-2008 Proposed Budget, CRF will cover the gap between actual costs and originally committed funds. Some debt will be needed to match the timing of expenditures to the available CRF. The term of the debt will match the term of the original Levy.

Use of CRF to Repay Debt. Through 2006, debt service paid by CRF ties up approximately \$8.5M (or 20% of projected CRF revenues) each year. Beginning in 2007 and except for fire facilities projects described above, no new debt service for new facilities shall be charged to Real Estate Excise Tax revenues.

Fund Balance. In order to protect the City from downside risk in years when REET revenues do not meet forecast, the Executive proposes continuing the City's practice of maintaining a projected fund balance of about \$5 million in each of the REET I and REET II Subaccounts.

- *Please check one of the following:*

This legislation does not have any financial implications.

This legislation has financial implications. See background information above.

Anticipated Revenue/Reimbursement: Not applicable.

Notes:

- What is the financial cost of not implementing this legislation? Not applicable.
- What are the possible alternatives to the legislation that could achieve the same or similar objectives? Not applicable.
- Is the legislation subject to public hearing requirements? No.
- Other Issues: None.





City of Seattle

Gregory J. Nickels, Mayor

Office of the Mayor

September 25, 2006

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

Dear Council President Licata:

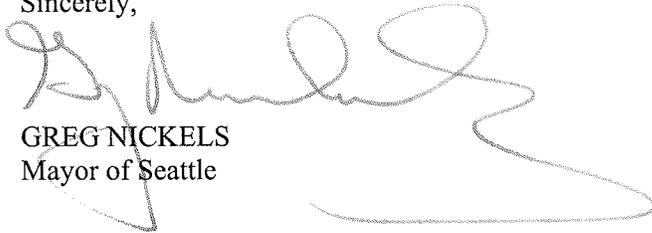
I am pleased to transmit the attached proposed Resolution that adopts updated financial policies for the Cumulative Reserve Subfund (CRF).

During the 2006 Budget process, the City Council adopted a Statement of Legislative Intent (SLI) that directed the Department of Finance to develop financial policies, including debt policies, for the use of Real Estate Excise Tax (REET) revenues on a City-wide basis, and guidelines for projecting future levels of REET revenues. The attached Resolution, which constitutes a response to the Council's SLI, revises the CRF policies in the following ways:

- A policy is added to reflect the creation of the Fleets and Facilities Department's asset preservation financial policies adopted by Resolution 30812.
- A policy is added to reflect an annual target of at least \$30M for asset preservation projects.
- A policy is added to reflect annual funding targets of \$9M in 2007 and \$5M thereafter for transportation projects.
- A policy is added regarding the use of CRF revenues for funding shortfalls in the Fire Facilities and Emergency Response Levy Program.
- A policy is added regarding the use of REET revenues for new debt service for new facilities.
- A policy is added regarding the use of REET revenues for future Levy matches.
- A policy is added regarding the use of REET revenues above revenue forecast.

The CRF policies adopted by this Resolution support the City's commitment to maintaining its existing infrastructure by dedicating revenues that exceed projected forecasts to enhancing the City's asset preservation program. Thank you for your consideration of this legislation. Should you have questions, please contact Jan Oscherwitz at 684-8510,

Sincerely,



GREG NICKELS
Mayor of Seattle

600 Fourth Avenue, 7th Floor, P.O. Box 94749, Seattle, WA 98124-4749

Tel: (206) 684-4000, TDD: (206) 684-8811 Fax: (206) 684-5360, E:mail: mayors.office@seattle.gov

An equal employment opportunity, affirmative action employer. Accommodations for people with disabilities provided upon request.



- d) Policy 6c is added regarding use of Capital Project Account revenues for funding shortfalls in the Fire Facilities and Emergency Response Levy.
- e) Policy 7 is added regarding the use of Real Estate Excise Tax revenues for new debt service for most new facilities.
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- g) Policy 9 is added establishing a policy that the highest priority for use of Real Estate Excise Tax revenues above revenue forecast will be enhanced asset preservation

Adopted by the City Council the ____ day of _____, 2006, and signed by me in open session in authentication of its adoption this ____ day of _____, 2006.

President _____ of the City Council

THE MAYOR CONCURRING:

Gregory J. Nickels, Mayor

Filed by me this ____ day of _____, 2006.

City Clerk

(Seal)

Exhibit A: Financial Policies for the City of Seattle Cumulative Reserve Subfund of the General Fund



**FINANCIAL POLICIES FOR THE CITY OF SEATTLE
CUMULATIVE RESERVE SUBFUND OF THE GENERAL FUND**

Introduction

The Cumulative Reserve Subfund of the General Fund is comprised of two accounts, the Capital Projects Account and the Revenue Stabilization Account. The Capital Projects Account is used to pay debt service on the City's Capital Facilities Bonds (through 2017) and is the primary resource for asset preservation funding for non-utility departments other than Seattle Department of Transportation. The Revenue Stabilization Account (also called the Rainy Day Fund) is intended to cushion the City from sudden unanticipated shortfalls in revenue due to economic downturns in order to avoid or mitigate mid-year expenditure reductions.

Fund Structure

Policy 1. Subfund Accounts. The Cumulative Reserve Subfund shall be comprised of two (2) accounts: the Capital Projects Account, with its several sub-accounts, and the Revenue Stabilization Account. [Ord 119761]

Policy 2. Capital Projects Account Subaccounts. The Capital Projects Account shall be comprised of several subaccounts, including but not limited to the Real Estate Excise Tax I Subaccount; the Real Estate Excise Tax II Subaccount; the South Lake Union Property Proceeds Subaccount; and the Unrestricted Subaccount. [Ord 120411] The Asset Preservation Subaccount - Fleets and Facilities Subaccount [Ord 121642] and Street Vacation Subaccount [Ord 121661] are also subaccounts of the Capital Projects Account. [Updates policy adopted in Resolution 30379, Exhibit C-2.]

Expenditures

Policy 3. Purposes of Subfund. There is hereby established under authority of RCW 35.21.070, as a subfund of the General Fund, a cumulative reserve fund for several different municipal purposes as well as certain specific municipal purposes as follows:

- a) The making of any public improvement, including but not limited to the construction, alteration, renovation or repair of City buildings; the establishment, widening and extending of streets and highways; and the construction and repair of sewers;
- b) Investigations and studies in connection with any public improvement;
- c) The acquisition of real property;
- d) The purchase of supplies, material or equipment as specified in the ordinance making an appropriation therefor;



- e) Civil defense;
- f) The provision of low-income housing;
- g) The provision of reserves for revenue stabilization for future operations;
- h) Short-term loans for capital projects to meet cash-flow requirements, provided that a source of repayment is identified and that a schedule and term of repayment are specified;
- i) The financing of capital projects specified in the capital facilities element of the City's Comprehensive Plan and housing relocation assistance, as authorized by Chapter 82.64 RCW;
- j) The matching of federal or state funds for any of the foregoing or any other municipal purpose the nature of which shall be specified in the appropriating ordinance.

The subfund shall be known as the Cumulative Reserve Subfund.
[Ord 117977]

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Policy 5. Capital Projects Account expenditures. Expenditures from the Capital Projects Account shall require an ordinance adopted by a majority of the members of the City Council. [Ord 119761]

- a) Real Estate Excise Tax I Subaccount expenditures. The Real Estate Excise Tax I Subaccount shall be expended only for the purposes and capital projects contemplated by RCW 82.46.010. [Ord 119761] RCW 82.46.010 requires that expenditures from this subaccount be limited to financing capital projects specified in a capital facilities plan element of a comprehensive plan and housing relocation assistance, except for (a) revenues pledged to debt retirement prior to April 30, 1992, which may be used for that purpose until the original debt is retired, or (b) revenues committed prior to April 30, 1992 to a project, which may be used for that purpose until the project is completed. "Capital project" is defined in RCW 82.46.010(6) to mean those public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, parks, recreational facilities, law enforcement facilities, fire protection facilities, trails, libraries, administrative and/or judicial facilities, river and/or waterway flood control projects (for jurisdictions that had expended funds from this tax prior to June 11, 1992 for such purpose), and housing projects (until December 31, 1995 and only for those jurisdictions that had expended funds from this tax prior to June 11, 1992 for this purpose).



- b) Real Estate Excise Tax II Subaccount expenditures. The Real Estate Excise Tax II Subaccount shall be used solely for the purposes and capital projects contemplated by RCW 82.46.035. [Ord 119761] RCW 82.46.035 requires that expenditures from this subaccount be limited to financing capital projects specified in a capital facilities plan element of a comprehensive plan, except for (a) revenues pledged to debt retirement prior to March 1, 1992, which may be used for that purpose until the original debt is retired, or (b) revenues committed prior to March 1, 1992 to a project, which may be used for that purpose until the project is completed. "Capital project" is defined in RCW 82.46.035(5) to mean those public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, and planning, construction, reconstruction, repair, rehabilitation, or improvement of parks.
- c) Asset Preservation Subaccount - Fleets and Facilities expenditures. Expenditures from the Asset Preservation Subaccount – Fleets and Facilities are governed by the financial policies endorsed by Resolution 30812.
- d) South Lake Union Property Proceeds Subaccount expenditures. Expenditures from the South Lake Union Property Proceeds Subaccount shall be used for the purposes described in Sections 1 through 6 of Resolution 30334, including transaction costs, the Fairview-Valley Corridor realignment project, legal reserves, affordable housing, and other South Lake Union transportation projects.
- e) Street Vacation Subaccount expenditures. Expenditures from the Street Vacation Subaccount shall be dedicated to the acquisition, improvement, and development of public open space or transportation capital projects. [Ord 121661]
- f) Unrestricted Subaccount expenditures. Expenditures from the Unrestricted Subaccount shall be for asset preservation, facility improvements that do not expand capacity (though they may expand utilization), and planning and development of new or expanded capital infrastructure.

Policy 6. Capital Projects Account Spending Priorities

- a) Beginning in 2007, at least \$30 million per year of Capital Projects Account revenues shall be allocated for asset preservation (formerly known as “major maintenance” as defined by Resolution 30365). This amount shall be adjusted for the effects of inflation on the buying power of the dollar. [New Policy]
- b) In order to address longstanding and emerging transportation priorities, at least \$9 million in Capital Project Account revenues will be allocated for the Seattle Department of Transportation in 2007 and at least \$5 million will be allocated annually thereafter. [New Policy]

- c) Beginning in 2007, Capital Project Account revenues shall be used to pay current year expenses plus debt service on bonds issued to address project funding shortfalls in the neighborhood stations program of the Fire Facilities and Emergency Response Levy. Bonds issued for this purpose shall have final maturities no later than one year after expiration of the Levy. [New Policy]

Policy 7. Use of Real Estate Excise Tax revenues for future Debt Service. Beginning in 2007 and except for fire facilities projects described in Policy 6c above, no new debt service for new facilities shall be charged to Real Estate Excise Tax revenues. [New Policy]

Policy 8. Use of Real Estate Excise Tax revenues for future Levy matches. Beginning in 2007 and except for transportation projects described in Policy 6b above, Real Estate Excise Tax revenues shall not be used for future voter-approved projects or levy programs. [New Policy]

Policy 9. Use of Real Estate Excise Tax revenues above revenue forecast. In keeping with the City's commitment to maintaining its existing infrastructure, the highest priority use for any revenues received above forecast will be enhanced asset preservation. [New Policy]

Revenues/Fund Balances

Policy 10. Revenues to, and fund balance of, the Revenue Stabilization Account. 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) 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 business taxes, admissions tax, leasehold excise tax, gambling taxes, and sales and use taxes. [Ord 119761]

Policy 11. Revenues to, and fund balance of, the Capital Projects Account

- a) Revenues into REET I Subaccount. The Real Estate Excise Tax I Subaccount shall be comprised of the first one-quarter (1/4) of one (1) percent excise tax on real estate sales collected on or after May 1, 1992. [Ord 119761]
- b) Revenues into REET II Subaccount. The Real Estate Excise Tax II Subaccount shall be comprised of the second one-quarter (1/4) of one (1) percent excise tax on real estate sales collected on or after May 1, 1992. [Ord 119761]
- c) Revenues to Asset Preservation – Fleets and Facilities Subaccount. The Asset Preservation – Fleets and Facilities Subaccount shall, unless provided otherwise by ordinance, be comprised



of revenues from space rent charges levied by the Fleets and Facilities Department on occupants of the facilities it manages, operates, or maintains, investment earnings attributable to the Subaccount, and other fund sources approved through the City's annual budget process or by other ordinance. [Ord 121642]

- d) Revenues to Street Vacation Subaccount. One-half of the revenue received by the City as compensation for areas vacated pursuant to Seattle Municipal Code Section 15.62.090 shall be deposited into the Street Vacation Subaccount. [Ord 121661]
- e) Revenues to the South Lake Union Property Proceeds Subaccount. The South Lake Union Property Proceeds Subaccount shall, unless provided otherwise by ordinance, be comprised of revenues from sales of certain surplus City property located adjacent to South Lake Union, investment earnings attributable to the Subaccount, and other revenues identified through ordinance. [Ord 120411].
- f) Revenues into the Unrestricted Subaccount. The Unrestricted Subaccount shall, unless provided otherwise by ordinance, be comprised of revenues from sales of surplus City property net of sale proceeds deposited into the South Lake Union Property Proceeds Subaccount, transfers of General Fund balances, investment earnings attributable to the Capital Projects Account of the Cumulative Reserve Subfund net of investment earnings attributable to the South Lake Union Property Proceeds Subaccount and the Asset Preservation Subaccount - Fleets and Facilities, and other unrestricted contributions to the Cumulative Reserve Subfund. [Ord 120411]

Policy 12. Ending Fund Balance for REET I and REET II Subaccounts. In order to guard against revenue fluctuations, the City intends to maintain at least a total \$5 million ending fund balance for the REET I and REET II subaccounts of the Cumulative Reserve Subfund. [New Policy]

Policy 13. Interest payments on loans. It is the City's general policy that the Cumulative Reserve Subfund charge interest on any loan to another City fund or subfund. Loans made for a period of more than 90 (ninety) days will be approved by ordinance, and interest charges established via ordinance.



STATE OF WASHINGTON – KING COUNTY

--SS.

230157
CITY OF SEATTLE, CLERKS OFFICE

No.

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.

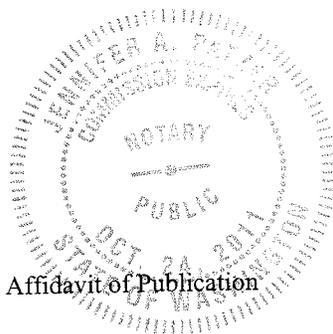
The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

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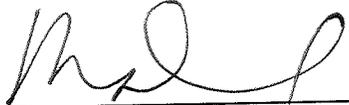
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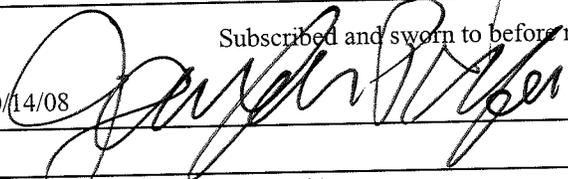
10/14/08

The amount of the fee charged for the foregoing publication is the sum of \$ 42.15, which amount has been paid in full.



Affidavit of Publication



Subscribed and sworn to before me on
10/14/08 

Notary public for the State of Washington,
residing in Seattle

State of Washington, King County

City of Seattle

TITLE-ONLY PUBLICATION

The full text of the following resolutions, passed by the City Council on September 29, 2008, 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.

RESOLUTION NO. 31092

A RESOLUTION relating to the development of Lake Union Park; endorsing principles to guide the potential development of a Regional History Museum in the former Naval Reserve Building at Lake Union Park; and requesting the Superintendent of the Department of Parks and Recreation to negotiate an agreement with the Museum of History and Industry for such development.

RESOLUTION NO. 31083

A RESOLUTION adopting revised financial policies for the Cumulative Reserve Subfund of the General Subfund, and superseding Section 3 of Resolution 30379.

Publication ordered by JUDITH PIPPIN,
City Clerk

Date of publication in the Seattle Daily
Journal of Commerce, October 14, 2008.
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