

Washington State law requires cities with a population greater than 300,000, such as Seattle, adopt balanced budgets by December 2 of each year for the fiscal year beginning January 1. The adopted budget appropriates funds and establishes legal expenditure limits for the upcoming fiscal year.

Washington law also allows cities to adopt biennial budgets. In 1993, the City ran a pilot test on the concept of biennial budgeting for six selected departments. In 1995, the City moved from an annual to a modified biennial budget. Under this approach, the City Council formally adopts the budget for the first year of the biennium and endorses but does not appropriate for the second year. The second year budget is based on the Council endorsement and is formally adopted by Council after a mid-biennial review. The 2003 Adopted and 2004 Endorsed Budget follows this practice.

## Budgetary Basis

The City budgets all funds on a modified accrual basis, with the exception of utilities and other enterprise funds, which are budgeted on a full accrual basis. Property taxes, business and occupation taxes, and other taxpayer-assessed revenues due for the current year are considered measurable and available and are therefore recognized as revenues even though a portion of the taxes may be collected in the subsequent year. Licenses, fines, penalties, and miscellaneous revenues are recorded as revenues when they are received in cash because they are generally not measurable until actually received. Investment earnings are accrued as earned.

Expenditures are considered a liability when they are incurred, except for interest on long-term debt, judgments and claims, workers' compensation, and compensated absences, which are considered a liability when they are paid.

## Budget Preparation

In February and March of 2002, the Department of Finance (DOF) worked with City departments to put together their Current Services budgets for the 2003-2004 biennium. Current Services is defined as continuing programs and services that the City provided in 2002, in addition to previous commitments that will affect costs in the next two years, such as voter-approved levy and bond issues for new library and park facilities as well as labor agreements and increases in cost-of-living-adjustments for City employees. In order to determine whether the City could meet the costs for 2003-2004 Current Services, DOF compared initial projections of revenues with Current Services spending requirements for the 2003-2004 biennium. In this process, DOF identified a \$50 to \$60 million shortfall in the City's General Fund, meaning that revenues would have to be increased or Current Services budgets would have to be cut in order for the City's budget to balance, as required by State Law. DOF revenue projections have since been updated and will continue to be updated on a quarterly basis throughout 2003.

In April of 2002, departments were given their budget reduction targets – the amount of General Fund dollars that could be included in the department's overall budget. Since there was not enough revenue projected to continue to fully fund current services, all departments were asked to reduce their General Fund spending between five and thirty percent for Current Service levels. Those departments that wanted to undertake new initiatives were told to make additional cuts to Current Services in order to free up the necessary resources for new programs.

Budget instructions, which DOF issued in May of 2002, provided departments with guidance on preparing budgets for the 2003-2004 biennium, outlined changes to health care, other benefits, and industrial insurance rates, and provided guidance on preferred areas of budget cuts, such as administration. The instructions also asked departments to prepare Budget Issue Papers (BIPs), which were summary-level descriptions to give the Mayor's

# Budget Process

Office and DOF a preview of the budget reductions departments intended to take to reach their budget targets. In early June, the Mayor's Office communicated to the departments on which BIPs were to be included in their July budget submittals.

After receiving feedback on their BIPs, departments finalized their operating and capital improvement program (CIP) budget requests. In July, DOF received departmental budget submittals and began the analysis and evaluation process, culminating in the proposed operating budget for 2003 and 2004, and CIP for 2003-2008. This cycle repeats itself in 2003, culminating in a proposed operating budget for 2004 and CIP for 2004-2009.

Seattle's budget and CIP also allocate Community Development Block Grant funding. Although this federally funded program has unique timetables and requirements, Seattle coordinates it with the annual budget and CIP processes to improve preparation and budget allocation decisions, and streamline budget execution.

By October 2 of each year, the Mayor must submit the proposed budget and CIP to the City Council. The revenue estimates must be based on the prior twelve months of experience. The proposed expenditures cannot exceed the reasonably anticipated and legally authorized revenues for the year unless the Mayor proposes new revenues. In that case, proposed legislation to authorize the new revenues must be submitted to the City Council with the proposed budget. In addition to the budget documents, DOF prepares supporting documents that describe the City's progress on a variety of issues and provide in-depth information on base budgets and departmental reductions. Copies of budget documents are available for public inspection at the Department of Finance offices, in each of the branches of the Seattle Public Library, Neighborhood Service Centers, and on the Internet at [www.cityofseattle.net/financedepartment](http://www.cityofseattle.net/financedepartment).

## Budget Adoption

After the Mayor submits the proposed budget and CIP, the City Council conducts at least two public hearings on them. The Council also holds committee meetings in open session to discuss budget requests with department representatives and DOF staff. Councilmembers then recommend specific budget actions for consideration by their colleagues. After completing the public hearing and deliberative processes, and usually after making changes to the Mayor's proposed budget, the City Council adopts a budget through an ordinance passed by majority vote. The Mayor can choose to approve the Council's budget, veto it, or let it become law without mayoral signature. The Mayor must veto the entire budget or none of it. There is no line-item veto in Seattle.

During the budget review process, the City Council may choose to explain its budget actions further by developing statements of legislative intent and budget guidance statements for future budget action. Intent statements usually state the Council's expectations in making budget decisions and generally require affected departments to report back to the Council on results.

A graphic that summarizes the City's budget process schedule is provided at the end of this section.

## Legal Budget Control

The adopted budget generally makes appropriations for operating expenses at the budget control level within departments unless the expenditure is from one of the General Fund reserve accounts or is for a specific project or activity budgeted in the General Subfund category called Finance General. These projects and activities are budgeted individually. Capital projects programmed in the CIP are appropriated in the budget at the program or project level. Grant-funded activities are controlled as prescribed by law and federal or state regulations.

## Budget Execution

Within the legally adopted budget authorizations, more detailed allocations, as approved by DOF, are recorded in the City's accounting system, called SUMMIT, at the lowest levels of each department's organizational structure and in detailed expenditure accounts. Throughout the budget year, DOF monitors revenue and spending performance against the budget to protect the financial stability of the City.

## Budget Amendment

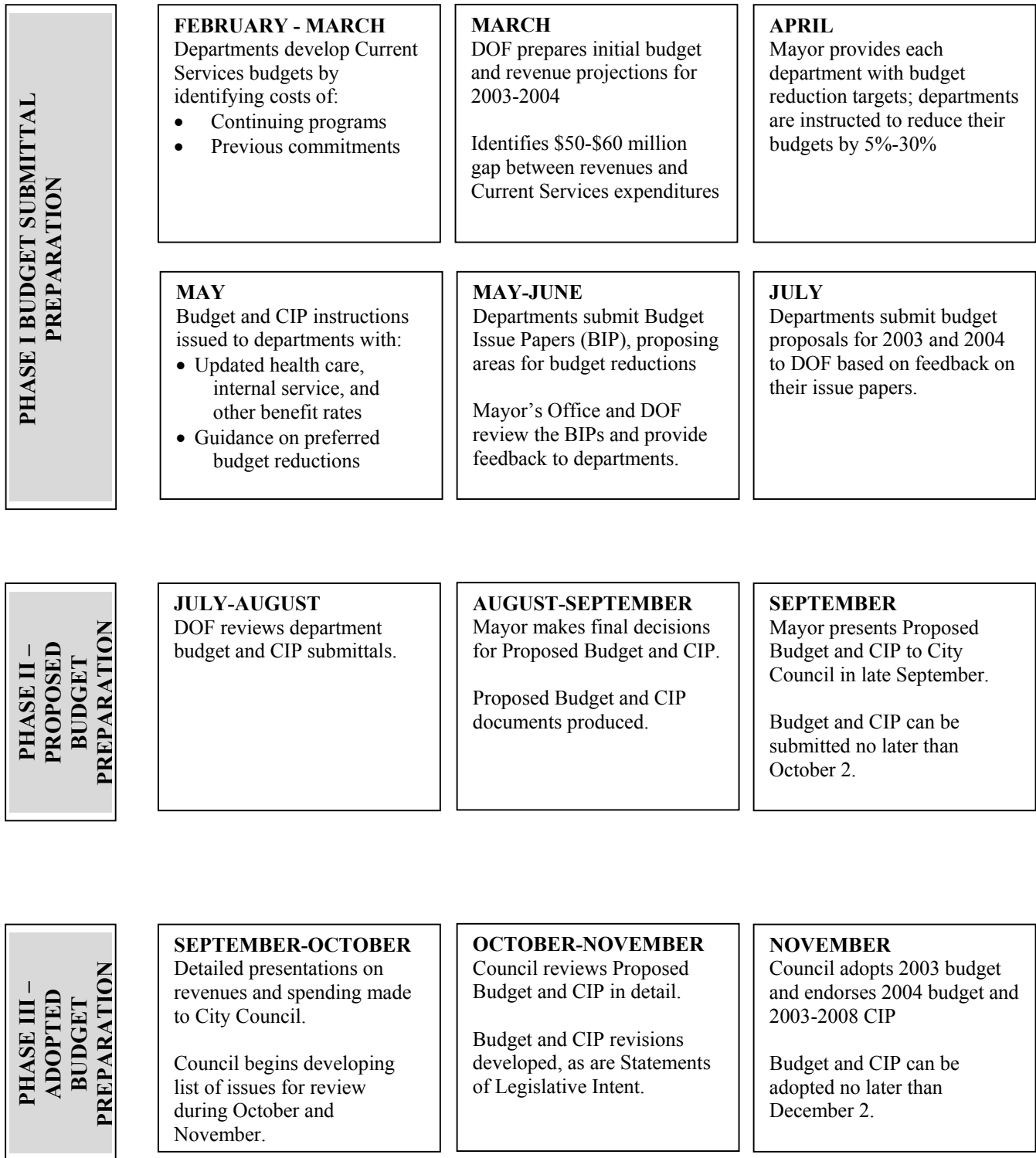
A majority of the City Council may, by ordinance, eliminate, decrease, or re-appropriate any unexpended appropriations during the year. The City Council, generally with a three-fourths vote, may also increase appropriations from available money to meet necessary expenditures that were not foreseeable earlier. Additional unforeseeable appropriations related to settlement of claims, emergency conditions, or laws enacted since passage of the annual operating budget ordinance require approval by a two-thirds vote of the City Council.

The Finance Director may approve, without ordinance, appropriation transfers within a department or agency of up to 10 percent, and no more than \$500,000, of the appropriation authority for the particular budget control level or, where appropriate, line item, being increased. In addition, no transfers can reduce the appropriation authority of a budget control level by more than 25%.

In accordance with Washington State law, any unexpended appropriations for operating or ordinary maintenance expenditures automatically lapse at the close of the fiscal year, except for any appropriation continued by ordinance. Unexpended appropriations for capital outlays remaining at the close of the fiscal year are carried forward to the following year, except for any appropriation abandoned by ordinance. In developing guidelines for the transition to biennial budgeting, the City Council created a mechanism for allocating unexpended, non-capital, year-one appropriation authority. Resolution 28885 provides that departments may be able to carry forward into year two up to one-half of the unencumbered and unexpended non-capital appropriations remaining at the end of year one, with Council approval in year two's budget.

# Budget Process

## BUDGET PROCESS DIAGRAM – 2003-2004 BUDGET



# Summary Tables

## REVENUE SUMMARY BY SOURCE

(in thousands of dollars)

### GENERAL SUBFUND

Revenue Source	2001 Actual	2002 Adopted	2002 Revised	2003 Adopted	2004 Endorsed
Taxes	\$ 521,451	\$ 534,730	\$ 530,029	\$ 540,237	\$ 555,553
Licenses and Permits	10,777	10,380	10,785	15,449	15,564
Intergovernmental Revenue	15,699	11,694	11,476	7,551	7,820
External Service Charges	9,931	6,259	7,449	7,277	7,336
Interfund Service Charges	5,831	34,661	34,338	30,988	31,741
Fines and Forfeitures	16,363	17,430	15,012	20,220	20,527
Miscellaneous Revenues	15,723	14,364	13,861	14,580	16,074
<b>Total Revenues</b>	<b>\$ 595,775</b>	<b>\$ 629,518</b>	<b>\$ 622,950</b>	<b>\$ 636,302</b>	<b>\$ 654,615</b>
Other Financing Sources	127	85	79	75	75
Operating Transfers	3,354	9,071	8,403	9,749	3,698
<b>Total Resources</b>	<b>\$ 599,256</b>	<b>\$ 638,674</b>	<b>\$ 631,432</b>	<b>\$ 646,126</b>	<b>\$ 658,388</b>

# Summary Tables

## EXPENDITURE SUMMARY

(in thousands of dollars)

Department	2002 Adopted		2003 Adopted		2004 Endorsed	
	General Subfund	Total Funds	General Subfund	Total Funds	General Subfund	Total Funds
<b>Arts, Culture and Recreation</b>						
Department of Parks & Recreation	\$ 35,244	\$ 105,024	\$ 33,424	\$ 107,908	\$ 34,932	\$ 110,931
Office of Arts and Cultural Affairs	2,094	4,876	2,371	3,597	2,416	3,919
Seattle Center	8,172	36,226	8,936	34,896	8,672	35,853
Seattle Public Library	33,658	35,793	31,903	33,968	33,823	35,888
Libraries for All Project Fund	-	71,280	-	39,716	-	7,564
<b>Subtotal</b>	<b>\$ 79,168</b>	<b>\$ 253,199</b>	<b>\$ 76,634</b>	<b>\$ 220,085</b>	<b>\$ 79,843</b>	<b>\$ 194,154</b>
<b>Health and Human Services</b>						
Community Development Block Grant	\$ -	\$ 16,495	\$ -	\$ 16,390	\$ -	\$ 15,763
Educational & Developmental Services Levy	-	10,182	-	10,654	-	10,956
Human Services Department	25,921	84,798	24,204	87,437	24,560	88,237
Public Health - Seattle & King County	14,259	14,259	9,783	9,783	6,519	6,519
<b>Subtotal</b>	<b>\$ 40,180</b>	<b>\$ 125,734</b>	<b>\$ 33,987</b>	<b>\$ 124,264</b>	<b>\$ 31,079</b>	<b>\$ 121,474</b>
<b>Neighborhoods and Development</b>						
Design, Construction & Land Use	\$ 6,373	\$ 39,936	\$ 9,525	\$ 45,293	\$ 9,782	\$ 46,703
Department of Neighborhoods	7,741	7,741	8,373	8,373	8,586	8,586
Neighborhood Matching Subfund	4,313	4,500	3,413	3,700	3,313	3,700
Office of Economic Development	6,622	6,622	6,349	6,349	6,456	6,456
Office of Housing (1)	1,307	31,769	-	35,167	-	36,378
Planning Commission	237	237	-	-	-	-
<b>Subtotal</b>	<b>\$ 26,593</b>	<b>\$ 90,805</b>	<b>\$ 27,661</b>	<b>\$ 98,882</b>	<b>\$ 28,136</b>	<b>\$ 101,822</b>
<b>Public Safety</b>						
Criminal Justice Contracted Services	\$ 18,783	\$ 18,783	\$ 18,901	\$ 18,901	\$ 20,963	\$ 20,963
Firemen's Pension	-	14,211	-	15,855	-	16,109
Law Department	12,654	12,654	12,614	12,614	12,979	12,979
Police Relief & Pension	14,062	14,294	14,852	15,087	15,872	16,107
Public Safety Civil Service Commission	116	116	121	121	124	124
Seattle Fire Department	102,709	102,709	108,188	108,188	112,982	112,982
Seattle Municipal Court	19,491	19,491	19,449	19,449	20,081	20,081
Seattle Police Department	160,105	160,105	168,840	168,840	176,702	176,702
<b>Subtotal</b>	<b>\$ 327,920</b>	<b>\$ 342,363</b>	<b>\$ 342,965</b>	<b>\$ 359,055</b>	<b>\$ 359,703</b>	<b>\$ 376,047</b>
<b>Utilities and Transportation</b>						
Seattle City Light	\$ -	\$ 1,003,151	\$ -	\$ 1,080,517	\$ -	\$ 829,663
Seattle Public Utilities	2,288	557,987	2,377	570,692	2,450	567,738
Seattle Transportation	38,801	117,137	39,915	109,436	41,183	117,096
<b>Subtotal</b>	<b>\$ 41,089</b>	<b>\$ 1,678,275</b>	<b>\$ 42,292</b>	<b>\$ 1,760,646</b>	<b>\$ 43,632</b>	<b>\$ 1,514,497</b>

Notes:

(1) This item combines appropriations to both the Housing Fund and the Low-

# Summary Tables

## EXPENDITURE SUMMARY

(in thousands of dollars)

Department	2002 Adopted		2003 Adopted		2004 Endorsed	
	General Subfund	Total Funds	General Subfund	Total Funds	General Subfund	Total Funds
<b>Administration</b>						
Civil Service Commission	\$ 211	\$ 211	\$ 145	\$ 145	\$ 148	\$ 148
Department of Executive Administration	34,546	34,546	29,489	29,489	30,234	30,234
Department of Information Technology	4,501	36,434	3,296	33,335	3,232	34,216
Department of Finance	3,713	3,713	3,807	3,807	3,918	3,918
Employees' Retirement System	-	10,571	-	7,304	-	8,124
Ethics & Elections Commission	473	473	553	553	567	567
Finance General	8,626	8,626	15,765	15,765	18,098	18,098
Fleets & Facilities Department	3,327	71,050	2,807	69,184	2,945	71,600
Legislative Department	7,015	7,015	7,339	7,339	7,581	7,581
Office of the City Auditor	1,163	1,163	1,062	1,062	1,088	1,088
Office of Hearing Examiner	580	580	483	483	494	494
Office of Intergovernmental Relations	1,632	1,632	1,508	1,508	1,546	1,546
Office of the Mayor	1,806	1,806	2,358	2,358	2,420	2,420
Office of Policy and Management	-	-	2,082	2,082	2,060	2,060
Office of Sustainability & Environment	741	741	551	551	562	562
Personnel Department	11,470	11,610	10,369	10,369	10,555	10,555
Seattle Office for Civil Rights	1,983	1,983	1,584	1,584	1,624	1,624
Strategic Planning Office	5,191	5,191	-	-	-	-
<b>Subtotal</b>	<b>\$ 86,978</b>	<b>\$ 197,345</b>	<b>\$ 83,199</b>	<b>\$ 186,920</b>	<b>\$ 87,071</b>	<b>\$ 194,834</b>
<b>Other</b>						
Bonds Debt Service	\$ 26,844	\$ 66,990	\$ 29,046	\$ 65,569	\$ 29,665	\$ 69,919
Cumulative Reserve Subfund	-	30,995	-	21,835	-	17,966
Emergency Subfund	2,807	2,807	2,139	2,139	1,341	1,341
Judgment/Claims Subfund (2)	11,000	14,250	801	14,250	801	13,750
<b>Subtotal</b>	<b>\$ 40,651</b>	<b>\$ 115,042</b>	<b>\$ 31,986</b>	<b>\$ 103,793</b>	<b>\$ 31,807</b>	<b>\$ 102,976</b>
<b>Grand Total</b>	<b>\$ 642,579</b>	<b>\$ 2,802,763</b>	<b>\$ 638,723</b>	<b>\$ 2,853,706</b>	<b>\$ 661,271</b>	<b>\$ 2,605,864</b>

Notes:

(2) The major portion of expenditure authority for the Judgment and Claims Subfund now resides in specific departmental budget authority. This value represents the undistributed fund expenditures.

# Summary Tables

## POSITION SUMMARY BY DEPARTMENT \*

(in Full Time Equivalents)

Department	1999 Adopted	2000 Revised (1)	2001 Adopted	2002 Adopted (2)	2003 Adopted	2004 Endorsed
<b>Arts, Culture &amp; Recreation</b>						
Department of Parks & Recreation	963.99	1,039.28	1,065.19	1,111.49	1,069.78	1,060.90
Office of Arts and Cultural Affairs	13.00	14.50	18.60	19.60	20.60	20.60
Seattle Center	288.91	293.41	301.46	301.46	287.62	286.82
<b>Subtotal</b>	<b>1,265.90</b>	<b>1,347.19</b>	<b>1,385.25</b>	<b>1,432.55</b>	<b>1,378.00</b>	<b>1,368.32</b>
<b>Human Services</b>						
Human Services Department	294.03	307.28	325.28	340.48	327.85	327.85
<b>Subtotal</b>	<b>294.03</b>	<b>307.28</b>	<b>325.28</b>	<b>340.48</b>	<b>327.85</b>	<b>327.85</b>
<b>Neighborhoods and Development</b>						
Design, Construction & Land Use (3)	314.50	322.50	328.50	328.50	348.75	350.75
Department of Neighborhoods	94.75	89.75	91.25	89.25	92.13	92.13
Office of Economic Development	35.50	37.50	37.50	38.50	23.75	23.00
Office of Housing	67.25	56.25	57.25	57.25	43.50	42.50
Planning Commission (3)	2.50	2.00	3.00	3.00	0.00	0.00
<b>Subtotal</b>	<b>514.50</b>	<b>508.00</b>	<b>517.50</b>	<b>516.50</b>	<b>508.13</b>	<b>508.38</b>
<b>Public Safety</b>						
Law Department	168.50	165.00	163.00	155.40	144.60	144.60
Public Safety Civil Service Commission	4.75	4.75	4.75	1.00	1.00	1.00
Seattle Fire Department	1,118.15	1,120.15	1,123.15	1,125.65	1,109.75	1,109.75
Seattle Municipal Court	257.69	256.69	257.69	255.69	227.85	227.35
Seattle Police Department	1,834.75	1,873.25	1,887.25	1,881.75	1,815.25	1,805.25
<b>Subtotal</b>	<b>3,383.84</b>	<b>3,419.84</b>	<b>3,435.84</b>	<b>3,419.49</b>	<b>3,298.45</b>	<b>3,287.95</b>
<b>Utilities &amp; Transportation</b>						
Seattle City Light	1,782.75	1,800.35	1,800.19	1,798.69	1,786.10	1,780.10
Seattle Public Utilities	1,238.23	1,272.23	1,285.73	1,287.73	1,366.73	1,366.73
Seattle Transportation	598.50	605.50	605.50	609.50	627.50	628.50
<b>Subtotal</b>	<b>3,619.48</b>	<b>3,678.08</b>	<b>3,691.42</b>	<b>3,695.92</b>	<b>3,780.33</b>	<b>3,775.33</b>



# Summary Tables

## POSITION SUMMARY BY DEPARTMENT \*

(in Full Time Equivalent)

Department	1999 Adopted	2000 Revised (1)	2001 Adopted	2002 Adopted (2)	2003 Adopted	2004 Endorsed
<b>Administration</b>						
Civil Service Commission	2.00	2.00	2.00	2.00	1.50	1.50
Executive Services Department	1,012.77	806.27	795.27	0.00	0.00	0.00
Department of Executive Administration	0.00	0.00	0.00	290.60	245.35	245.35
Department of Information Technology	0.00	157.50	168.00	171.00	174.00	174.00
Department of Finance	0.00	0.00	0.00	34.50	35.00	35.00
Employees' Retirement System	11.50	11.50	11.50	13.50	13.50	13.50
Ethics & Elections Commission	4.90	4.50	5.75	5.50	5.20	5.20
Fleets & Facilities Department	0.00	0.00	0.00	334.00	313.00	313.00
Legislative Department	67.45	73.70	78.70	79.70	79.70	79.70
Office of Arts and Cultural Affairs	13.00	14.50	18.60	19.60	20.60	20.60
Office of the City Auditor	10.00	12.00	12.00	11.00	11.00	11.00
Office of Hearing Examiner	5.80	5.80	5.80	5.80	4.70	4.70
Office of Intergovernmental Relations	14.50	14.50	14.50	12.50	11.50	11.50
Office of the Mayor	23.50	23.50	23.50	21.00	23.50	23.50
Office of Policy and Management (4)	0.00	0.00	0.00	0.00	15.65	16.00
Office of Sustainability & Environment	0.00	0.00	0.00	5.00	4.00	4.00
Personnel Department	0.00	0.00	0.00	138.17	123.50	123.50
Seattle Office for Civil Rights	24.25	23.50	24.50	24.50	22.00	22.00
Strategic Planning Office (4)	60.00	65.50	57.00	56.50	0.00	0.00
<b>Subtotal</b>	<b>1,249.67</b>	<b>1,214.77</b>	<b>1,217.12</b>	<b>1,224.87</b>	<b>1,103.70</b>	<b>1,104.05</b>
<b>Total</b>	<b>10,314.42</b>	<b>10,460.66</b>	<b>10,553.81</b>	<b>10,610.21</b>	<b>10,375.86</b>	<b>10,351.28</b>

Notes:

(1) Includes positions approved mid-year by City Council during 2000.

(2) 2002 Adopted numbers have been adjusted for prior errors/inconsistencies.

(3) In mid-2002, Planning Commission staff was transferred to DCLU.

(4) In mid-2002, the Strategic Planning Office (SPO) was abolished. Some of SPO's functions and positions were transferred to other City departments, some positions were abrogated, and a new Office of Policy and Management was created.

\* Employees of Public Health-Seattle & King County, Firemen's Pension, Police Relief & Pension, and the Seattle Public Library are not City employees and, therefore, are not shown.

