SEATTLE CITY COUNCIL
CENTRAL STAFF

GENERAL FUND BALANCING ANALYSIS

2027–2028 Proposed Budget
Policy Considerations

Select Budget Committee | October 13, 2026

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Objectives

1. Review budget sustainability requirements and resources

2. Revisit 2026 Adopted Budget and the long-term $149M and $129M deficit projected for 2027 and 2028, respectively

3. Review 2026 revised General Fund (GF) revenue and appropriation changes, actual and proposed

4. Review 2027-2028 Proposed GF revenue, appropriation, and planning reserve changes relative to the November 2026 projections, and their impact on the projected deficit

5. Review the 2027-208 Proposed Budget's projected GF deficit and fund balancing strategy

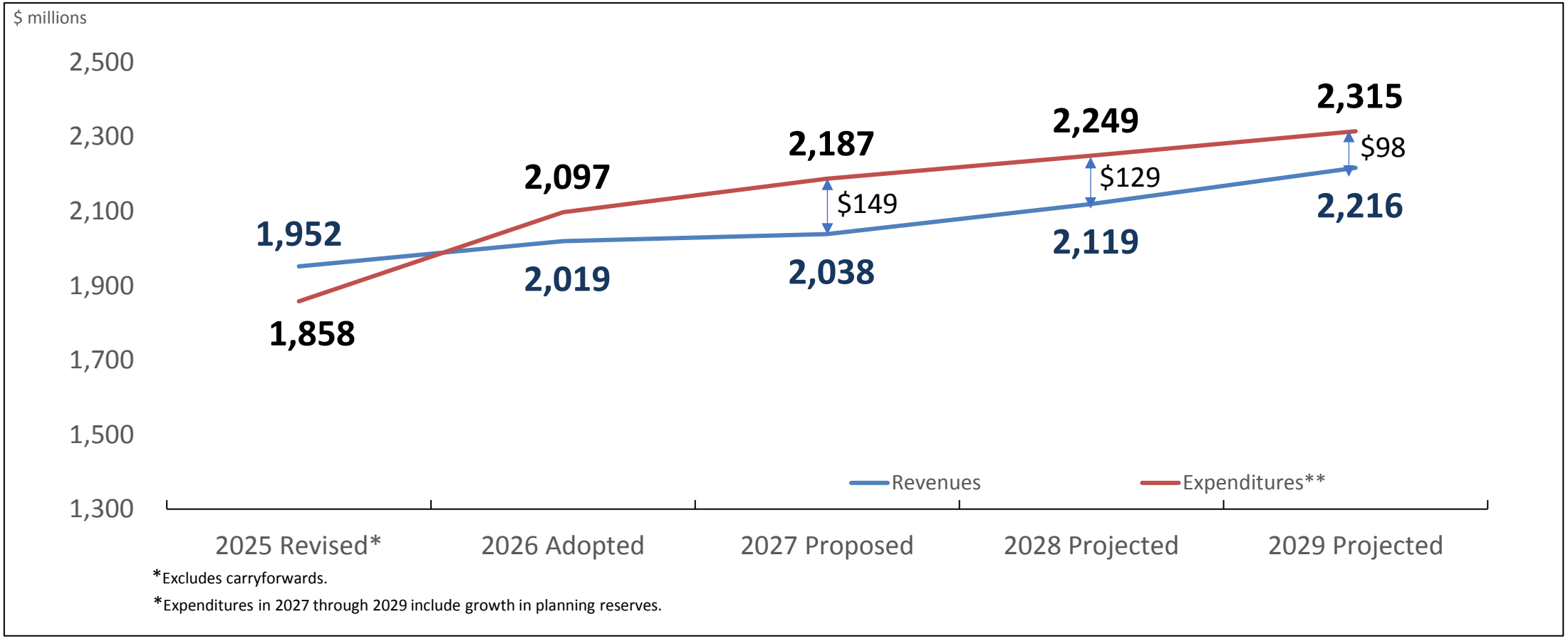
6. Review the JumpStart Fund balancing status given intersection with GF

Budget Sustainability

- **Proposition 2 (November 2025):** ORD 127259 Business and Occupation Tax Restructure
  - Generates over $80 million of annual net GF revenue through 2032
  - If new revenue used in 2027 Proposed Budget, required balanced financial plans for General Fund (GF) and JumpStart Fund(JSF)

- **Statement of Legislative Intent - CBO-100S-A:** Financial Sustainability Framework (November 2025)
  - CBO/Central Staff report on shared and easily understood definitions of the variables and factors that contribute to the structural budget deficit, and to provide a clear road map to fiscal sustainability.
  - Key terms: ”financial plan”, “one-time”, “ongoing”, and “planning reserves”

November 2025: Projected 2027-2028 GF Deficit



Key takeaway: Due to measures in 2027-2028 Proposed Budget, ed Budget projected a $149 million deficit in 2027 and a $129 million deficit in 2028.

Summary of Changes to 2026 GF Budget

Amounts in $000s	2026 Impact
2026 Adopted Ending Unreserved Fund Balance	$7
1. 2025 Year End Reconciliation	$109,641
2. Approved & Automatic Carryforwards/Supplementals	
Revenues	$61,616
Expenditures	($237,187)
Use of Planning Reserves	$92,082
Subtotal - Approved Supplementals/Carryforwards	($85,489)
3. August Revenue Forecast (excluding double-counts)	$10,577
4. Proposed Budget Legislation	
Revenues	$7,851
Expenditures	($40,615)
Use of Planning Reserves	$24,282
Subtotal - Proposed Budget Legislation	($2,502)
5. Additional Reduction to Planning Reserves	$24,284
2026 Revised Unreserved Ending Fund Balance	$56,518
Increase in 2026 ending balance compared to Adopted Budget	**$56,511**

Key takeaway: Approved and proposed GF changes would increase 2026 ending/2027 beginning fund balance by $56.5 million, which represents one-time resources used in the Mayor's 2027-2028 Proposed Budget and financial plan.

2027-2028 Proposed GF Budget Balancing Analysis Framework

- Start from 2027-2028 projected deficit: $148M in 2027, and $129M in 2028
- **Step 1:** From this starting point, add the increase to deficit from Executive's update to GF planning assumptions and April Revenue Forecast
- **Step 2:** Next, include the difference between baseline and technical changes and the November 2025 projections
- **Step 3:** Factor in the Mayor's net spending proposals (reductions above increases)
- **Step 4:** Identify remaining structural deficit, and use of one-time fund balance.

Step 1. Executive's Updated Planning Assumptions

- In April the Executive communicated that increasing cost pressures and identified risks would potentially increase the deficit in 2027 and 2028.
- These increasing costs, including but not limited to higher projected labor costs, net of a moderate increase in forecasted revenues provided in the April forecast update, were projected to increase the deficit by $26.3M in 2027 and $34.7M in 2028.
- Including the impacts of these higher projected costs above higher projected revenues increased the projected deficit to $175M in 2027, and $164M in 2028.

Key takeaway: Executive's updated April planning assumptions increased projected deficit to $175 million in 2027 and $164 million in 2028.

Step 2. Baseline and Technical Changes from Projections

- Inflated ongoing costs $88 million and $109 million higher than projection in 2027 and 2028, respectively.
- Planning reserves reduced by $148M in 2027 and $140M in 2028
  - Shelter costs: $13.8M in 2027 and $18M in 2028, funded in JumpStart Fund
  - Seattle Shield placeholder: $20.7M in 2027 and 2028, $19.6M funding added in GF appropriation
- Transfers to fully fund Revenue Stabilization Fund and Emergency Fund $0.9 M lower in 2027 and $2.8M higher in 2028, meet policy levels
- Revenues $31.3M and $39.8M higher in 2028 and 2028, respectively, primarily from higher August forecast.

Key takeaway: Inflationary changes to ongoing costs, lower planning reserves, transfer adjustments, and higher forecasts decreases deficit by $90.9M in 2027 and $67.2M in 2028.

Step 3. Mayor's 2027-2028 Operating Proposals

(Slide 4/5)

- Net operating proposals would decrease appropriations by $61M in 2027 and $78M in 2028
  - Appropriation increases of $44.7M in 2027 and $28.3M in 2028; of the 2028 increases, $21.5M would be ongoing
  - Appropriation decreases of $105.6M in 2027 and $107M in 2028; the entire 2028 decrease is ongoing
    - Largest single decrease reflects a shift of $47 million of homelessness programming in the Human Services Department in both 2027 and 2028 from the GF to the JSF;
    - This shift to JSF could have been managed with existing fund transfer
- Ongoing nature of the net decrease improves sustainability and reduces structural deficit

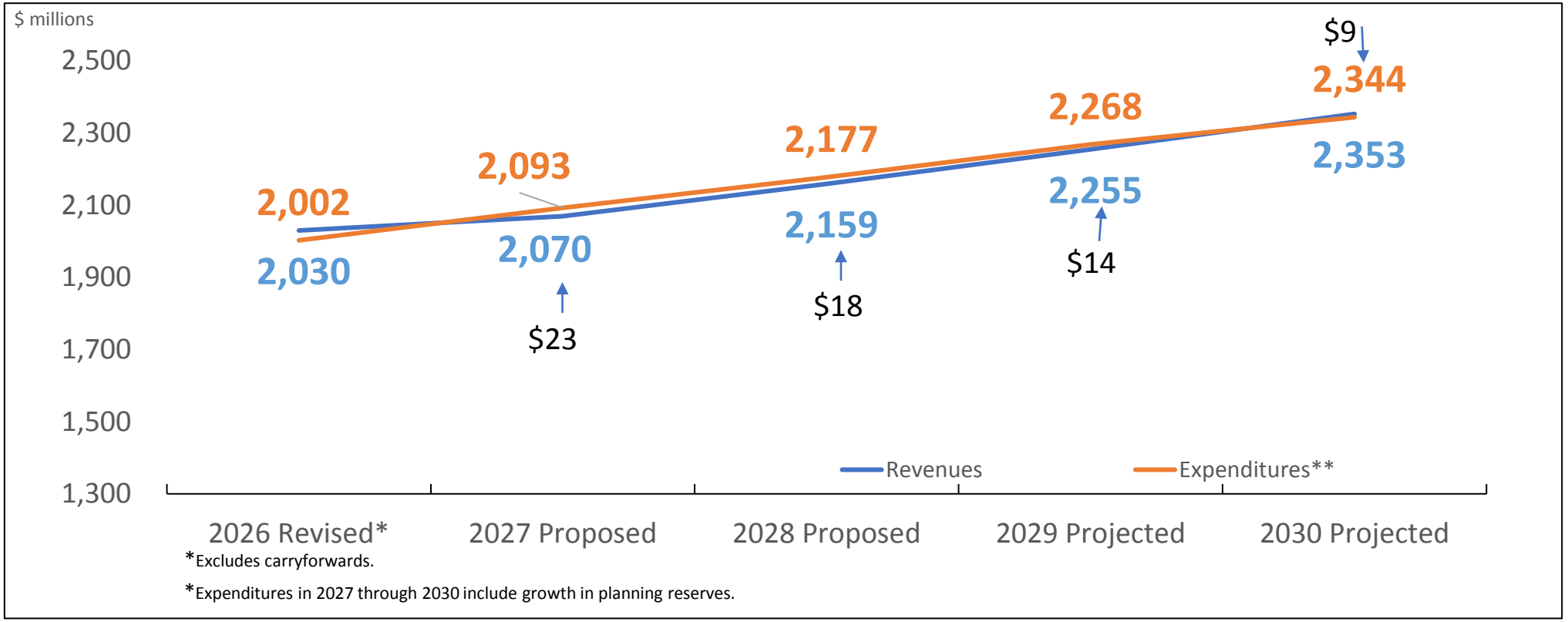
Key takeaway: Mayor's Net Operating Proposals decrease deficit by $70M in 2027 and $78M in 2028. Nearly half of the ongoing decrease is a shift in homelessness funding to the JSF. Net ongoing decrease improves sustainability and decreases the structural deficit.

Step 4. 2027-2028 Proposed Deficit Balancing Adjustments

Amounts in $000s	2027	2028
0. 2027-2028 Projected Deficit (November 2025)	($148,666)	($129,270)
1. Executive Update to GF Planning Assumptions/April Forecast	($26,334)	($34,730)
2. GF Baseline and Technical Changes Below Projections	$90,850	$67,811
3. Mayor's 2027-2028 Operating Proposals	$60,906	$78,004
2027-2028 Gap Before Use of Fund Balance	($23,244)	($18,185)
Use of Fund Balance	**$23,244**	**$18,185**

Key takeaway: After all budget changes, remaining structural deficit of $23M in 2027, and $18M in 2028, which is covered by use of one-time 2026 ending unreserved balance generated by approved and proposed 2026 adjustments.

October 2026: Projected 2027-2030 Deficit



Key takeaway: 2027-2028 Proposed GF measures reduce structural deficit to $14M in 2029, which is backed by remaining fund balance, with a $9M projected surplus in 2030.

2027-2030 GF Sustainability

- Higher $55.6M ending fund balance from 2026 is used to bridge smaller deficits through 2029, as follows:
  - $23.2M in 2027; $18.2M in 2028; $14.2M in 2029
- To help balance the JSF in 2029 and 2030, $24.4M and $30M of homelessness programs are shifted back to GF in 2029 and 2030
- JSF transfer to GF is unchanged from 2026 Adopted assumption, though might be a more efficient way to manage these types of year-to-year balancing adjustments.

Key takeaway: GF financial plan uses available fund balance as a bridge to surplus by 2030. To balance the JSF, a portion of homelessness programs shifted to JSF in 2027-208 would be shifted back to GF, though adjusting interfund transfer is an alternative mechanism that could be used.

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Summary of Changes to 2026 JSF Budget

Amounts in $000s	2026 Impact
2026 Adopted Ending Unreserved Fund Balance	$0
1. 2025 Year End Reconciliation	$337,714
2. Approved & Automatic Carryforwards/Supplementals	
Revenues	$0
Expenditures	($304,414)
Subtotal - Approved Supplementals/Carryforwards	($304,414)
3. August Revenue Forecast	$2,044
4. Proposed Budget Legislation	
Revenues	$0
Expenditures	$66,100
Subtotal - Proposed Budget Legislation	$66,100
2026 Revised Unreserved Ending Fund Balance	$101,444
Increase in 2026 ending balance compared to Adopted Budget	**$101,444**

Key takeaway: Approved and proposed JSF changes would increase 2026 ending/2027 beginning fund balance by $104 million, which represents one-time resources used in the Mayor's 2027-2028 Proposed Budget and financial plan.

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Summary of Baseline & Technical Changes to 2027-2028 JSF Budget (Slide 1/2)

- Baseline /Technical Adjustments: A decrease of $43M decrease in 2027 and $33M in 2028 to reflect adjustment for one-time items and internal costs, as well as adjustment of revenue backfill transfer to match the financial plan
- August revenue forecast: payroll expense tax and interest revenues projected to be $30.6M higher in 2027 and $30.9M higher in 2028.
- Payroll Expense Tax Reserve funded to $20.2M in 2027, and $31.4M in 2028, and meets 10 percent of revenues requirement by 2029.

Key takeaway: Baseline and technical changes to JSF budget would increase standard costs, align revenue backfill transfer to GF with 2026 adopted financial plan, increase forecasted revenues, and adjust reserves to 10 percent of payroll expense tax revenues by 2029.

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(Slide 2/2)

Summary of Proposed Policy Changes to 2027-2028 JSF Budget

- Renew and Extend Non-profit Healthcare deduction: deduction for payroll expense to between $150,000 and $399,999.99 (currently $194,452 to $518,538 with inflation provisions) at non-profit healthcare entities sunsets 12/31/2026
  - Proposed legislation would extend deduction to 12/31/2040. Revenue impact of $5M per year is assumed in budget
- Homelessness Fund Swap: $47 million increase in 2027 and 2028 to shift support for homelessness programs from the GF to the JSF.
- Shelter Expansion: $18.3 Million increase 2027, and $18.5 million increase in 2028 to build and operate shelter for people experiencing homelessness.

Key takeaway: Significant JSF operating proposals include extension of non-profit healthcare entity deduction, shift of homelessness funding from GF, and additional shelter funding.

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2027-2030 Projected JSF Sustainability

(Slide 1/2)

Amounts in $000s	2026 Revised	2027 Proposed	2028 Proposed	2029 Projected	2030 Projected
Starting Budgetary Fund Balance	$373,678	$111,274	$68,458	$33,030	$44,210
Revenues	$404,419	$410,772	$427,484	$447,157	$467,978
Expenditures	$666,823	$453,588	$462,912	$435,977	$465,330
Ending Budgetary Fund Balance	$111,274	$68,458	$33,030	$44,210	$46,858
Revenue Stabilization Account	($9,700)	($20,153)	($31,396)	($44,203)	(46,283)
Ending Unreserved Fund Balance	**$101,573**	**$48,304**	**$1,634**	**$7**	**$576**

Key takeaway: Approved and proposed JSF changes are balancing using draw on 2026 ending fund balance, but additional spending reductions and shift necessary in 2029

2029-2030 Projected Additional JSF Measures

(Slide 2/2)

Amounts in $000s	2028 Proposed	2029 Projected	2030 Projected
Office of Housing	$139,188	$142,562	$145,605
Reduction/Add Back		*($9,880)*	*$7,191*
Office of Economic Development	$18,281	$18,659	$19,001
Reduction/Add Back		*($3,800)*	*$941*
Office of Planning and Community Development	$22,990	$23,541	$24,038
Reduction/Add Back		*($2,470)*	*$1,187*
Office of Sustainability and Environment	$13,272	$13,483	$13,674
Reduction/Add Back		*($2,850)*	*$680*
Total Reductions/Add Backs		**($19,000)**	**$10,000**

- $24.4M in 2027, and $30M in 2028 of homelessness funding shifted back to GF.

Key takeaway: To accommodate phasing out of fund balance and higher GF revenue transfer, $19 M of cuts would be necessary in 2029, and a portion of homelessness funding would be shifted back to GF based on projections.

Policy Considerations

- 2027-2028 Proposed Budget GF financial plan demonstrates clear sustainability improvements above the plan published with the 2026 Adopted Budget.
- Significant ending balances are used as a bridge to sustainability, rather than a jumping-off point to an uncertain future.
- One-time reductions are not used to balance ongoing increases. Reserves are left intact and funded to policy levels, including in the JSF.

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Policy Considerations

- However, the ‘glide path’ suggests some turbulence, particularly in the JSF, where future reductions will be necessary to balance if current projections are accurate
- Since the JSF was created, the spending policy constraints have evolved from fixed percentages to guidelines.
- 2027-2028 Proposed Budget takes the step of moving programs that had typically been funded in the GF into the JSF
- The implied question is whether that approach meets Council’s goals with regards to managing the JSF.

Questions?