

Ordinance No. 120996

Council Bill No. 114362

AN ORDINANCE relating to the Health Care Subfund of the General Fund; amending Seattle Municipal Code Section 4.50.020.

The City of Seattle  
Council Bill/Ordinance

11-15-02 Bod

11-18-02 Passe

CF No. \_\_\_\_\_

Date Introduced: <u>10-14-02</u>		
Date 1st Referred: <u>10-14-02</u>	To: (committee) <u>Budget</u>	
Date Re - Referred:	To: (committee)	
Date Re - Referred:	To: (committee)	
Date of Final Passage: <u>11-18-02</u>	Full Council Vote: <u>9-0</u>	
Date Presented to Mayor: <u>11-19-02</u>	Date Approved: <u>NOV 28 2002</u>	
Date Returned to City Clerk: <u>NOV 28 2002</u>	Date Published: <u>3</u>	T.O. _____ F.T. <input checked="" type="checkbox"/>
Date Vetoed by Mayor:	Date Veto Published:	
Date Passed Over Veto:	Veto Sustained:	

This file is complete and ready

*Law Department*

Law Dept. Review

# The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: \_\_\_\_\_

Councilmember

## Committee Action:

11-1802 Budget Committee: Pass 9-0

11-1802 Passed 9-0

This file is complete and ready for presentation to Full Council. Committee: \_\_\_\_\_

(initial/date)

*Department*

Law Dept. Review

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Review

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City Clerk  
Review

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ORDINANCE 120996

1  
2  
3 AN ORDINANCE relating to the Health Care Subfund of the General Fund; amending Seattle  
Municipal Code Section 4.50.020.

4 WHEREAS, on November 22, 1999, the City Council passed Ordinance 119762, which amended  
5 prior ordinance language relating to the Health Care Subfund of the General Fund; and

6 WHEREAS, on August 20, 2001, the City Council passed Ordinance 120489, further clarifying  
7 uses of the Health Care Subfund; and

8 WHEREAS, on November 13, 2001, the City Council passed Ordinance 120626, amending the  
9 Health Care Subfund language in Ordinance 119762 and codifying this language in a  
new Section 4.50.020 of the Seattle Municipal Code; and

10 WHEREAS, on July 22, 2002, the City Council passed Ordinance 120861, further clarifying the  
11 language in Section 4.50.020 of the Seattle Municipal Code; and

12 WHEREAS, for certain of its health care plans, the City is self-insured; and

13 WHEREAS, State of Washington self-insurance regulations for local government self-insured  
14 medical care programs require financial solvency, and the City determined that a  
15 Subfund Reserve best satisfies that requirement; and

16 WHEREAS, the Seattle Municipal Code currently sets a Subfund Reserve at two months and ten  
17 days of projected health care claims and non-City administrative costs under the self-  
insured plans; and

18 WHEREAS, higher-than-anticipated claims costs in 2001 have resulted in a shortfall in this  
19 Reserve; and

20 WHEREAS, the City expects that 2002 claims will also be higher than anticipated, resulting in  
21 an additional shortfall to the Reserve; and

22 WHEREAS, the City expects to recover the 2001 and 2002 shortfalls through higher health care  
23 rates in 2003 and 2004, but does not expect to meet the required two months and ten  
24 day Reserve in the 2003-2004 biennium; and

25 WHEREAS, the City plans to set health care rates in 2005-2006 at sufficient levels to meet the  
26 Reserve; NOW THEREFORE,

27 BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:  
28



1  
2 Section 1. Section 4.50.020 of the Seattle Municipal Code, as last amended by  
3 Ordinance 120861, is further amended as follows:

4  
5 4.50.020 Health Care Subfund

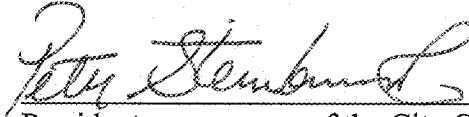
6 There is hereby created in the City Treasury, as a Subfund of the General Fund, a "Health Care  
7 Subfund" into which are paid all City employee and eligible retiree contributions to the medical,  
8 vision, dental, employee assistance, flexible spending accounts including dependent care  
9 assistance and health care spending, and any additional health care programs contemplated by  
10 ordinance, all money otherwise accruing to the City under such programs, and such other  
11 revenues as may be authorized by ordinance, and from which special funds shall be paid all  
12 liabilities incurred by the City by reason of such medical, vision, dental, employee assistance,  
13 flexible spending accounts including dependent care assistance and health care spending, and any  
14 additional health care programs, and such other expenditures as may be authorized by ordinance.  
15

16  
17 A separate Reserve of the Health Care Subfund is hereby created to hold the reserves necessary  
18 to obtain and maintain approval by the State of Washington Risk Manager for the City's self-  
19 insured medical care program authorized under Chapter 48.62 RCW. Beginning with the 2005-  
20 2006 biennium,((The)) the Reserve shall maintain a balance((which is)) equal to at least the  
21 program's actuarially determined incurred but not reported liability (which in 2002 is estimated  
22 at two months and ten days of projected health care claims and non-City administrative costs  
23 under the self-insured plans), and shall be administered in compliance with applicable law  
24 including State of Washington self-insurance regulations, Chapter 236-22 WAC.  
25  
26  
27  
28

1 Section 2. This ordinance shall take effect and be in force thirty (30) days from and  
2 after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10)  
3 days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.  
4

5  
6 Section 3. Any acts made consistent with the authority and prior to the effective date of  
7 this ordinance are hereby ratified and confirmed.  
8

9  
10 Passed by the City Council the 18<sup>th</sup> day of November 2002, and signed by me in open  
11 session in authentication of its passage this 18<sup>th</sup> day of November, 2002.  
12

13   
14 \_\_\_\_\_  
15 President \_\_\_\_\_ of the City Council

16 Approved by me this 25 day of November, 2002.

17   
18 \_\_\_\_\_  
19 Gregory J. Nickels, Mayor

20 Filed by me this 27<sup>th</sup> day of November, 2002.

21   
22 \_\_\_\_\_  
23 City Clerk

24 (Seal)  
25  
26  
27  
28



**Fiscal Note**

Each piece of legislation that appropriates funds, creates position authority, or will create a financial impact through policy direction or otherwise, requires a fiscal note. The fiscal note should be drafted by department staff and should include all relevant financial information. After preparation by departmental staff, the Department of Finance will review and make necessary revisions before transmittal to Council.

<b>Department:</b>	<b>Contact Person/Phone:</b>	<b>DOF Analyst/Phone:</b>
Personnel	Raquel Gonzalez/4-0945	Ellen Schroer/3-9841

**Legislation Title:**

AN ORDINANCE relating to the Health Care Subfund of the General Fund; amending Seattle Municipal Code Section 4.50.020.

**Summary of the Legislation:**

In earlier legislation, the City provided that a Reserve equivalent to two months and 10 days of projected medical claims and non-City administrative costs would be adequate to comply with State regulations relative to the financial solvency of local government self-insured medical plans. This legislation (1) clarifies that the Reserve is set based upon the program's actuarially determined incurred but not reported liability (which is currently two months and 10 days of projected health care claims and non-City administrative costs under the self-insured plans), and (2) delays attaining the Reserve requirement until the 2005-2006 biennium.

**Appropriations (in \$1,000's):**

Fund Name and Number	Department	Budget Control Level*	2002 Appropriation	2003 Anticipated Appropriation
			0	0
<b>TOTAL</b>			<b>0</b>	<b>0</b>

*\* This is line of business for operating budgets, and program or project for capital improvements*

*Notes:*

**Expenditures (in \$1,000's):**

Fund Name and Number	Department	Budget Control Level*	2002 Expenditures	2003 Anticipated Expenditures
			0	0
<b>TOTAL</b>			<b>0</b>	<b>0</b>

*\* This is line of business for operating budgets, and program or project for capital improvements*

*Notes:*



**Anticipated Revenue/Reimbursement (in \$1,000's):**

Fund Name and Number	Department	Revenue Source	2002 Revenue	2003 Revenue
			0	0
<b>TOTAL</b>			<b>0</b>	<b>0</b>

**Notes:**

**Total Permanent Positions Created Or Abrogated Through Legislation, Including FTE Impact; Estimated FTE Impact for Temporary Positions:**

Fund Name and Number	Department	Position Title*	2002 FTE	2003 FTE
			0	0
<b>TOTAL</b>			<b>0</b>	<b>0</b>

\* List each position separately

**Do positions sunset in the future? (If yes, identify sunset date):**

N/A

**Background** (Include brief description which states the purpose and context of legislation and include record of previous legislation and funding history, if applicable):

In 2001, the Council created a new SMC Section 4.50.020, codifying the financial policies for the Health Care Subfund and establishing a Reserve equal to two months and ten days of projected health care claims and non-City administrative costs under the self-insured plans. Because of shortfalls to the Subfund in 2001 and 2002 due to higher-than-anticipated claims costs on the self-insured programs, the City will not meet its Reserve in 2003-04. Instead, the City plans on covering the 2001 shortfall in the 2003 health care rates and charges, and covering the 2002 shortfall in the 2004 health care rates. The current estimates of these shortfalls are \$2.3 million in 2001 and \$12.3 million in 2002.

**The financial cost of not implementing the legislation** (Estimate the costs to the City of not implementing the legislation, including estimated costs to maintain or expand an existing facility or the cost avoidance due to replacement of an existing facility, potential conflicts with regulatory requirements, or other potential costs if the legislation is not implemented):

If we were to set 2003-04 rates to maintain a two month and ten day Reserve in addition to recovering the 2001-02 shortfalls, we would need to increase the Health Care Subfund revenue requirement by \$6.3 million in the 2003-04 biennium.

**Possible alternatives to the legislation which could achieve the same or similar objectives** (Include any potential alternatives to the proposed legislation, including using an existing facility to fulfill the uses envisioned by the proposed project, adding components to or subtracting components from the total proposed project, contracting with an outside organization to provide the services the proposed project would fill, or other alternatives):



**Is the legislation subject to public hearing requirements (If yes, what public hearings have been held to date):**

One alternative would be to make the two month and 10 day Reserve beginning in 2005-06 a goal rather than a requirement. The current economic environment and the continuing uncertainty in future health care costs and utilization may undermine the City's ability to predict with certainty that it can meet this requirement. However, the State Risk Manager is firm that the City needs to make this Reserve a requirement.

**Other Issues (including long-term implications of the legislation):**

State law governing the self insured health care plans of local governmental entities requires that programs are operated in a fiscally sound manner. The law delegates the authority to the State Risk Manager's office to approve or disapprove the local government self-insured status. The Risk Manager's office, in turn, has developed guidelines and policies governing the operation of a self funded plan, including the establishment of a reserve fund.

There is no specific requirement regarding the size of the reserve, but the rule of thumb is that the reserve should at least equal the anticipated runout from claims incurred, but not reported, from the prior year. The City's lag in claims incurred and claims reported is about two months and 10 days, and both the City's benefits consultant and the State Risk Manager accept this as an appropriate reserve goal.

The State Risk Manager understands that Seattle and many other jurisdictions have faced unexpectedly large increases in health care costs and utilization, and are consequently below fund balance reserve requirements. The Risk Manager has reviewed the language in the Ordinance, and is comfortable that the City is complying with state requirements.







# City of Seattle

Gregory J. Nickels, Mayor

## Office of the Mayor

September 23, 2002

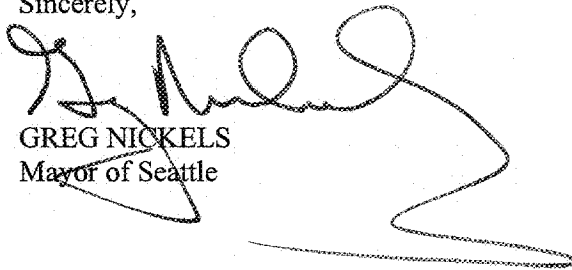
Honorable Peter Steinbrueck  
President  
Seattle City Council  
Municipal Building, 11<sup>th</sup> Floor

Dear Council President Steinbrueck:

The attached ordinance relates to the City's Health Care Subfund of the General Fund. In compliance with State of Washington self-insurance regulations, which require financial solvency and provide for approval and oversight of local government self-insured medical plans by the Washington State Office of Risk Management, the City last year defined a reasonable reserve as equivalent to two months and ten days of projected medical claims and non-City administrative costs. This legislation states that the City will meet its reserve requirement in the 2005-2006 biennium.

Thank you for your consideration of this legislation. Should you have questions please contact Ellen Schroer at 733-9841.

Sincerely,



GREG NICKELS  
Mayor of Seattle

600 Fourth Avenue, 12<sup>th</sup> Floor, Seattle, WA 98104-1873

Tel: (206) 684-4000, TDD: (206) 684-8811 Fax: (206) 684-5360, E.mail: [mayors.office@ci.seattle.wa.us](mailto:mayors.office@ci.seattle.wa.us)

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**STATE OF WASHINGTON - KING COUNTY**

--SS.

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152210  
City of Seattle, Clerk's Office

No. ORDINANCE IN FULL

**Affidavit of Publication**

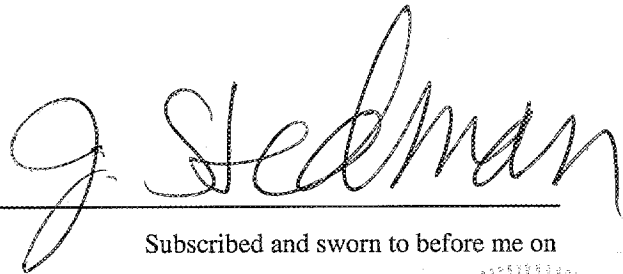
The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12<sup>th</sup> day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:ORDINANCE 120996

was published on

12/2/2002



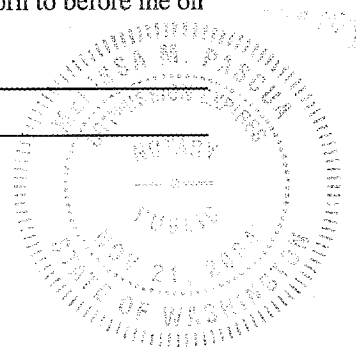
Subscribed and sworn to before me on

12/2/2002



Notary public for the State of Washington,  
residing in Seattle

Affidavit of Publication



# State of Washington, King County

## City of Seattle

### ORDINANCE 120000

AN ORDINANCE relating to the Health Care Subfund of the General Fund; amending Seattle Municipal Code Section 4.50.020.

WHEREAS, on November 22, 1999, the City Council passed Ordinance 119762, which amended prior ordinance language relating to the Health Care Subfund of the General Fund; and

WHEREAS, on August 20, 2001, the City Council passed Ordinance 120489, further clarifying uses of the Health Care Subfund; and

WHEREAS, on November 13, 2001, the City Council passed Ordinance 120626, amending Health Care Subfund language in Ordinance 119762 and codifying this language in a new Section 4.50.020 of the Seattle Municipal Code; and

WHEREAS, on July 22, 2002, the City Council passed Ordinance 120861, further clarifying the language in Section 4.50.020 of the Seattle Municipal Code; and

WHEREAS, for certain of its health care plans, the City is self-insured; and

WHEREAS, State of Washington self-insurance regulations for local government self-insured medical care programs require financial solvency, and the City determined that a Subfund Reserve best satisfies that requirement; and

WHEREAS, the Seattle Municipal Code currently sets a Subfund Reserve at two months and ten days of projected health care claims and non-City administrative costs under the self-insured plans; and

WHEREAS, higher-than-anticipated claims costs in 2001 have resulted in a shortfall in this Reserve; and

WHEREAS, the City expects that 2002 claims will also be higher than anticipated, resulting in an additional shortfall to the Reserve; and

WHEREAS, the City expects to recover the 2001 and 2002 shortfalls through higher health care rates in 2003 and 2004, but does not expect to meet the required two months and ten day Reserve in the 2003-2004 biennium; and

WHEREAS, the City plans to set health care rates in 2005-2006 at sufficient levels to meet the Reserve; NOW THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Section 4.50.020 of the Seattle Municipal Code, as last amended by Ordinance 120861, is further amended as follows:

#### 4.50.020 Health Care Subfund

There is hereby created in the City Treasury, as a Subfund of the General Fund, a "Health Care Subfund" into which are paid all City employee and eligible retiree contributions to the medical, vision, dental, employee assistance, flexible spending account including dependent care assistance and health care spending, and any additional health care programs contemplated by ordinance, all money otherwise accruing to the City under such programs, and such other revenues as may be authorized by ordinance, and from which special funds shall be paid all liabilities incurred by the City by reason of such medical, vision, dental, employee assistance, flexible spending accounts including dependent care assistance and health care spending, and any additional health care programs, and such other expenditures as may be authorized by ordinance. A separate Reserve of the Health Care Subfund is hereby created to hold the reserves necessary to obtain and

maintain approval by the State of Washington Risk Manager for the City's self-insured med-