## STAFF REPORT

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| **Agenda Item:** | 20 | **Name:** | Mary Bourguignon |
| **Proposed No.:** | 2020-0324 | **Date:** | November 10, 2020 |

**SUBJECT**

Proposed Ordinance 2020-0324 is an emergency ordinance that allows the Rainy Day Reserve Fund to be used during 2021-2022 to respond to the COVID-related fiscal emergency. The proposed ordinance itself would not make any appropriation decisions but would allow appropriations to be made from this fund through separate budget legislation during the next biennium.

**SUMMARY**

The Rainy Day Reserve Fund is a Subfund of the General Fund that will start the 2021-2022 biennium with a balance of $26.7 million. It was established to supplement the General Fund unreserved fund balance, and can be used in the event of an emergency, following a vote of the Council, for:

* Maintenance of essential County services when revenue collections are less than 97 percent of adopted estimates;
* Payment of legal settlements or judgements in excess of the County’s ability to pay from other sources;
* Catastrophic losses in excess of the County’s other insurance; and
* Other emergencies, as determined by the Council.[[1]](#footnote-1)

Proposed Ordinance 2020-0324 would respond to the fiscal emergency anticipated during the 2021-2022 budget due to the COVID-19 pandemic, as proclaimed in the Executive’s Proclamation of Emergency Budget Crisis of September 16, 2020, and proposed to be ratified by Proposed Ordinance 2020-0323, by allowing the Rainy Day Reserve Fund to be used during 2021-2022. The proposed ordinance itself would not make any appropriation decisions but would provide the required vote of the Council to allow appropriations to be made from this fund through separate appropriations ordinances during the 2021-2022 biennium.

The proposed ordinance is an emergency ordinance that will take effect immediately upon passage. As an emergency ordinance, it requires a minimum of six affirmative votes.[[2]](#footnote-2)

**BACKGROUND**

**Rainy Day Reserve Fund.** The Rainy Day Reserve Fund was created in 2007[[3]](#footnote-3) to supplement the General Fund unreserved fund balance, following recommendations from the County’s Financial Policies Advisory Task Force. It was established as a Subfund of the General Fund using $15 million that had previously been held in the Sales Tax Reserve Contingency. Its size has been increased since then with unanticipated General Fund reserves. According to the Executive’s proposed budget, the Rainy Day Reserve Fund will start with 2021-2022 biennium with $26.7 million, up from $26.5 million during the 2019-2020 biennium.

The King County Code allows the Rainy Day Reserve Fund to be used only in the event of an emergency, following a vote of the Council, for:

* Maintenance of essential County services when revenue collections are less than 97 percent of adopted estimates;
* Payment of legal settlements or judgements in excess of the County’s ability to pay from other sources;
* Catastrophic losses in excess of the County’s other insurance; and
* Other emergencies, as determined by the Council.[[4]](#footnote-4)

**Proclamation of Emergency Budget Crisis.** The King County Code states that when the Executive determines that an emergency budget crisis exists, the Executive may proclaim in writing the existence of the emergency and then transmit the proclamation and a proposed ratifying ordinance to the Council. Once ratified, the proclamation of emergency allows the Executive emergency powers to:

* Order a budgetary furlough, including the furlough of employees of the Executive branch and closure of County offices;
* Order the reduction in hours or the closure of County offices on specific days associated with the budgetary furlough; or
* Order any other actions relating to employees in K.C.C. Title 3.[[5]](#footnote-5)

On May 29, 2020, the Executive issued a Proclamation of Emergency Budget Crisis for the 2020 budget year due to the fiscal and operational impacts of the COVID-19 pandemic. The proclamation was ratified by Ordinance 19115.

On September 16, 2020, the Executive issued a Proclamation of Emergency Budget Crisis for the 2021-2022 biennium due to the anticipated ongoing fiscal and operational impacts of the COVID-19 pandemic. That proclamation would be ratified by Proposed Ordinance 2020-0323, which was transmitted to the Council as part of the budget-related legislation.

**ANALYSIS**

Responding to the County’s declared emergency budget crisis during 2021-2022 is anticipated to require use of the Rainy Day Reserve Fund. Proposed Ordinance 2020-0324 would follow the requirements outlined in the Code to provide a vote of the Council allowing for its use.

The proposed ordinance, as noted above, would not make any specific appropriations from the Rainy Day Reserve Fund. It would simply allow for appropriations from the fund to be made through separated appropriations ordinances during the 2021-2022 biennium. Any appropriations would be required to be limited to the uses authorized by the Code.

The proposed ordinance is drafted as an emergency ordinance to comply with the Code requirements and will allow the ordinance to take effect immediately upon passage.

**AMENDMENT**

Amendment 1 is a technical amendment that would add the date of the Executive’s Proclamation of Emergency Budget Crisis for the 2021-2022 biennium and provide the number of the legislation (Proposed Ordinance 2020-0323) by which that proclamation would be ratified.

**ATTACHMENTS**

1. Proposed Ordinance 2020-0324
2. Amendment 1
3. Fiscal Note
4. Proclamation of Emergency Budget Crisis, September 16, 2020
1. KCC 4A.200.570 [↑](#footnote-ref-1)
2. King County Charter 230.30 [↑](#footnote-ref-2)
3. Ordinance 15961 [↑](#footnote-ref-3)
4. KCC 4A.200.570 [↑](#footnote-ref-4)
5. KCC 3.12F.020. Note that Proposed Ordinance 2020-0317 would update this section of Code to make it more relevant for the current emergency. [↑](#footnote-ref-5)