

Washington State law requires cities such as Seattle to 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 initiated the transition 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 formally adopted after a mid-biennial review. The 2001 Adopted and 2002 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

During January, February and March of 2000, City departments developed Business Plans in furtherance of the City's efforts to measure performance and account for the expenditure of public funds. The Business Plans identify each department's lines of business, programs and services; define their purpose; and provide measures to evaluate the achievement of desired results.

In February and March, the City Budget Office (CBO) developed initial projections of revenues and spending for the upcoming biennium. In this process, CBO identified Current Services as the first priority for new dollars. Current Services is defined as continuing programs and services that the City provides today, in addition to previous commitments that will increase costs in the next biennium. Examples of the latter include voter-approved levy and bond issues for libraries and parks facilities, debt service for projects funded with Councilmanic debt, and previous years' commitments to expanded library hours, community center hours, and the Neighborhood Matching Fund.

In April, the Mayor and City Council held a joint executive-legislative Budget Priorities Retreat for the purpose of identifying the programs and services that should be considered for funding after the City meets its Current Services obligations. The Budget Priorities Retreat resulted in Resolution 30184, adopted on May 30, 2000, and replaced on August 14, 2000, by Resolution 30224. The Resolution identifies the following priority areas for spending: Transportation, Children, Survival Services – Homelessness and Food Programs, and Affordable Housing. The resolution also provides guidance on long-range planning and City business practices.

In May, CBO issued budget instructions to departments that provided guidance on preparing budgets for the upcoming biennium, outlined Financial Guidelines for Current Services, and described the information required to request additional funding. Departments were instructed to use their Business Plans as the basis for their budget

Budget Process

requests. During this period, CBO developed and implemented a new budget development and tracking system designed to standardize the budget submission, tracking, and production processes.

During May and June, departments developed operating and capital improvement program (CIP) budget requests. In July, CBO received departmental budget requests and began the analysis and evaluation process, culminating in a proposed operating budget for 2001 and 2002 and CIP for 2001-2006.

Seattle also coordinates another Human Services resource allocation process with the annual budget and CIP process – the Community Development Block Grant program. Although this primarily 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, 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 themselves, CBO prepares supporting documents that describe the City's progress on a variety of issues and provides in-depth information on base budgets and incremental requests. Copies of budget documents are available for public inspection at the City Budget Office, in each of the branches of the Seattle Public Library, Neighborhood Service Centers, and on the Internet at www.CityofSeattle.net/budget.

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 CBO 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 sometimes explains 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.

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 line of business level within departments unless the expenditure is from the General Fund reserve accounts or is for specific projects and activities 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 CBO, 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, CBO 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. New 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 Budget Director may approve, without ordinance, appropriation transfers within a department or agency of up to 10 percent of the appropriation authority for the particular program category or, where appropriate, line item, being increased.

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 – 2001 ADOPTED/2002 ENDORSED BUDGET

