SEATTLE CITY COUNCIL
CENTRAL STAFF

10/11/2026

To: Select Budget Committee
From: Karina Bull, Analyst
Subject: Voluntary Early Separations Ordinance

Introduction and Overview

On October 13, 2026, the Select Budget Committee (Committee) will discuss the Voluntary Early Separations Ordinance, that would amend Seattle Municipal Code (SMC) 4.36[1] to authorize the Director of the Seattle Department of Human Resources (SDHR) to offer eligible employees a voluntary early separation program.

This memorandum provides background information, a summary of the proposed legislation, description of possible fiscal impacts, several policy considerations, and next steps.

Background

The City may offer voluntary early separation programs (i.e., early retirement incentives) to allow employees more flexibility in choosing when to retire and to reduce long term labor costs. The City offered voluntary early separation programs in 2002 and 1996 to mitigate layoffs on the City's workforce in anticipation of significant revenue shortfalls and reductions in the following year.[2]

The 2002 voluntary early separation program offered eight weeks of pay at the employee's regular rate of pay as an incentive. Participating employees could receive the payment in a lump sum and/or apply it toward the purchase of up to four years of retirement credit, contributions to a deferred compensation account, or the purchase of up to 18 months of health care benefits at the City's COBRA rate. There was a 12-day window to apply to the program; 45 days to decide whether to formally enroll in it upon acceptance; and a two-year prohibition from re-employment with the City following the termination date.

The 1996 voluntary early separation program offered payment of one week's salary multiplied by years of service not to exceed $30,000 and established similar protocols for pay-out, enrollment, prohibitions on re-employment. The program also established a seniority system for considering applications within a given classification and department if more employees requested early separation than could be accommodated.

Council approved both voluntary early separation programs *before* the initial application periods (specifically about a month before the application period for the 2002 program).[3]

[1] SMC 4.36 governs the Seattle City Employees' Retirement System (SCERS) with the purpose of maintaining a retirement and pension system, and a system of death benefits, for retired and disabled officers and employees of the city and the Seattle Public Library.
[2] In 2002, ORD 120880 authorized execution of a Memorandum of Understanding (MOU) with the Coalition of City Unions (Coalition) to implement a separation incentive program for represented employees and ORD 120881 authorized a similar program for non-represented employees. In 1996, ORD 118163 authorized execution of a MOU with the Coalition to implement separation incentive, retraining, and severance pay programs for represented employees and ORD 118164 authorized similar programs for non-represented employees.
[3] For the 1996 program, Central Staff could not discern the amount of time that transpired between Council's approval of the voluntary early separation program and the subsequent application period.

Central Staff does not have information on how many eligible employees participated in these programs.

Summary

This legislation would amend SMC 4.36 to authorize the SDHR Director to offer eligible employees[4] a voluntary early separation program subject to certain parameters. The SDHR Director would be required to coordinate with certain City Officials (i.e., the Director of SCERS, Director of Finance, Director of Finance and Administrative Services, and City Budget Director) and make certain program information available to eligible employees for at least 30 days before program enrollment ends. At minimum, the program information would need to include:

- Which City employees would be eligible for the program;
- When and how City employees could opt into the program;
- What benefit (e.g., incentive) would be provided to participants;
- How participants' health insurance and other City benefits would be impacted; and
- How participants' rights to potential unemployment benefits might be impacted, consistent with RCW 50.20.055(3).

If Council does not approve this legislation, the SDHR Director could still develop a voluntary early separation program within its current delegated authority but would be required to transmit legislation to Council for approval to offer and implement it.

Fiscal Impacts

There would not be direct financial impacts from this legislation as it authorizes, but does not require, the SDHR Director to offer a voluntary early separation program. The legislation also does not establish the substantive details of a voluntary early separation program.

However, the implementation of this type of program could both incur administrative costs and potentially result in long-term savings.

While the Executive has not shared substantive details of a possible voluntary early separation program for 2027, the City Budget Office (CBO) estimates the total cost of incentive payments would be around $6.5 million ($2.5 million GF), in addition to $2.3 million ($1 million GF) of sick/vacation cashouts above normal. CBO believes that departments would have sufficient vacancy savings to afford such payouts and would send instructions to departments soon after the application window closes to alert them to the need to maintain sufficient savings based on their likely participant list. CBO believes that no additional appropriation authority would be needed.

After accounting for administrative costs, savings could result from vacated positions that remain open or are filled by new employees at a lower cost; or vacated positions that are unfunded or removed by Council.

CBO reports that creating vacancies among staff who are close to retirement and willing to separate voluntarily could allow departments to have more options for finding savings in future budgets than they would have otherwise, either by eliminating some positions vacated by voluntary early separation

[4] Department heads and temporary employees would not be eligible for the program.

participants or by eliminating more junior positions after promotions. Such programs could produce ongoing savings similar to layoffs, but without the need for involuntary separations and could also allow for advancement of less tenured employees.

CBO does not anticipate savings from a voluntary early separations program in 2027 due to the cost of paying the incentive. In 2028 and beyond, CBO aims to save around $8 million GF per year ongoing.

Policy Considerations

1. Council Notice

In the proposed legislation, the scope of the SDHR Director's authority to "offer" a voluntary early separation program would include the ability to develop substantive details and parameters, bargain relevant aspects with unions, and implement the program. Unlike the City's voluntary early separation programs in 2002 and 1996, Council approval would *not* be required to offer the program or implement it. The extent of Council's role would be limited to considering department requests for additional appropriations if necessary for implementation.

The benefit of delegating authority to the SDHR Director is that the Executive could potentially develop and implement a program on a faster timeline and could have more latitude/flexibility in meeting bargaining requirements for represented employees. The tradeoff is that Council would not be involved in the development of the program (i.e., through the Select Labor Committee, if applicable) and might not have notice of the program until the SDHR Director formally announces it.

Council may wish to consider amending the legislation to require some level of notice to Council before the SDHR Director implements a voluntary early separation program (e.g., require the SDHR Director to consult with the Budget Chair prior to implementation of the program; require the SDHR Director to provide a public briefing on the draft program to the appropriate Council committee). The tradeoff of these amendments, to varying degrees, could be a slower process that delays the Executive's intended timeline.

Options:

A. Amend the legislation to require notice to Council prior to implementation.
B. Pass this legislation as amended.
C. Pass this legislation as transmitted.
D. Do not pass this legislation.

2. Proviso

Separate from this legislation, the Council could impose a proviso to restrict the Executive's spending on a voluntary early separation program. Council could impose the proviso on the entire budget to limit spending for this purpose (e.g., "of the appropriations in the 2027 Adopted Budget, no more than $XX million may be spent to implement a voluntary early separation program").

Options:

A. Pass this legislation and impose a separate proviso on the 2027 Adopted Budget.
B. Pass this legislation and do not impose a separate proviso.
C. Do not pass this legislation.

Next Steps

The Committee may discuss budget legislation at the meetings scheduled for Council Budget Proposals on October 27-29. If Committee members would like to propose amendments for consideration at one of these meetings, please contact me by October 20. There also will be another opportunity for discussion of amendments after the Budget Chair's Balancing Package is published on November 3.

Attachments:

1. DRAFT - MO Voluntary Early Separations ORD
2. DRAFT - MO Voluntary Early Separations SUM

cc: Lish Whitson, Director
Calvin Chow, Deputy Director

The City of Seattle

Ordinance _____

Council Bill _____

..title
An ordinance relating to City employment; establishing authority to offer a voluntary early separation program for eligible City employees; adding a new Section 4.36.400 to the Seattle Municipal Code; and ratifying and confirming certain prior acts.

..body
Be it ordained by The City of Seattle as follows:

Section 1. A new Section 4.36.400 is added to the Seattle Municipal Code as follows:

4.36.400 Voluntary Early Retirement/Separation Program

The Seattle Human Resources Director, in coordination with the Executive Director of the Seattle City Employees' Retirement System, Director of Finance, Director of Finance and Administrative Services, and City Budget Director, is authorized to offer a voluntary early retirement/separation program. Details of the program must be available to eligible City employees a minimum of 30 days before program enrollment ends. At a minimum, the program details shall include:

A. Which City employees are eligible for the program;

B. When and how City employees can opt in to the program;

C. What benefit is offered to participants;

D. How participants' health insurance and other City benefits will be impacted; and

E. How participants' rights to potential unemployment benefits might be impacted, consistent with RCW 50.20.055(3).

No department head, or person employed by the City on a temporary basis, shall be eligible for such a program.

Section 2. Any act consistent with the authority of this ordinance taken prior to its effective date is ratified and confirmed.

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This ordinance shall take effect as provided by Seattle Municipal Code Sections 1.04.020 and 1.04.070.

Passed by the City Council and signed in open session in authentication of its passage on _____.

_____

President _____ of the City Council

_____ on _____.

_____

Katie B. Wilson, Mayor

Attested on _____.

_____

Lenné Dedman, City Clerk

Seal

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Summary and Fiscal Note

1. Legislation Summary

Department: City Budget Office

Title: An ordinance relating to City employment; establishing a voluntary early separation program for eligible City employees; adding a new Section 4.36.400 to the Seattle Municipal Code; and ratifying and confirming certain prior acts.

Background: Many public and private entities have offered early retirement/separation programs to their employees to allow flexibility for eligible employees and reducing long-term costs to the employer.

This legislation authorizes the Seattle Human Resources Director, in collaboration with the Executive Director of the Seattle City Employees' Retirement System, Director of Finance, Director of Finance and Administrative Services, and City Budget Director, to design and offer an early retirement/separation program to City employees that are not temporary employees or City department heads.

The legislation requires that details of any program be made available to potential eligible employees at least 30 days before the end of enrollment and contains the following information:

- Which City employees are eligible for the program;

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- When and how City employees can opt in to the program;
- What benefit is offered to participants;
- How participants' health insurance and other City benefits will be impacted; and
- How participants' rights to potential unemployment benefits might be impacted pursuant to RCW 50.20.055(3).

Summary Attachments:

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2. Capital Improvement Program (CIP)

Does this legislation create, fund, or amend a CIP Project?

☐ Yes

☒ No

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3. Summary of Financial Implications

Does this legislation have financial impacts to the City?

☐ Yes

☒ No

This legislation does not have direct financial impacts to the City as it authorizes, but does not require, the City to offer some employees an early separation/retirement benefit.

If the City moves forward with offering an early separation/retirement program, there will be costs associated with offering and administering the program, as well as potential

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reductions in long-term costs to the City if positions vacated by early separated employees remain vacant.

3d. Other Financial Impacts

a. Does this legislation create any other financial impacts for The City of Seattle, such as direct or indirect costs, one-time or ongoing, that aren't mentioned above? If yes, please explain these impacts.

As mentioned above, if the City moves forward with offering an early separation/retirement program, there will be one-time costs associated with offering and administering the program, as well as potential reductions in long-term costs to the City if positions vacated by early separated employees remain vacant.

b. If the legislation has costs that can be covered within the current budget, explain how. Does the department have extra resources in its budget to handle these costs? Or does the department need to shift resources away from other work to handle these costs?

N/A

c. What financial costs or other impacts might happen if this legislation is not implemented?

N/A

d. How might this legislation affect other City departments besides the one that proposed it?

In addition to the work required of the Seattle City Employees' Retirement System, Office of City Finance, Seattle Department of Human Resources, Department of Finance and Administrative Services and City Budget Office, a voluntary separation program could be offered to City employees of other or all City departments.

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4. Other Impacts

a. Does this legislation require a public hearing?

☐ Yes

☒ No

b. Does this legislation require a notice to be published in The Daily Journal of Commerce and/or The Seattle Times?

☐ Yes

☒ No

c. Does this legislation affect a piece of property?

No.

d. Race and Social Justice Initiative impacts:

1. How does this legislation affect vulnerable or historically disadvantaged communities? How did you come to this conclusion? Please consider both impacts within City government (like employees and internal programs) and in the broader community.

Retirement-eligible City employees trend to be more white and more male than the average City employee. A voluntary separation program would likely make most sense to retirement-eligible employees and may result in a more diverse workforce. Additionally, to the extent that a voluntary separation program can avoid future layoffs, it may preserve employment for newer City employees, who tend to be more diverse.

2. Please attach any Racial Equity Toolkits or other racial equity analyses used to develop or assess this legislation.

N/A

3. What is the Language Access Plan for communicating with the public about this legislation?

The City will use established communication pathways to contact eligible employees if a voluntary separation program is instituted.

e. Climate change impacts:

1. Emissions: Will this legislation significantly increase or decrease carbon emissions? Attach any studies or materials that inform your answer.

No.

2. Resiliency: Will this legislation make Seattle more or less able to adapt to climate change? If it reduces resiliency, explain what can be done to lessen the impact.

No.

f. If this legislation creates a new program or expands an existing one, what are the long-term, measurable goals? How will this legislation help achieve those goals? What methods will be used to track progress?

N/A

g. Does this legislation create a non-utility CIP that involves shared funding with a non-City partner or organization?

No.

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