

King County Regional Homelessness Authority

Cumulative Deficit Funding and Administrative Funding Shortfall

Inception through July 31, 2026

Prepared for: City of Seattle and King County
Prepared by: Turning Point Strategic Advisors
Date: October 14, 2026

Purpose and Summary

Turning Point Strategic Advisors (Turning Point) was engaged at the direction of the City of Seattle and King County to analyze the funding deficit of the King County Regional Homelessness Authority (KCRHA) from inception through July 31, 2026. This memo presents the results of that analysis in two parts. Part 1 establishes KCRHA's cumulative deficit funding position at July 31, 2026, and the identified sources that will reduce it. Part 2 explains how administrative funding tied to grant commitments not yet used by providers ("provider underspend") created a shortfall in the funding KCRHA relied on to operate.

At July 31, 2026, KCRHA's net funding deficit was approximately **\$31.5 million**. Additionally, we identified \$14.8 million of funds that are awaiting release or still to be billed. After those sources are applied, a funding deficit of approximately **\$16.7 million** remains. Because interest expense on KCRHA's negative operating balance was drawn down on the KCIP account, this amount includes the cumulative cost of that interest expense. This funding deficit will change as a result of operations post July 31, 2026, and additional potential accounts receivable adjustments from HUD and Washington State Department of Commerce. We were unable to independently confirm those balances. Part 2 shows that \$15.6 million of administrative funding tied to provider underspend that was never earned.

The findings in this memo represent our estimate of the KCRHA deficit spending as of July 31, 2026. A final reconciliation will be performed as KCRHA closes its 2026 books, and we expect to issue it in the first quarter of 2027. We do not expect the final results to differ significantly from those presented here, but the amounts will change.

Part 1. Cumulative Deficit Funding at July 31, 2026

Cash Reconciliation

Turning Point reconciled KCRHA's cash from inception in 2021 through July 31, 2026. KCRHA's operating cash is held in its KCIP account. For every period from 2021 through July 31, 2026, we reconciled the NetSuite general ledger cash detail to the KCIP bank statements. There are no reconciling items that require separate disclosure in this memo. The reconciled cash position at July 31, 2026, is the KCIP bank statement balance shown on line 1 of the table below. As noted in the Purpose and Summary, the cash position is expected to change at the final 2026 reconciliation.

Accounts Receivable Reconciliation

Turning Point also reconciled KCRHA's accounts receivable through July 31, 2026. The reconciliation was performed using a combination of NetSuite receivable information and the confirmation detail provided directly by the City of Seattle and King County. The resulting receivable balance shown on line 3 of the table below reflects the amounts confirmed as owed to KCRHA at July 31, 2026.

Cumulative Deficit Funding Table

The table below combines the reconciled cash and receivable positions with KCRHA's unpaid obligations to arrive at the net funding deficit, and then applies the funding sources identified to date.

Table 1. Cumulative KCRHA Deficit Funding at July 31, 2026

Line	Description	Amount (\$)
1	KCIP operating account, bank statement balance (7/31/26)	(69,697,778)
2	Unpaid obligations (accounts payable)	(8,786,799)
3	Accounts receivable	46,946,687
4	Net funding deficit	(31,537,890)
5	City of Seattle 2025 restricted funds, awaiting King County release	8,753,828
6	2025 City of Seattle administration funding, to be billed	1,848,603
7	WA Commerce funding closeout, to be billed	1,000,138
8	City of Seattle 2025 restricted funds, to be billed and released	3,200,000
9	Remaining funding need	(16,735,321)

Line by Line Description

Line 1. KCIP operating account balance \$(69,697,778)

This is the balance of KCRHA's KCIP account per the July 31, 2026, bank statement, as reconciled to the NetSuite general ledger. The negative balance means that cumulative disbursements since inception exceeded the cash KCRHA received from funders by this amount. The balance also reflects interest expense on the overdraft position, incurred monthly at 4.286% APY (see Part 2, line 7).

Line 2. Unpaid obligations \$(8,786,799)

These are amounts payable by KCRHA at July 31, 2026, that had not yet been paid. Because they will require cash when paid, they add to the deficit.

Line 3. Accounts receivable confirmed by funders \$46,946,687

This is the amount owed to KCRHA by its funders at July 31, 2026, as established through the receivable reconciliation described above. As these balances are collected, they reduce the deficit. Collection converts receivables to cash but does not change the net deficit, which already counts them. Note that Federal and State Funders under the HUD Continuum of Care Program(s) were not directly confirmed. As such, collectible receivables are subject to change.

Line 4. Net funding deficit \$(31,537,890)

This is the sum of lines 1 through 3. It is the amount by which KCRHA's negative cash position and unpaid obligations exceed its confirmed receivables at July 31, 2026.

Lines 5 through 8 are the sources of funding identified to date that are not yet reflected in cash or receivables.

Line 5. City of Seattle 2025 restricted funds, awaiting release \$8,753,828

These are City of Seattle 2025 funds that were held as restricted funds. They are awaiting release by King County. Once released, they become available to reduce the deficit.

Line 6. 2025 City of Seattle administration funding, to be billed \$1,848,603

This is 2025 administrative expense that KCRHA incurred, and the City of Seattle recognized within the approved budget, but that KCRHA never invoiced. KCRHA finance identified this amount on September 18, 2026, the City has corroborated it, and it is being billed now.

Line 7. WA Commerce funding closeout, to be billed \$1,000,138

This is funding due from the Washington State Department of Commerce upon closeout of its grant funding. The closeout is subject to a filing deadline, and the amount will be billed when the closeout is filed.

Line 8. City of Seattle 2025 restricted funds, to be billed and released \$3,200,000

These are additional City of Seattle 2025 restricted funds. Unlike the funds on line 5, KCRHA must first bill this amount, after which the funds are to be released.

Line 9. Remaining funding need \$(16,735,321)

This is the net funding deficit on line 4 after applying the identified sources on lines 5 through 8, which total \$14,802,569 at 7/31/2026. It assumes each identified source is collected in full. Because interest expense was incurred on the KCIP balance (line 1), this amount includes the cumulative net interest cost.

Part 2. Administrative Funding Shortfall from Provider Underspend

How Administrative Funding Created the Shortfall

Each year, KCRHA's funders awarded it grant funding to deliver homelessness services. Most of these awards carry an administrative allowance, calculated as a percentage of the award or as a fixed amount that KCRHA may use to fund its own operations. KCRHA calculated the administrative funding tied to each year's awards and used that amount to build its operating budget.

However, a significant portion of the administrative funding is earned only as the underlying grant funds are used. Not all of the awarded funding was used each year. When providers underspent grant funding, the administrative funding tied to the underspent portion was never earned, while the operating costs KCRHA had budgeted against it were still incurred. The result is a shortfall in administrative funding that accumulated year over year.

The City of Seattle is an exception. The City provides administrative funding as a fixed amount that is paid in full every year regardless of how much of the award is used. Provider underspend of City funding therefore did not create an administrative shortfall.

Grant Commitments and Administrative Funding on Provider Underspend

Table 2. Administrative Funding on Provider Underspend, by Funder

Funder	Awards (\$)	Utilized (\$)	Unused (\$)	Admin on Unused (\$)	Admin Remaining Aug. to Dec. 2026 (\$)
City of Seattle	564,552,581	454,205,987	110,346,594	-	2,177,006
King County	212,223,266	153,457,972	58,765,294	5,218,340	2,782,414
HUD	122,024,852	79,656,214	42,368,638	5,016,396	2,790,117
Commerce	112,072,559	64,734,369	47,338,190	5,412,620	3,815,477
Total	1,010,873,258	752,054,542	258,818,716	15,647,356	11,565,014

Each column of Table 2 is described below.

Awards. These are the full award amounts for all grant commitments from inception, including the full 2026 award amounts, with terms running through December 31, 2026. Total awards are \$1,010,873,258.

Utilized. This is the grant funding used through July 31, 2026, totaling \$752,054,542.

Provider Underspend. This is the portion of grant commitments not used by providers at July 31, 2026, equal to awards less utilized, totaling \$258,818,716. The largest unused balances are City of Seattle at \$110,346,594 and King County at \$58,765,294, followed by Commerce at \$47,338,190 and HUD at \$42,368,638.

Admin on Provider Underspend. This is the administrative funding attached to provider underspend, calculated on the full commitments for each year. The amounts are \$5,218,340 for King County, \$5,016,396 for HUD, and \$5,412,620 for Commerce, for a total of \$15,647,356. The City of Seattle amount is zero because its administrative funding is fixed and paid in full each year.

Admin Remaining, August to December 2026. This is the administrative funding still available to KCRHA for the remainder of 2026, totaling \$11,565,014. The City of Seattle amount reflects its fixed administrative funding for the final five months of the year. The amounts for the other funders reflect per grant designations. This column is not included in the shortfall calculation in Table 3, because the analysis assumes that KCRHA's administrative funding and administrative spending for the balance of 2026 will break even.

Reconciliation of the Administrative Funding Shortfall

Table 3 reconciles the administrative funding KCRHA actually received to the administrative funding it would have had if all grant commitments had been fully used and compares that amount to KCRHA's actual administrative spending.

Table 3. Administrative Funding Shortfall Reconciliation through July 31, 2026

Line	Description	Amount (\$)
1	Administrative funding actually received from funders through 7/31/26	56,425,280
2	Administrative funding related to provider underspend	15,647,356
3	Additional 2025 City of Seattle administrative funding, to be billed	1,848,603
4	Administrative budget funding if provider grants had been fully utilized	73,921,239
5	Actual administrative spending (cash basis) through 7/31/26	(77,245,221)
6	Pro forma estimated administrative overspend, before interest expense, net	(3,323,982)
7	Interest expense, net of interest income (restricted)	2,418,990
8	Total pro forma estimated administrative overspend	(5,742,972)

Line 1. Administrative funding actually received \$56,425,280

This is the administrative funding KCRHA received in cash from all funders from inception through July 31, 2026.

Line 2. Administrative funding related to provider underspend on grant commitments \$15,647,356

This is the total administrative funding on provider underspend from Table 2. It is calculated on the full commitments for each year and represents the administrative funding KCRHA budgeted for but never earned because the underlying grant funds were not used.

Line 3. Additional 2025 City of Seattle administrative funding \$1,848,603

This is the unbilled 2025 City of Seattle administrative funding described in Part 1, line 6. It was earned for 2025 but has not yet been received, so it is added to reflect the full administrative funding available.

Line 4. Administrative budget funding if fully utilized \$73,921,239

This is the sum of lines 1 through 3. It is the total administrative funding KCRHA would have had through July 31, 2026, if every grant commitment had been fully used.

Line 5. Actual administrative spending \$(77,245,221)

This is KCRHA's actual administrative spending on a cash basis from inception through July 31, 2026.

Line 6. Pro forma estimated administrative overspend, before interest expense, net \$(3,323,982)

This is line 4 less line 5. Even if every grant commitment had been fully used, KCRHA's administrative spending would have exceeded its administrative funding by this amount. The overspend relates principally to headcount, Robert Half contract staffing, and Salesforce implementation costs.

Line 7. Interest expense, net of interest income (restricted) \$2,418,990

This is the net interest cost incurred over the KCIP lifetime. It is composed of operating overdraft interest expense \$(2,893,165) and restricted custody account interest income \$474,175 totaling net interest expense of \$(2,418,990). This interest was drawn down on the KCIP balance and is therefore already reflected in the \$16.7 million remaining funding need in Part 1.

Line 8. Total pro forma estimated administrative overspend, \$(5,742,972)

This is line 6 less line 7. It is the cumulative administrative overspend throughout the lifetime of KCRHA.

What the Reconciliation Shows

The reconciliation separates the administrative shortfall into three parts. The first is \$15,647,356 of administrative funding that KCRHA built into its budgets but never earned, because providers underspent \$258,818,716 of grant commitments. The second is \$3,323,982 of administrative spending above the level that fully used commitments would have supported. Third is interest expense which was unexpected and therefore never contemplated in the board approved administrative budgets.

Two points qualify these amounts. Awards include the full 2026 award amounts, and some 2026 grants remain active and drawable before their end dates. To the extent those grants are drawn before December 31, 2026, the related administrative funding would be earned and the shortfall on unused commitments would be reduced. The analysis also assumes that administrative funding and spending for the balance of 2026 will be breakeven and will not create additional deficient spending.