

RESOLUTION No. 30379

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A RESOLUTION adopting updated financial policies for the various General Fund Subfunds of the City of Seattle and for the City's Employees' Retirement Fund, Police Pension Fund, and Firemen's Pension Fund, and superceding Resolution 28953 and Resolution 27206.

(E)

DP as amend 4-0 CJA, RC, R

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*B-20-01 Adopted 8-0
(Excused: Steinbrueck)*

Law Department

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San Diego

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DP as amend 4-0 (JA, RC, RM, NL)

8-20-01 Adopted 8-0
(Excused: Steinbrueck)

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RESOLUTION 30379

1
2 A RESOLUTION adopting updated financial policies for the various General Fund Subfunds of
3 the City of Seattle and for the City's Employees' Retirement Fund, Police Pension Fund,
4 and Firemen's Pension Fund, and superceding Resolution 28953 and Resolution 27206.

5 WHEREAS, the City Council and the Mayor are committed to high standards of financial
6 management; and

7 WHEREAS, adopting and periodically updating financial policies are important actions that help
8 to assure consistent and rational financial management; and

9 WHEREAS, the General Fund Subfunds, the City's Employee's Retirement Fund, the Police
10 Pension Fund, and the Firemen's Pension Fund are essential components of the City of
11 Seattle's financial program; and

12 WHEREAS, the City Council and Mayor have reviewed the financial policies for the General
13 Fund Subfunds, the City's Employee's Retirement Fund, the Police Pension Fund, and
14 the Firemen's Pension Fund, and wish to update, clarify and, in certain instances, change
15 the respective policies; Now, Therefore,

16 BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE MAYOR
17 CONCURRING, THAT

18 Section 1. General Subfund of the General Fund. The Council adopts the attached General
19 Subfund of the General Fund policies (Exhibit A). In so doing, the Council reaffirms existing
20 financial policies for this subfund, and adds a policy on reporting requirements.

21 Section 2. Emergency Subfund of the General Fund. The Council hereby supercedes
22 Resolution 28953 and Resolution 27206 in their entirety, and hereby adopts the attached policies
23 (Exhibit B) on the Emergency Subfund of the General Fund. In so doing, the Council reaffirms
24 certain existing financial policies for the Emergency Subfund and updates these policies in four
25 ways:

- 26 a) The Council finds that the division of the Emergency Subfund into two accounts – the
27 Emergency Account and the Supplemental Appropriations Account – creates accounting



1 ambiguities and no longer serves any useful purpose. Therefore, per Council Bill
2 113789, the Council eliminates these two accounts within the Subfund.

3 b) To Policy 3 on other expenditures with insufficient or no appropriation is added the
4 policy that these appropriations need not come from the Emergency Subfund, but can be
5 appropriated from other City funds whose purposes are consistent with the intended
6 expenditure, provided sufficient balances are available and provided an ordinance
7 approving the expenditure is passed by three-fourths of all the members of the City
8 Council.

9 c) Policy 4 is expanded to allow for mid-year reimbursements to the Emergency Subfund.

10 d) The Council revises and updates the reporting requirements for the Emergency Subfund.

11
12 **Section 3. Cumulative Reserve Subfund of the General Fund.** The Council adopts the
13 attached policies (Exhibit C) on the Cumulative Reserve Subfund of the General Fund. In so
14 doing, the Council reaffirms certain existing financial policies for the Cumulative Reserve
15 Subfund and updates these policies by adding three new policies:

16 a) Policy 4c) describes the types of projects for which the funds placed in the Unrestricted
17 Subaccount of the Capital Projects Account of the Cumulative Reserve Subfund will
18 generally be spent.

19 b) Policy 11 describes the City's process for charging interest on loans from this subfund.

20
21 **Section 4. Cable Television (TV) Franchise Subfund of the General Fund.** The Council adopts
22 the attached policies (Exhibit D) on the Cable TV Franchise Subfund of the General Fund. In so
23 doing, the Council reaffirms certain existing financial policies for this subfund and clarifies the
24 allowable expenditure policy (Policy 3).

25
26 **Section 5. Police Support Facility Subfund of the General Fund.** The Council adopts the
27 attached policies (Exhibit E) on the Police Support Facility Subfund of the General Fund. In so



1 doing, the Council reaffirms certain existing financial policies for this subfund, and updates these
2 policies in two ways:

- 3 a) Policy 5 is added stating the City's intent to eventually terminate the subfund.
- 4 b) Policy 6 is added regarding reporting requirements.

5
6 Section 6. Key Tower Operations Subfund of the General Fund. The Council adopts the
7 attached policies (Exhibit F) on the Key Tower Operations Subfund of the General Fund. In so
8 doing, the Council reaffirms certain existing financial policies for this subfund and updates these
9 policies in two ways:

- 10 a) Policy 6 is added stating the City's intent to eventually terminate the subfund.
- 11 b) Policy 7 is added regarding reporting requirements.

12
13 Section 7. Group Term Life Subfund of the General Fund. The Council adopts the attached
14 policies (Exhibit G) on the Group Term Life Subfund of the General Fund. In so doing, the
15 Council reaffirms certain existing financial policies for this subfund, and updates these policies
16 in three ways:

- 17 a) Policy 2 and Policy 3 relate to Council Bill 113789, which will update the ordinance
18 language describing expenditures from and revenues to the subfund
- 19 b) Policy 4 is added on use of undesignated and unreserved fund balances.
- 20 c) Policy 5 is added regarding budgeting for group term life costs.

21
22 Section 8. Health Care Subfund of the General Fund. The Council adopts the attached
23 policies (Exhibit H) on the Health Care Subfund of the General Fund. In so doing, the Council
24 reaffirms certain existing financial policies for this subfund and updates these policies in four
25 ways:

- 26 a) Policy 3 and Policy 4 relate to Council Bill 113789, which will update the ordinance
27 language describing expenditures from and revenues to the subfund.



- 1 b) Per Council Bill 113789, all reserve policies delete the reference to a "Reserve Account"
2 and refer instead to a "Reserve."
3 c) Policy 6 is added on use of undesignated and unreserved fund balances.
4 d) Policy 7 is added regarding budgeting for health care costs.

5
6 Section 9. Industrial Insurance Subfund of the General Fund. The Council adopts the
7 attached policies (Exhibit I) on the Industrial Insurance Subfund of the General Fund. In so
8 doing, the Council reaffirms certain existing financial policies for this subfund, and updates these
9 policies in three ways:

- 10 a) Policy 2 and Policy 3 relate to Council Bill 113789, which will update the ordinance
11 language describing expenditures from and revenues to the subfund.
12 b) Policy 5 is added on use of undesignated and unreserved fund balances.
13 c) Policy 6 is added regarding budgeting for industrial insurance costs.

14 In addition, the Council directs the Executive to study the feasibility of rebating subrogation and
15 other recovery revenues to individual departments prior to the 2003-2004 biennial budget. This
16 review will consider the administrative costs necessary to implement such a policy and will
17 examine the effect of the policy on industrial insurance rates.

18
19 Section 10. Special Employment Subfund of the General Fund. The Council adopts the
20 attached policies (Exhibit J) on the Special Employment Subfund of the General Fund. In so
21 doing, the Council reaffirms certain existing financial policies for this subfund and updates these
22 policies in three ways:

- 23 a) Policy 2 and Policy 3 relate to Council Bill 113789, which will update the ordinance
24 language describing expenditures from and revenues to this subfund.
25 b) Policy 4 expands and clarifies the costs covered by the user fee levied upon the wages
26 and benefits of temporary employees in the City.

27
28



1 c) Policy 5 adds a cash float allowance to the approved uses of undesignated and unreserved
2 fund balances.

3
4 Section 11. Unemployment Insurance Subfund of the General Fund. The Council adopts the
5 attached policies (Exhibit K) on the Insurance Compensation Subfund of the General Fund. In so
6 doing, the Council reaffirms certain existing financial policies for this subfund and updates these
7 policies in three ways:

8 a) Policy 2 and Policy 3 relate to Council Bill 113789, which will clarify the ordinance
9 language for expenditures from and revenues to the subfund.

10 b) Policy 4 is added on use of undesignated and unreserved fund balances.

11 c) Policy 5 is added regarding budgeting for unemployment insurance costs.

12
13 Section 12. Employees' Retirement Fund. The Council adopts the attached policies (Exhibit L)
14 on the Employees' Retirement Fund. In so doing, the Council reaffirms the existing financial
15 policies for this fund.

16
17 Section 13. Police Pension Fund. The Council adopts the attached policies (Exhibit M) on the
18 Police Pension Fund. In so doing, the Council reaffirms the existing financial policies for this
19 fund and adds a policy on fund balance.

20
21 Section 14. Firemen's Pension Fund. The Council adopts the attached policies (Exhibit N)
22 on the Firemen's Pension Fund. In so doing, the Council reaffirms the existing financial policies
23 for this fund and adds a policy on fund balance.

24
25 Section 15. Review of attached policies. The Council finds that the attached policies should
26 be reviewed and updated on a five-year cycle, with the next update scheduled for 2006.



1 Section 16. Fund balance reporting. The Executive will provide to the Council on an annual
2 basis a summary of the use of fund balances to support appropriations in the Mayor's Proposed
3 Budget. The summary will document fund balance uses for the General Subfunds and pension
4 funds and will include fund balance forecasts for the Budget Year for these funds.

5 ADOPTED by the City Council of the City of Seattle the 20th day of
6 August, 2001, and signed by me in open session in authentication of its adoption this
7 20th day of August, 2001.

8
9
10 Margaret Peppers
President of the City Council

11
12 THE MAYOR CONCURRING:

13 Paul Schell
14 Paul Schell, Mayor
15

16 Filed by me this 30th day of August, 2001.

17
18 Judith E. Papp
19 City Clerk

20 (Seal)
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July 25, 2001

Exhibit A

**CITY OF SEATTLE
GENERAL SUBFUND OF THE GENERAL FUND**

Introduction

The General Subfund of the General Fund is technically the City's General Fund. The use of the term general subfund originated in 1995 when the City re-designated several independent special revenue, internal service and expendable trust funds as subfunds of the General Fund.¹ For clarity during resource and accounting discussions, it became customary to refer to resources residing in the General Fund, but not in one of the specified subfunds, as being in the General Subfund. Thus, the authority for the General Subfund of the General Fund is found in the City Charter.

Fund Authority

Policy 1. Creation of Fund: There shall be a General Fund into which shall be paid all revenues of the City, except as otherwise provided by law, and from which shall be paid all expenses and liabilities not required to be paid out of some special or other fund. [Charter Art. VIII, Sec. 15]

Reporting Requirements

Policy 2. Revenue Reporting: The Department of Finance will provide the Council with revenue forecasts for general government revenues at least twice a year and will, through the budget document, provide an annual written report on General Subfund revenues. [New Policy]

¹ Effective December 31, 1995, ordinance 117977 re-designated the Cumulative Reserve Fund, the Emergency Fund, the Judgement/Claims Fund, the Neighborhood Matching Fund, the Development Rights Fund, the Industrial Insurance Fund, the Unemployment Insurance Fund, the Special Employment Program Fund, the Health Care Fund, and the Group Term Life Insurance Fund as subfunds of the General Fund.

**CITY OF SEATTLE
EMERGENCY SUBFUND OF THE GENERAL FUND**

Introduction

The Emergency Subfund is the City's main reserve fund, and is available to pay for unanticipated or unplanned expenditures that occur during the course of the fiscal year. Prior to this review, there were two accounts in the Subfund – the Emergency Account and the Supplemental Appropriations Account. The Emergency Account was intended to fund costs associated with emergencies as defined by state law, and the Supplemental Appropriations Account was intended to fund other necessary expenditures that were not anticipated at the time the budget was developed. However, the City concluded that this division of the Subfund frequently created accounting ambiguities and no longer serves any useful purpose. Therefore, these accounts were eliminated via Council Bill 113789.

Fund Structure

Policy 1. Fund Structure. The City shall continue to maintain in the City Treasury, as a subfund of the General Fund, an Emergency Subfund as described in RCW 35.32A.060. [Ord 117977]

Expenditures

Policy 2. Emergency expenditures. By an ordinance approved by three-fourths of all of its members, the City Council may authorize the expenditure of sufficient money from the Emergency Subfund to meet the expenses or obligations:

- a) Caused by fire, flood, explosion, storm, earthquake, epidemic, riot, insurrection, act of God, act of the public enemy or any other such happening that could not have been anticipated; or
- b) For the immediate preservation of order or public health, or for the restoration to a condition of usefulness of public property the usefulness of which has been destroyed by accident; or
- c) In settlement of approved claims for personal injuries or property damages, exclusive of claims arising from the operation of a public utility owned by the city; or
- d) To meet mandatory expenditures required by laws enacted since the last budget was adopted. [Council Bill 113789]

Policy 3. Other expenditures with insufficient or no appropriation. The City Council by an ordinance approved by three-fourths of all its members may appropriate from the Emergency Subfund an amount sufficient to meet the actual and necessary expenditures of the City for which insufficient or no appropriation have been made due to causes which could not reasonably have been foreseen at the time of the making of the budget. [Council Bill 113789] Expenditures of this type need not be appropriated from the Emergency Subfund, but can be appropriated from other City funds whose purposes are consistent with the intended expenditure, provided sufficient balances are available and provided an ordinance approving the expenditure is passed by three-fourths of all the members of the City Council. [New Policy]

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Revenues/Fund Balances

Policy 4. Fund balance requirements. At the beginning of each year, sufficient funds shall be appropriated to the Emergency Subfund so that its balance equals thirty-seven and one-half cents per thousand dollars of assessed value, which is the maximum amount allowed by state law. [Res 28953] The City may also choose to reimburse the Emergency Subfund during the year for any expenditures incurred, by transferring unexpended and unencumbered balances from another City fund or subfund, or from other reimbursements the City may receive. [New Policy]

Planning/Reporting Requirements

Policy 5. Year-to-date appropriations. The City Council will receive with every appropriation request for emergency or other expenditures with insufficient or no appropriation a list of all such year-to-date appropriations, the fund or subfund from which they were appropriated, and the cumulative dollar total for the year. [Revised from Res 27206]

**CITY OF SEATTLE
CUMULATIVE RESERVE SUBFUND OF THE GENERAL FUND**

Introduction

The Cumulative Reserve Subfund of the General Fund is comprised of two accounts, the Capital Projects Account and the Revenue Stabilization Account. The Capital Projects Account is used to pay debt service on the City's Capital Facilities Bonds (through 2017) and is the primary resource for major maintenance funding in non-utility departments other than SEATRAN. The Revenue Stabilization Account (also called the Rainy Day Fund) is intended to cushion the City from sudden unanticipated shortfalls in revenue due to economic downturns in order to avoid or mitigate mid-year reductions.

Fund Structure

Policy 1. Subfund Accounts. The Cumulative Reserve Subfund shall be comprised of two (2) accounts: the Capital Projects Account, with its several sub-accounts, and the Revenue Stabilization Account. [Ord 119761]

Policy 2. Capital Projects Account Subaccounts. The Capital Projects Account shall be comprised of several subaccounts, including but not limited to the Real Estate Excise Tax I Subaccount; the Real Estate Excise Tax II Subaccount; the South Lake Union Property Proceeds Subaccount; and the Unrestricted Subaccount. [Ord 120411]

Expenditures

Policy 3. Purposes of Subfund. There is hereby established under authority of RCW 35.21.070, as a subfund of the General Fund, a cumulative reserve fund for several different municipal purposes as well as certain specific municipal purposes as follows:

- a) The making of any public improvement, including but not limited to the construction, alteration, renovation or repair of City buildings; the establishment, widening and extending of streets and highways; and the construction and repair of sewers;
- b) Investigations and studies in connection with any public improvement;
- c) The acquisition of real property;
- d) The purchase of supplies, material or equipment as specified in the ordinance making an appropriation therefor;
- e) Civil defense;
- f) The provision of low-income housing;
- g) The provision of reserves for revenue stabilization for future operations;
- h) Short-term loans for capital projects to meet cash-flow requirements, provided that a source of repayment is identified and that a schedule and term of repayment are specified;
- i) The financing of capital projects specified in the capital facilities element of the City's Comprehensive Plan and housing relocation assistance, as authorized by Chapter 82.64 RCW;

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- j) The matching of federal or state funds for any of the foregoing or any other municipal purpose the nature of which shall be specified in the appropriating ordinance.

The subfund shall be known as the Cumulative Reserve Subfund.

[Ord 117977]

Policy 4. Capital Projects Account expenditures. Expenditures from the Capital Projects Account shall require an ordinance adopted by a majority of the members of the City Council.
[Ord 119761]

- a) **Real Estate Excise Tax I Subaccount expenditures.** The Real Estate Excise Tax I Subaccount shall be expended only for the purposes and capital projects contemplated by RCW 82.46.010. [Ord 119761] RCW 82.46.010 requires that expenditures from this subaccount be limited to financing capital projects specified in a capital facilities plan element of a comprehensive plan and housing relocation assistance, except for (a) revenues pledged to debt retirement prior to April 30, 1992, which may be used for that purpose until the original debt is retired, or (b) revenues committed prior to April 30, 1992 to a project, which may be used for that purpose until the project is completed. "Capital project" is defined in RCW 82.46.010(6) to mean those public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, parks, recreational facilities, law enforcement facilities, fire protection facilities, trails, libraries, administrative and/or judicial facilities, river and/or waterway flood control projects (for jurisdictions that had expended funds from this tax prior to June 11, 1992 for such purpose), and housing projects (until December 31, 1995 and only for those jurisdictions that had expended funds from this tax prior to June 11, 1992 for this purpose).
- b) **Real Estate Excise Tax II Subaccount expenditures.** The Real Estate Excise Tax II Subaccount shall be used solely for the purposes and capital projects contemplated by RCW 82.46.035. [Ord 119761] RCW 82.46.035 requires that expenditures from this subaccount be limited to financing capital projects specified in a capital facilities plan element of a comprehensive plan, except for (a) revenues pledged to debt retirement prior to March 1, 1992, which may be used for that purpose until the original debt is retired, or (b) revenues committed prior to March 1, 1992 to a project, which may be used for that purpose until the project is completed. "Capital project" is defined in RCW 82.46.035(5) to mean those public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, and planning, construction, reconstruction, repair, rehabilitation, or improvement of parks.
- c) **Unrestricted Subaccount expenditures.** Expenditures from the Unrestricted Subaccount shall be generally for major maintenance, facility improvements that do not expand capacity (though they may expand utilization), and planning and development of new or expanded capital infrastructure. [New Policy]
- d) **South Lake Union Property Proceeds Subaccount expenditures.** Expenditures from the South Lake Union Property Proceeds Subaccount shall be used for the purposes described in

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Sections 1 through 6 of Resolution 30334, including transaction costs, the Fairview-Valley Corridor realignment project, legal reserves, affordable housing, and other South Lake Union transportation projects.

Policy 5. Revenue Stabilization Account expenditures. The Revenue Stabilization Account shall be used for revenue stabilization for future City operations. Expenditures from the Revenue Stabilization Account shall require an ordinance passed by two-thirds vote unless state law requires a higher supermajority vote of the City Council. [Ord 119761]

Revenues/Fund Balances

Policy 6. Revenues into REET I Subaccount. The Real Estate Excise Tax I Subaccount shall be comprised of the first one-quarter (1/4) of one (1) percent excise tax on real estate sales collected on or after May 1, 1992. [Ord 119761]

Policy 7. Revenues into REET II Subaccount. The Real Estate Excise Tax II Subaccount shall be comprised of the second one-quarter (1/4) of one (1) percent excise tax on real estate sales collected on or after May 1, 1992. [Ord 119761]

Policy 8. Revenues into the Unrestricted Subaccount. The Unrestricted Subaccount shall, unless provided otherwise by ordinance, be comprised of revenues from sales of surplus City property net of sale proceeds deposited into the South Lake Union Property Proceeds Subaccount, transfers of General Fund balances, investment earnings attributable to the Capital Projects Account of the Cumulative Reserve Subfund net of investment earnings attributable to the South Lake Union Property Proceeds Subaccount, and other unrestricted contributions to the Cumulative Reserve Subfund. [Ord 120411]

Policy 9. Revenues to the South Lake Union Property Proceeds Subaccount. The South Lake Union Property Proceeds Subaccount shall, unless provided otherwise by ordinance, be comprised of revenues from sales of certain surplus City property located adjacent to South Lake Union, investment earnings attributable to the Subaccount, and other revenues identified through ordinance. [Ord 120411]

Policy 10. Revenues to, and fund balance of, the Revenue Stabilization Account. The Revenue Stabilization Account shall be funded by (1) transfers by ordinance, and (2) automatic transfer of tax revenues to the extent described in this section. Upon completion of fiscal year accounting, tax revenues collected during the closed fiscal year which are in excess of the latest revised estimate of tax revenues for that closed fiscal year (as published in the current fiscal year adopted budget) shall automatically be deposited to the Revenue Stabilization Account. Such deposit shall occur at that time the City completes its accounting for the fiscal year. At no time shall the balance of the Revenue Stabilization Account exceed two and one-half (2.5) percent of the amount of tax revenues received by the City during the fiscal year prior to the closed fiscal year. For purposes of this paragraph, the phrase "tax revenues" means all tax revenues deposited into the General Subfund, including but not limited to, tax revenue from the regular property tax levy, business and occupation tax, utility business taxes, admissions tax, leasehold excise tax, gambling taxes, and sales and use taxes. [Ord 119761]

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Policy 11. Interest payments on loans. It is the City's general policy that the Cumulative Reserve Subfund charge interest on any loan to another City fund or subfund. Loans will be approved by ordinance, and interest charges established via ordinance. [New Policy]

**CITY OF SEATTLE
CABLE TELEVISION FRANCHISE SUBFUND OF THE GENERAL FUND**

Introduction

On January 20, 1996 the City entered into cable television franchise agreements with Seattle area cable providers. These agreements called for new franchise fees as compensation for the right to locate cable in the public right of way. On July 1, 1996 the Council created the Cable Television Franchise Subfund in the General Fund to receive these franchise fee revenues and account for their expenditure.

Fund Structure

Policy 1. Creation of Subfund: A new Subfund in the General Fund, entitled Cable Television Franchise Subfund, is hereby created. [Ord. 118196]

Policy 2. Creation of Account: A new account, known as the Community Television Account, shall be established within the Cable Franchise Subfund of the General Fund. [Ord. 120214]

Expenditures

Policy 3. Expenditures from Subfund: Cable franchise revenues shall be used for the following purposes:

1. Funding for the Office of Cable Communications, including administration of the Cable Customer Bill of Rights and the Public, Education, and Government Access costs that the City is obligated to fund under the terms of its cable franchise agreements.
2. Support for the City's government access TV channel(s), including both operations and capital equipment.
3. Programs and projects that promote citizen technology literacy and access, including related research, analysis and evaluation.
4. Use of innovative and interactive technology, including the Internet and TV, to provide the means for citizens to access City services and easily and meaningfully interact with their elected officials and decision makers. [New Policy]

Additionally,

5. Funds from the Community Television Account shall be used solely for the purposes of supporting the operations and capital needs of public access television, including payments to the Designated Access Manager for services provided under its agreement with the City. [Ord. 120214]

Revenues

Policy 4. Revenues to Subfund: Revenues from the Cable Franchise Fee shall be deposited into the Cable Television Franchise Subfund. [Ord. 118196]

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Fund Balance/Fund Management

Policy 5. Retention of Interest Earnings: In accordance with applicable state law and City investment policy, the Finance Director shall invest all funds received and held in the Community Television Account, and any interest earnings from such investments shall be deposited in this account and used for the purposes set forth in this section. [Ord. 120214]

**CITY OF SEATTLE
POLICE SUPPORT FACILITY SUBFUND OF THE GENERAL FUND**

Introduction

The Police Support Facility Subfund accounts for the revenues and expenditures associated with the management and operation of the complex of buildings at 2303 Airport Way South. Originally established when the City bought the property, the Subfund was set up to track the costs and revenues of the property when it was largely occupied by private tenants. Now the facility houses or is planned to house largely public tenants including various Police Department functions, the Seattle Public Utilities' Water Quality Lab, and Fleets and Facilities Department shops. There continue to be a few private tenants.

Fund Structure

Policy 1. Creation of Subfund: There is hereby established a subfund within the General Fund, entitled the Police Support Facility Subfund. [Ord. 118292]

Expenditures

Policy 2. Expenditures from Subfund: All expenses associated with said property, including but not limited to operations, property management, tenant improvements, capital improvements, leasing activity, and City management and planning for City occupancy, shall be paid from said subfund, either directly or through reimbursement of other City funds, subfunds, or accounts. [Ord. 118292]

Policy 3. Periodic Payments to Bond Interest and Redemption Fund: The Police Support Facility Subfund shall make periodic payments to the Bond Interest and Redemption Fund in amounts necessary to pay the principal and interest on all debt incurred by the City for acquisition of the property, as such payments become due. [Ord. 118292]

Revenues

Policy 4. Revenues to Subfund: All revenues from 2203 Airport Way South, including rents from private tenants, public tenants, including City departments, parking revenues, and all other sources, shall be deposited into said subfund. [Ord. 118292]

Fund Balance/Fund Management

Policy 5. Termination of Subfund: It is the intention of the City to eliminate the Police Support Facility Subfund once the City's occupancy of the facility has stabilized and reasonable allowance has been made for integrating the facility's costs and revenues into the budget and rate setting cycle of the following biennium. Costs and revenues associated with the facility subsequently will be accounted for in the same manner as is used for other City buildings. [New Policy]

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Reporting Requirements

Policy 6. Reports to Council: The Fleets and Facilities Department shall report twice yearly to the Council on the revenues and expenditures associated with the Police Support Facility. The Fleets and Facilities Department will report annually to Council on the status of City occupancy in the facility and projected termination date for the subfund. [New Policy]

CITY OF SEATTLE
KEY TOWER OPERATIONS SUBFUND OF THE GENERAL FUND

Introduction

The Key Tower Operating Subfund accounts for all revenues and expenditures associated with Key Tower. The City acquired the building in January, 1996, intending to house many City offices there. Originally established in April, 1996, the City Hall Subfund was renamed the Key Tower Operating Subfund in November, 2000.

Fund Structure

Policy 1. Creation of Fund: The City Hall Subfund, established by Ordinance 118081 as a subfund of the General Fund, is hereby renamed the Key Tower Operating Subfund to reflect the intended usage of the fund and to reduce any potential confusion with the Municipal Civic Center Fund. [Ord. 120165]

Expenditures

Policy 2. Expenditures from Subfund: All expenses associated with Key Tower, including but not limited to operations, asset and property management, tenant improvements, capital improvements, leasing activity, and City management and planning for City occupancy, shall be paid from said subfund, either directly or through reimbursement of other City funds, subfunds, or accounts. [Ord. 118081]

Policy 3. Periodic Payments to Bond Interest and Redemption Fund: The Key Tower Operating Subfund shall make periodic payments to the Bond Interest and Redemption Fund in amounts necessary to pay the principal of and interest on all debt incurred by the City for acquisition of or enhancement to Key Tower as such payments become due. [Ord. 118081]

Policy 4. Reimbursement of Fleets and Facilities Fund: The Executive Services Fund shall be reimbursed by the Key Tower Operating Subfund for payroll and other expenses incurred after acquisition of Key Tower on January 12, 1996, associated with staff assigned to management of and planning for City occupancy of Key Tower, and for any other necessary post-acquisition expenses incurred by the Fleets and Facilities Department related to Key Tower. The reimbursement amount for expenses shall be as determined by the Director of Finance and reviewed by the Chair of the Finance Committee based upon documentation submitted by the Fleets and Facilities Director, and shall be within the Key Tower Operating Subfund appropriation authority of the Fleets and Facilities Department. [Ord. 118081]

Revenues

Policy 5. Revenues to Subfund: All revenues derived from Key Tower, including rents from private tenants, other public tenants, and City departments; parking revenues; and all other sources, shall be deposited in said subfund. [Ord. 118081]

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Fund Balances/Fund Management

Policy 6. Termination of Subfund: It is the intention of the City to eliminate the Key Tower Operating Subfund once the City's occupancy of the facility has stabilized and reasonable allowance has been made for integrating the facility's costs and revenues into the budget and rate setting cycle of the following biennium. Costs and revenues associated with the facility subsequently will be accounted for in the same manner as is used for other City buildings. [New Policy]

Reporting Requirements

Policy 7. Reports to Council: The Fleets and Facilities Department shall report quarterly to the Council on the revenues and expenditures associated with Key Tower. The Fleets and Facilities Department will report annually to Council on the status of City occupancy in the facility and projected termination date for the subfund. [New Policy]

**CITY OF SEATTLE
GROUP TERM LIFE INSURANCE SUBFUND OF THE GENERAL FUND**

Introduction

The City's Group Term Life Insurance Subfund of the General Fund handles the revenues and expenditures associated with the City's group term life insurance, long term disability programs, and accidental death and dismemberment coverage for employees. The Subfund is reimbursed for these costs by departments, based on projected insurance premium costs, and by payroll deductions authorized by employees to pay premiums for voluntary, additional insurance coverage.

Refunds from rate adjustments and insurance company demutualization created significant fund balances in this subfund. The City has reserved in 2000 \$907,318 from the Demutualization refund, from which union members may be paid a share once an agreement is reached. In 2001 and 2002, fund balances in this subfund are being used to pay for the City's administrative costs of the health care program.

Fund Structure

Policy 1. Creation of subfund. There is hereby created in the City Treasury, as a subfund of the General Fund, a "Group Term Life Insurance Subfund." [Ord 117977]

Expenditures

Policy 2. Expenditures from subfund. From the subfund shall be paid all liabilities incurred by the City by reason of such group term life insurance program, accidental death and dismemberment insurance program, long term disability insurance program, and such other expenditures as may be authorized by ordinance. [Ord 117977, Council Bill 113789]

Revenues

Policy 3. Revenues to subfund. The Group Term Life Insurance Subfund of the General Fund shall include all contributions to the group term life insurance program, accidental death and dismemberment insurance program, long term disability insurance program, and all money otherwise accruing to the City under such programs, and such other revenues as may be authorized by ordinance. [Ord 117977, Council Bill 113789]

Fund Balances

Policy 4. Use of undesignated and unreserved fund balances. Generally, the Group Term Life Insurance Subfund should generate very little fund balance. In unique circumstances (such as significant rate refunds or refunds from demutualizations) where fund balances are higher than needed to pay the necessary expenditures, these fund balances can be used for other purposes. For any portion contributed by employees, the City may remit excess balances to City

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employees. For that portion contributed by the City, the City may use undesignated and unreserved fund balances to fund future under-recovery from departments of group term life costs, or to fund group term life rate stabilization, or to rebate back to the contributing City funds. [New Policy]

Reporting Requirements

Policy 5. Budgeting for Group Term Life costs. The Budget Director, with information provided by the Personnel Department, shall inform other City Departments of the group term life rates to be recommended for the ensuing budget for their use in preparing departmental budget requests. [New Policy]

**CITY OF SEATTLE
HEALTH CARE SUBFUND OF THE GENERAL FUND**

Introduction

The City's Health Care Subfund of the General Fund handles the revenues and expenditures associated with the City's medical, dental, vision and employee assistance programs. This fund is administered by the Personnel Department, with additional administrative costs incurred in the Department of Finance. Insurance premiums (for the Group Health program, dental program, and vision program), actual claims costs (for the Aetna Traditional and Aetna Copay programs, where the City is self-insured), and the costs of the Employee Assistance Program are charged to this Subfund. The Subfund is reimbursed for these costs by departments, based on projected insurance premiums and projected claims costs. In the recent past, there have been excess fund balances in this Subfund that were used to cover the City's administrative costs rather than seeking reimbursement from the City departments.

Because the City is partly self-insured for health care claims, City ordinance and State law require that the City maintain a Reserve, whose balance is equal to at least two and one half months of projected health care claims and non-City administrative costs under the self-insured plans. In addition, in 2000, the City had a reserve for Healthcare Committee cost stabilization, per the 1998 coordinated bargaining agreement.

The Personnel Department reports annually to the state on the status of the self-insured portion of the Health Care Subfund.

Fund Structure

Policy 1. Creation of subfund. There is hereby created in the City Treasury, as a subfund of the General Fund, a "Health Care Subfund." [Ord 117977]

Policy 2. Creation of Reserve. A separate Reserve is hereby created in the Health Care Subfund. [Ord 119762, Council Bill 113789]

Expenditures

Policy 3. Expenditures from subfund. From this Subfund shall be paid all liabilities incurred by the City by reason of such dental, vision, health care, and employee assistance programs, and such other expenditures as may be authorized by ordinance. [Ord 119762, Council Bill 113789]

Revenues

Policy 4. Revenues to subfund. The Health Care Subfund of the General Fund shall include all City, employee, and eligible retiree contributions to the dental, vision, health care, and employee assistance programs contemplated by this ordinance; all money otherwise accruing to the City

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under such programs; and such other revenues as may be authorized by ordinance. [Ord 119762, Council Bill 113789]

Fund Balances

Policy 5. Reserve minimum fund balance. A separate Reserve is hereby created in the Health Care Subfund to hold the reserves necessary to obtain and maintain approval by the State of Washington Risk Manager for the City's self-insured medical and dental health care program authorized under Chapter 48.62 RCW. The Reserve shall maintain a balance which is equal to at least two and one half months of projected health care claims and non-City administrative costs under the self-insured plans, and shall be administered in compliance with applicable law including State of Washington self-insurance regulations, Chapter 236-22 WAC. [Ord 119762, Council Bill 113789]

Policy 6. Use of undesignated and unreserved fund balances. Undesignated and unreserved fund balances in the Health Care Subfund may be used for future under-recovery from departments for health care costs or for health care rate stabilization. [New Policy]

Reporting Requirements

Policy 7. Budgeting for Health Care costs. The Budget Director, with information provided by the Personnel Department, shall inform other City Departments of the health care rates to be recommended for the ensuing budget for their use in preparing departmental budget requests. [New Policy]

CITY OF SEATTLE
INDUSTRIAL INSURANCE SUBFUND OF THE GENERAL FUND

Introduction

The City's Industrial Insurance Subfund of the General Fund handles the revenues and expenditures associated with the worker's compensation program for employees. This program is administered by the Personnel Department, with additional administrative costs incurred in the Department of Finance. Out of this fund is paid actual medical claims costs, and the time loss cost of intermittent employees (time loss for regular employees is paid directly by the departments). The fund is then reimbursed by the department in which the industrial injury occurred. The City's administrative costs (including administration of the Citywide safety program), as well as the State's assessment amount and other miscellaneous costs, are also charged to this subfund, which in turn charges all City departments a monthly fee to cover these estimated costs. Currently, excess fund balances in this subfund are paying a share of the City's administrative costs (\$300,000 in 2001 and \$400,000 in 2002) without reimbursement from City departments.

Since 1972, the City of Seattle has been a self-insured employer as authorized under State law. The State Department of Labor and Industries requires that the subfund maintain a minimum reserve level for a given year of at least 25% of the estimated annual medical claims plus time loss expenses (for both regular and intermittent employees) for that year. The Personnel Department reports annually to the state on the status of the Industrial Insurance Subfund.

Fund Structure

Policy 1. Creation of subfund. There is established in the City Treasury, as a subfund of the General Fund, an "Industrial Insurance Subfund." [Ord 117977]

Expenditures

Policy 2. Expenditures from subfund. From this subfund shall be paid all costs and expenses arising from self insurance by the City for workers' compensation, and for the administrative costs of the Citywide safety program and such other expenditures as may be authorized by ordinance. [Ord 117977, Council Bill 113789]

Revenues

Policy 3. Revenues to subfund. Into the Industrial Insurance Subfund shall be paid all amounts charged to departments for workers' compensation for departmental employees, and for the administrative costs of the Citywide safety program and such other revenues as may be authorized by ordinance. [Ord 117977, Council Bill 113789]

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Fund Balances

Policy 4. Minimum fund balance requirement. A public entity's surety must provide for sufficient revenues to satisfy the total estimated claim costs for the upcoming fiscal period. Each public entity must also establish a cumulative reserve of at least twenty-five percent of its surety requirement. [WAC 296-15-051]

Policy 5. Use of undesignated and unreserved fund balances. Claims costs can fluctuate dramatically from year-to-year, and the Executive is exploring funding policies for unanticipated catastrophic claims costs, as well as policies for how to fund the additional reserve requirements associated with these unanticipated claims costs. With the 2002 budget submittal, the Executive will propose to Council financial policies that will address these funding issues. These policies may involve use of existing fund balances. Undesignated and unreserved fund balances in excess of any amounts set-aside for the above uses are available to fund future under-recovery from departments for industrial insurance costs, or to fund industrial insurance rate stabilization, or to rebate back to the contributing City funds. [New Policy]

Reporting Requirements

Policy 6. Budgeting for Industrial Insurance costs. The Budget Director, with information provided by the Personnel Department, shall inform other City Departments of the industrial insurance rates to be recommended for the ensuing budget for their use in preparing departmental budget requests. [New Policy]

**CITY OF SEATTLE
SPECIAL EMPLOYMENT SUBFUND OF THE GENERAL FUND**

Introduction

The City's Special Employment Subfund of the General Fund handles the revenues and expenditures associated with the City's Temporary Employment Service, Internship, and Work Study programs. These programs are administered by the Personnel Department, with additional administrative costs incurred in the Department of Finance. The administrative costs of these programs are charged to this subfund, and reimbursed via a 3.7 percent charge to the customer department on the salary, premium, and benefits of the temporary employee. The salaries, premiums, and benefits of the temporary employees are paid out of the fund as well, and the fund is reimbursed by the user departments based on actual costs.

The Special Employment Program also assists Federal agencies, King County, Sound Transit, and the Seattle School District with temporary employment needs.

Recently, there have been fund balances in excess of needs generated by the 3.7 percent charge, due to higher-than-projected usage of temporary employees. As a matter of informal practice, the Personnel Department has used these excess fund balances to fund the costs of the MESA high school intern program, the C-West intern program, and the City's diversity intern program. The cost of these three programs is about \$200,000 total in 2001.

Fund Structure

Policy 1. Creation of subfund. There is hereby created in the City Treasury, as a subfund of the General Fund, the "Special Employment Subfund." [Ord 117977]

Expenditures

Policy 2. Expenditures from subfund. The Special Employment Subfund of the General Fund shall be used to pay all compensation and benefits of employees of the Temporary Employment Service, Intern, and Work Study Programs operated by the Personnel Department, as well as the administrative costs associated with said programs and such other expenditures as may be authorized by ordinance. Expenditures shall be reimbursed by the respective employing departments. [Ord 117977, Council Bill 113789]

Revenues

Policy 3. Revenues to subfund. Payments from City Departments for the Temporary Employment Service, Internship, and Work Study Programs, and such other revenues as may be authorized by ordinance, shall be deposited into the Special Employment Program Subfund of the General Fund. [Ord 117320, Council Bill 113789]

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Policy 4. Administration fee. To pay for administering the Temporary Employment Service program and the Internship and Work Study Programs of the City, the Personnel Director is authorized to charge a user surcharge to City Departments and other agencies that participate in the programs. The user surcharge shall be sufficient to cover the administrative costs associated with said programs and additionally shall cover all costs of certain of the City's intern programs. In 2001, the intern programs covered by the user surcharge include the MESA high school intern program, the C-West intern program, and the City's diversity intern program. The user surcharge will be calculated as a percentage on the cost of wages and benefits of temporary employees furnished to the department, and will be established each biennium as part of the budget process. [New Policy]

Fund Balances

Policy 5. Use of undesignated and unreserved fund balances. The accumulated balance of such subfund shall be limited to (a) employee vacation or other benefit and compensation accruals, payable as specified by ordinance, and (b) additional fund balance necessary to cover the lag between expenditures and reimbursement of such expenditures and avoid periods of negative cash balances in the subfund. Any unexpended revenues over that necessary for such purposes shall be applied to reduce the user fees during the next budget period, or to fund longer-term rate stabilization, or to rebate back to the contributing City funds. [New Policy]

Reporting Requirements

Policy 6. Notification of administrative fee. The Budget Director, with information provided by the Personnel Department, shall inform other City Departments of the user surcharge to be recommended for the ensuing budget for their use in preparing departmental budget requests. [New Policy]

CITY OF SEATTLE
UNEMPLOYMENT INSURANCE SUBFUND OF THE GENERAL FUND

Introduction

The City's Unemployment Insurance Subfund of the General Fund handles the revenues and expenditures associated with the City's unemployment insurance costs for employees. This program is administered by the Personnel Department, with additional administrative costs incurred in the Department of Finance. As the City is self-insured in this area, actual unemployment claims costs are paid from this Subfund. The fund is then reimbursed by the departments based on estimated unemployment claims. The City's administrative costs are charged to this subfund as well, which in turn charges all City departments a monthly fee to cover these costs.

Because of lower-than-projected unemployment claims in recent years, the Unemployment Insurance Subfund has accumulated excess fund balances. In the 2001-2002 budget, the charges to departments to cover annual unemployment claim costs and administrative fees for the unemployment fund are less than the estimated actual costs in order to draw down the current fund balance. The budgeted fund balance draw down is \$256,718 in 2001, and \$319,586 in 2002.

In 1998, the Personnel Department, in consultation with the Budget Office, determined that it would be prudent financial management to maintain approximately \$800,000 in reserve for higher-than-projected claims costs.

Fund Structure

Policy 1. Creation of subfund. There is established in the City Treasury, as a special subfund of the General Fund, an "Unemployment Insurance Subfund." [Ord 117977, Council Bill 113789]

Expenditures

Policy 2. Expenditures from subfund. From this subfund shall be paid all costs and expenses, including administrative costs, arising from the unemployment insurance program and such other expenditures as may be authorized by ordinance. [Ord 117977, Council Bill 113789]

Revenues

Policy 3. Revenues to subfund. The unemployment insurance program established by this chapter of the Seattle Municipal Code shall be funded by appropriate billings from the Personnel Director to all departments with eligible employees and such other revenues as may be authorized by ordinance. [Ordinance 117977, SMC 4.40.020, Council Bill 113789]

Fund Balances

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Policy 4. Use of undesignated and unreserved fund balances. Claims costs can fluctuate from year-to-year, and there are some cash float requirements resulting from seasonality in unemployment claims, with more costs incurred in the first quarter of the year. With the 2002 budget submittal, the Executive will propose to Council financial policies that will address the funding of these fluctuations in claims. These policies may involve use of existing fund balances. Undesignated and unreserved fund balances in excess of any amounts set-aside for the above uses are available to fund future under-recovery from departments for unemployment insurance costs, or to fund unemployment insurance rate stabilization, or to rebate back to the contributing City funds. [New Policy]

Reporting Requirements

Policy 5. Budgeting for Unemployment Insurance costs. The Budget Director, with information provided by the Personnel Department, shall inform other City Departments of the unemployment insurance rates to be recommended for the ensuing budget for their use in preparing departmental budget requests. [New Policy]

**CITY OF SEATTLE
EMPLOYEES' RETIREMENT TRUST FUND**

Introduction

The Seattle City Employees' Retirement System (SCERS) is a single-employer defined benefit public employee retirement system, covering employees of the City of Seattle and administered in accordance with Chapter 4.36 of the Seattle Municipal Code. SCERS is a department of the City of Seattle.

All employees of the City of Seattle are eligible for membership in SCERS with the exception of uniformed police and fire personnel who are covered under a retirement system administered by the State of Washington. Employees of METRO and the King County Health Department who, before the City departments were combined into these units established membership in SCERS, were allowed to continue their SCERS membership.

SCERS provides retirement, death, and disability benefits. Retirement benefits vest after five years of credited service, while death and disability benefits vest after ten years of service. Maximum retirement benefits are calculated as 2% multiplied by years of creditable service, multiplied by average salary, based on the highest 24 consecutive months. The benefit is actuarially reduced for early retirement or for a retiree's choice of annuity or beneficiary options. Employees who worked for the City of Tacoma, the City of Spokane, the State of Washington or any agency covered by the Washington State Retirement System may also be eligible for portability benefits.

Fund Structure

Policy 1. Creation of fund. The Employees' Retirement Trust Fund was created as set forth in SMC 4.36.020, which states: "A fund is created and established to be known as the 'Employees' Retirement Fund' and shall consist of all the moneys paid into it in accordance with the provisions of this chapter, whether such moneys shall take the form of cash, securities or other assets."

Expenditures

Policy 2. Expenditures from fund. Permissible expenditures from the fund are set forth in SMC 4.36.360: "The retirement fund shall be a trust fund for the exclusive benefit of the members of the City Employees' Retirement System and their beneficiaries. No part of the corpus or income of the retirement fund shall be used for or diverted to, purposes other than for the exclusive benefit of the members of the system or their beneficiaries and the payment of fees and expenses of maintaining and administering the system."

Revenues/Fund Balances

Policy 3. Revenues to fund. Members of the Retirement System make contributions to the retirement fund at the rate of 8.03% of the compensation of each member. [SMC 4.36.110 A]

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The City matches the members' contributions, and also must contribute additional moneys actuarially determined to be necessary to guarantee payment of retirement benefits. [SMC 4.36.110 C and 4.36.170] No such additional moneys are currently required. Revenues (or losses) also result from the Retirement System's investment of retirement fund assets pursuant to SMC 4.36.130 A and F, and RCW 35.39.060.

Reporting Requirements

The Retirement Board provides an annual report to the City Council showing the financial condition of the retirement fund. [SMC 4.36.140 D] The financial statements for the retirement fund must comply with Governmental Accounting Standards Board Rules 25 and 27.

Actuarial valuations and actuarial investigations are conducted periodically by the Retirement Board, the results of which are submitted to City Council. [SMC 4.36.140 A and B]

Planning Requirements

There are no formal City policies other than submittal of biennial budgets for the City Employees' Retirement System to the City Council (via the Mayor and Budget Office).

**CITY OF SEATTLE
POLICE RELIEF AND PENSION FUND**

Introduction

The City's Police Relief and Pension Fund handles the revenues and expenditures associated with pension and medical benefits for eligible active-duty and retired Seattle police officers and their beneficiaries. Although the primary liability for police pension benefits shifted from the Washington cities to the State on March 1, 1970, the City of Seattle is still responsible for eligible excess benefits (beyond State coverage) for police officers in service on March 1, 1970, and for medical benefits for police officers hired after March 1, 1970 but before October 1, 1977. The City has full responsibility for pension payments and obligations to members who retired prior to March 1, 1970 and their beneficiaries. Other pension benefits are now part of the State's Law Enforcement Officers' and Fire Firefighters' (LEOFF) systems.

Eligibility for participation in the City's Police Relief and Pension Fund was closed to all commissioned law enforcement officers hired and/or commissioned after September 30, 1977. This program is administered by the Board of Trustees of the Seattle Police Relief and Pension Fund as provided by RCW 41.20.010, and the "local disability board" established under RCW 41.26.110 (1) (1). For 2001, administrative costs (3%), death benefits (less than 1%), medical benefits (38%), and pension benefits (59%) are paid out of this fund. The two basic funding sources are auction proceeds from unclaimed property (about 2% of total annual appropriations of approximately \$13 million to this fund) and the City's General Fund (the remaining 98%). The associated General Fund revenue sources are fines, forfeitures, and licenses. Per RCW 41.20.140, surplus funds "shall be transferred to the general fund of the city." Benefits are funded on a pay-as-you-go basis with supplemental appropriations for any benefit requirements exceeding the adopted budget.

While pension benefits are fairly predictable on an annual basis, medical benefits, especially extraordinary medical claims for the aging participants covered by this fund, are much more difficult to accurately predict. Policy 4 establishes a reserve account to cover the City's liabilities for catastrophic medical expense, funded by setting aside unspent fund balances until a desired maximum amount is reserved. Final closure of this fund is anticipated around 2050.

Fund Structure

Policy 1. Creation of fund. The Police Relief and Pension Fund was established by the City in compliance with requirements of the Revised Code of Washington (RCW) for Police Relief and Pensions in First Class Cities: "There is created in each city subject to the provisions of this chapter a police relief and pension fund." [RCW 41.20]

Expenditures

Policy 2. Expenditures from fund. "The obligations of chapter 41.20 RCW shall continue to be paid from whatever financial sources the city has been using for this purpose." These obligations include administrative and staffing costs. In addition, this RCW also states that the "payment of

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such excess shall be made by the employer which was the member's employer when his transfer of membership occurred" (to the State's LEOFF systems). [RCW 41.26.404]

Revenues/Fund Balances

Policy 3. Revenues to fund. At the time the annual tax levy of the city is made, the city council, or other legislative body, shall order the transfer of an amount of money into the fund...to meet the financial requirements thereof: (1) From moneys collected or received from all licenses issued; (2) From fines and forfeitures collected or received in money for violation of city ordinances. [RCW 41.20.130] In practice, however, the City transfers General Fund money to this Fund with no linkage to any specific revenue source.

Policy 4. Fund balance requirements. If at any time there is more money in the fund provided in this chapter than is necessary for the purposes of this chapter, then such surplus shall be transferred from such fund to the general fund of the city: Provided, That at all times enough money shall be kept in said fund to meet all payments provided for in this chapter. [RCW 41.20.140]

The City will allow unspent Police Relief and Pension Fund balances to accumulate up to a maximum of Five Hundred Thousand Dollars (\$500,000.00) in order to cover extraordinary or catastrophic medical expenses, reduce the need for supplemental appropriations, and smooth annual budget appropriations. [New Policy]

Reporting Requirements

There are no formal City policies on reporting requirements other than disclosure on financial statements to comply with ERISA and Governmental Accounting Standards Board rules (GASB 25 and 27). The composition of the Board of Trustees is provided in RCW 41.20.010 (including a representative of the mayor and president of the city council), and "a majority of all the members of the said Board herein provided for shall constitute a quorum and have the power to transact business." RCW 41.20.030. In addition, "Each board may make all needful rules and regulations for its guidance in the administration of and in conformance with the provisions of this chapter." RCW 41.20.040. The Policies, Rules and Procedures of the Seattle Police Pension Board are filed with the City Clerk's Office.

Planning Requirements

There are no formal City policies other than submittal of biennial budgets for the Seattle Police Relief and Pension Fund to the Seattle City Council (via the Mayor and Budget Office). Actuarial valuations of fund needs and projections are done for the Board on an annual basis.

CITY OF SEATTLE FIREFIGHTER'S PENSION FUND

Introduction

The Seattle Firefighter's Pension Fund handles the revenues and expenditures associated with pension and medical benefits for eligible active-duty and retired Seattle Firefighters and their beneficiaries. The primary liability for firefighters' pension benefits shifted from the Washington cities to the State on March 1, 1970. The City of Seattle is still responsible for eligible excess benefits (beyond State coverage) for firefighters who were in active service prior to March 1, 1970 but retired after March 1, 1970. The City has full pension responsibility for members and their beneficiaries who retired prior to March 1, 1970. The City is responsible for all medically necessary medical procedures for members who were active employees anytime between March 1, 1970 and October 1, 1977. This coverage continues for the remainder of the member's life. For members who retired on a duty related disability prior to March 1, 1970 the City is only responsible for medical coverage necessary for their duty related disability.

Eligibility for participation in the City's Firefighter's Pension Fund was closed to all Firefighters hired after March 1, 1970. Eligibility for medical coverage, as defined in RCW 41.26, was closed to Firefighters hired after September 30, 1977. The Seattle Firefighter's Pension Board as provided by RCW 41.16.020 administers this program. For 2001, administrative costs (3%), death benefits (less than 1%), medical benefits (36%), and pension benefits (60%) are paid out of this fund. The two basic funding sources are a state-administered Fire Insurance Tax, which generates approximately \$350,000 per year, and a 22.5 cents per thousand dollars of assessed value of all the taxable property of the City of Seattle as provided in RCW 41.16.060, which will contribute approximately fourteen and a half million dollars for calendar year 2001. Revenues from these two sources are expected to cover the approximately \$12.6 million expenditures of the Firefighter's Pension Fund anticipated for year 2001. Benefits are paid on a pay-as-you-go basis with supplemental appropriations for any benefit requirements exceeding the adopted budget. In 1994, by Ordinance 117216, the City created a program to set aside actuarially determined level payment amounts for the budget in order to pay any remaining pension liabilities by December 31, 2018.

While pension benefits are fairly predictable on an annual basis, medical benefits, especially extraordinary medical claims for the aging participants covered by this fund, are much more difficult to accurately predict. Policy 4 establishes a reserve account to cover the City's liabilities for catastrophic medical expense, funded by setting aside unspent fund balances until a desired maximum amount is reserved. Final closure of this fund is anticipated around 2050.

Fund Structure

Policy 1. Creation of fund. The Firefighter's Pension Fund was established by the City in compliance with requirements of the Revised Code of Washington (RCW) 41.16.050. "There is hereby created and established in the treasury of each municipality a fund which shall be known and designated as the firemen's pension fund."

Expenditures

Policy 2. Expenditures from fund. "All funds held by any firemen's or policemen's relief and pension fund shall remain in that fund for the purpose of paying the obligations of the fund. The municipality shall continue to levy the dollar rate as provided in RCW 41.16.060, and this dollar rate shall be used for the purpose of paying the benefits provided in chapters 41.16 and 41.18 RCW". These obligations include administrative and staffing costs. In addition, this RCW also states that the "payment of such excess shall be made by the employer which was the member's employer when his transfer of membership occurred" (to the State's LEOFF systems). [RCW 41.26.404]

Revenues/Fund Balances

Policy 3. Revenues to fund. The firemen's pension fund "shall consist of: (1) all bequests, fees, gifts, emoluments, or donations given or paid thereto; (2) the City's share of twenty-five percent of all moneys received by the state from taxes on fire insurance premiums; (3) taxes paid pursuant to the provisions of RCW 41.16.060; (4) interest on the investments of the fund; and (5) contributions by fire fighters as provided for herein." [RCW 41.16.050]

Distribution: "The moneys received from the tax on fire insurance premiums under the provisions of this chapter shall be distributed in the proportion that the number of paid fire fighters in the city, town, or fire protection district bears to the total number of paid fire fighters throughout the state..." [RCW 41.60.050]

Tax levy: "It shall be the duty of the legislative authority of each municipality, each year as a part of its annual tax levy, to levy and place in the fund a tax of twenty-two and one-half cents per thousand dollars of assessed value against all the taxable property of such municipality." [RCW 41.16.060]

Policy 4. Fund balance requirements. RCW 41.16.060 PROVIDED,
"That if a report by a qualified actuary on the condition of the fund establishes that the whole or any part of said dollar rate is not necessary to maintain the actuarial soundness of the fund, the levy of said twenty-two and one-half cents per thousand dollars of assessed value may be omitted, or the whole or any part of said dollar rate may be levied and used for any other municipal purpose."

The City will allow unspent Firefighter's Pension Fund balances to accumulate up to a maximum of Five Hundred Thousand Dollars (\$500,000.00) in order to cover extraordinary or catastrophic medical expenses, reduce the need for supplemental appropriations, and smooth annual budget appropriations. [New Policy]

Policy 5. Actuarial Account. In 1994, by Ordinance 117216, the City created a program to set aside actuarially determined annual amounts in a separate "Actuarial Account" in order to pay any remaining pension liabilities by December 31, 2018. The funding approach for this program was clarified through Ordinance 118814 in 1997. Significant aspects of the Actuarial Account include the following:

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- a. The City's contribution to the pension expense of the Firefighter's Pension Fund each budget year shall be the "level dollar amount," which is the actuarially determined contribution necessary to pay the current annual projected pension benefits plus a contribution to the Actuarial Account sufficient to pay the remaining pension liabilities by 2018.
- b. The level dollar amount shall be placed in the Firefighter's Pension Fund during the year as the City receives property tax receipts. The City will invest those funds which are not used to pay pension benefits, as part of its residual cash investment fund and apportion the earnings pro rata. In practice, the City invests the Actuarial Account in longer-term assets in order to get higher interest rates.
- c. Additional sums shall be placed in the Fund as needed when the year's actual pension benefits exceed the level dollar amount.
- d. Every two years as part of the City's biennial budgeting process, the Firefighter's Pension Board will obtain an actuarial valuation from a qualified actuary to establish a new level dollar amount amortization schedule through 2018.
- e. After 2018, if there are pension liabilities which cannot be met from the balance of the Actuarial Account, the City will pay those liabilities.

Reporting Requirements

Reporting requirements on financial statements are required to comply with Governmental Accounting Standards Board rules (GASB 25 and 27). The composition of the Pension Board is provided in RCW 41.16.020 (including two representatives of the mayor and the city's Chief Financial Officer), and "a majority of all the members of the said Board herein provided for shall constitute a quorum and have the power to transact business." [RCW 41.16.020]

Planning Requirements

There are no formal City policies other than submittal of biennial budgets for the Seattle Firefighter's Pension Fund to the Seattle City Council (via the Mayor and Budget Office). Actuarial valuations of fund needs and projections are done for the Board on an annual basis.

RESOLUTION

A RESOLUTION adopting updated financial policies for the various General Fund Subfunds of the City of Seattle and for the City's Employees' Retirement Fund, Police Pension Fund, and Firemen's Pension Fund, and superceding Resolution 28953 and Resolution 27206.

WHEREAS, the City Council and the Mayor are committed to high standards of financial management; and

WHEREAS, adopting and periodically updating financial policies are important actions that help to assure consistent and rational financial management; and

WHEREAS, the General Fund Subfunds, the City's Employee's Retirement Fund, the Police Pension Fund, and the Firemen's Pension Fund are essential components of the City of Seattle's financial program; and

WHEREAS, the City Council and Mayor have reviewed the financial policies for the General Fund Subfunds, the City's Employee's Retirement Fund, the Police Pension Fund, and the Firemen's Pension Fund, and wish to update, clarify and, in certain instances, change the respective policies; Now, Therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE MAYOR CONCURRING, THAT

Section 1. General Subfund of the General Fund. The Council adopts the attached General Subfund of the General Fund policies (Exhibit A). In so doing, the Council reaffirms existing financial policies for this subfund, and adds a policy on reporting requirements.

Section 2. Emergency Subfund of the General Fund. The Council hereby supercedes Resolution 28953 and Resolution 27206 in their entirety, and hereby adopts the attached policies (Exhibit B) on the Emergency Subfund of the General Fund. In so doing, the Council reaffirms certain existing financial policies for the Emergency Subfund and updates these policies in four ways:



- 1 a) The Council finds that the division of the Emergency Subfund into two accounts – the
2 Emergency Account and the Supplemental Appropriations Account – creates accounting
3 ambiguities and no longer serves any useful purpose. Therefore, per Council Bill
4 _____, the Council eliminates these two accounts within the Subfund.
- 5 b) To Policy 3 on supplemental appropriations is added the policy that supplemental
6 appropriations need not come from the Emergency Subfund.
- 7 c) Policy 4 is expanded to allow for mid-year reimbursements to the Emergency Subfund.
- 8 d) The Council finds that certain reporting requirements in Resolution 27206, regarding
9 position information and possible alternative funding sources are no longer useful and,
10 therefore, eliminates these requirements.

11
12 **Section 3. Cumulative Reserve Subfund of the General Fund.** The Council adopts the
13 attached policies (Exhibit C) on the Cumulative Reserve Subfund of the General Fund. In so
14 doing, the Council reaffirms certain existing financial policies for the Cumulative Reserve
15 Subfund and updates these policies by adding three new policies:

- 16 a) Policy 4c) describes the types of projects for which the funds placed in the Unrestricted
17 Subaccount of the Capital Projects Account of the Cumulative Reserve Subfund will
18 generally be spent.
- 19 b) Policy 11 states the City's goal for fund balances in this subfund.
- 20 c) Policy 12 describes the City's process for charging interest on loans from this subfund.

21
22 **Section 4. Cable Television (TV) Franchise Subfund of the General Fund.** The Council adopts
23 the attached policies (Exhibit D) on the Cable TV Franchise Subfund of the General Fund. In so
24 doing, the Council reaffirms certain existing financial policies for this subfund and clarifies the
25 allowable expenditure policy (Policy 3).



1 Section 5. Police Support Facility Subfund of the General Fund. The Council adopts the
2 attached policies (Exhibit E) on the Police Support Facility Subfund of the General Fund. In so
3 doing, the Council reaffirms certain existing financial policies for this subfund, and updates
4 these policies in two ways:

- 5 a) Policy 5 is added stating the City's intent to eventually terminate the subfund.
- 6 b) Policy 6 is added regarding reporting requirements.

7
8 Section 6. Key Tower Operations Subfund of the General Fund. The Council adopts the
9 attached policies (Exhibit F) on the Key Tower Operations Subfund of the General Fund. In so
10 doing, the Council reaffirms certain existing financial policies for this subfund and updates these
11 policies in two ways:

- 12 a) Policy 6 is added stating the City's intent to eventually terminate the subfund.
- 13 b) Policy 7 is added regarding reporting requirements.

14
15 Section 7. Group Term Life Subfund of the General Fund. The Council adopts the attached
16 policies (Exhibit G) on the Group Term Life Subfund of the General Fund. In so doing, the
17 Council reaffirms certain existing financial policies for this subfund, and updates these policies
18 in three ways:

- 19 a) Policy 2 and Policy 3 relate to Council Bill _____, which will update the ordinance
20 language describing expenditures from and revenues to the subfund.
- 21 b) Policy 4 is added on use of undesignated and unreserved fund balances.
- 22 c) Policy 5 is added regarding budgeting for group term life costs.

23
24 Section 8. Health Care Subfund of the General Fund. The Council adopts the attached
25 policies (Exhibit H) on the Health Care Subfund of the General Fund. In so doing, the Council
26
27



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1 reaffirms certain existing financial policies for this subfund and updates these policies in four
2 ways:

- 3 a) Policy 3 and Policy 4 relate to Council Bill _____, which will update the ordinance
4 language describing expenditures from and revenues to the subfund.
5 b) Per Council Bill _____, all reserve policies delete the reference to a "Reserve
6 Account" and refer instead to a "Reserve."
7 c) Policy 6 is added on use of undesignated and unreserved fund balances.
8 d) Policy 7 is added regarding budgeting for health care costs.

9
10 Section 9. Industrial Insurance Subfund of the General Fund. The Council adopts the
11 attached policies (Exhibit I) on the Industrial Insurance Subfund of the General Fund. In so
12 doing, the Council reaffirms certain existing financial policies for this subfund, and updates
13 these policies in three ways:

- 14 a) Policy 2 and Policy 3 relate to Council Bill _____, which will update the ordinance
15 language describing expenditures from and revenues to the subfund.
16 b) Policy 5 is added on use of undesignated and unreserved fund balances.
17 c) Policy 6 is added regarding budgeting for industrial insurance costs.

18 In addition, the Council directs the Executive to study the feasibility of rebating subrogation and
19 other recovery revenues to individual departments prior to the 2003-2004 biennial budget. This
20 review will consider the administrative costs necessary to implement such a policy and will
21 examine the effect of the policy on industrial insurance rates.

22
23 Section 10. Special Employment Subfund of the General Fund. The Council adopts the
24 attached policies (Exhibit J) on the Special Employment Subfund of the General Fund. In so
25 doing, the Council reaffirms certain existing financial policies for this subfund and updates these
26 policies in three ways:



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- 1 a) Policy 2 and Policy 3 relate to Council Bill _____, which will update the ordinance
2 language describing expenditures from and revenues to this subfund.
3 b) Policy 4 expands and clarifies the costs covered by the user fee levied upon the wages
4 and benefits of temporary employees in the City.
5 c) Policy 5 adds a cash float allowance to the approved uses of undesignated and unreserved
6 fund balances.

7
8 **Section 11. Unemployment Insurance Subfund of the General Fund.** The Council adopts the
9 attached policies (Exhibit K) on the Insurance Compensation Subfund of the General Fund. In
10 so doing, the Council reaffirms certain existing financial policies for this subfund and updates
11 these policies in three ways:

- 12 a) Policy 2 and Policy 3 relate to Council Bill _____, which will clarify the ordinance
13 language for expenditures from and revenues to the subfund.
14 b) Policy 4 is added on use of undesignated and unreserved fund balances.
15 c) Policy 5 is added regarding budgeting for unemployment insurance costs.

16
17 **Section 12. Employees' Retirement Fund.** The Council adopts the attached policies (Exhibit
18 L) on the Employees' Retirement Fund. In so doing, the Council reaffirms the existing financial
19 policies for this fund.

20
21 **Section 13. Police Pension Fund.** The Council adopts the attached policies (Exhibit M) on
22 the Police Pension Fund. In so doing, the Council reaffirms the existing financial policies for
23 this fund and adds a policy on fund balance.

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25
26
27
28



1 Section 14. Firemen's Pension Fund. The Council adopts the attached policies (Exhibit N)
2 on the Firemen's Pension Fund. In so doing, the Council reaffirms the existing financial policies
3 for this fund and adds a policy on fund balance.

4
5 Section 15. Review of attached policies. The Council finds that the attached policies should
6 be reviewed and updated on a five-year cycle, with the next update scheduled for 2006.

7
8 ADOPTED by the City Council of the City of Seattle the _____ day of
9 _____, 2001, and signed by me in open session in authentication of its adoption this
10 _____ day of _____, 2001.

11
12 _____
13 President _____ of the City Council

14 THE MAYOR CONCURRING:

15
16 _____
17 Paul Schell, Mayor

18 Filed by me this _____ day of _____, 2001.

19
20 _____
21 City Clerk

22 (Seal)





City of Seattle

Paul Schell, Mayor

Department of Finance
Dwight D. Dively, Director

MEMORANDUM

Date: July 30, 2001

To: Council President Margaret Pageler
Seattle City Council

From: Dwight Dively, Director *DD*
Department of Finance

Subject: **A RESOLUTION adopting updated financial policies for the various General Fund subfunds of the City of Seattle and for the City's Employees' Retirement Fund, Police Pension Fund, and Firemen's Pension Fund, and superceding Resolution 28953 and Resolution 27206.**

I am pleased to submit the attached resolution that we intend to present for Council consideration as part of the Department of Finance's comprehensive review of the City of Seattle's financial policies.

This resolution consolidates, updates, and modifies the financial policies guiding the General Fund subfunds, the Employees' Retirement Fund, the Police Pension Fund, and the Firemen's Pension Fund. For each fund and subfund, the resolution summarizes the proposed changes. The policies themselves are included in various attachments to the resolution.

Financial policies guiding the Judgement and Claims Subfund of the General Fund are not included in this resolution. The Executive is continuing to work on developing revised policies for this subfund, and will bring to Council an ordinance and resolution for the Judgement and Claims Subfund later this summer.

We appreciate the Council's consideration of this legislation. If you have any questions regarding this legislation, or about the City's financial policies in general, please call me at 684-5212, or Diane Clausen at 684-8151. Thank you.

cc: Greg Petersen
Carol Metcalf
Diane Clausen
Dave Hennes



700 Fifth Avenue, Room 4200, Seattle, WA 98104

Tel: (206) 684-0181, TDD: (206) 233-7810, Fax: (206) 684-8286, <http://www.ci.seattle.wa.us>

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**CITY OF SEATTLE
GENERAL SUBFUND OF THE GENERAL FUND**

Introduction

The General Subfund of the General Fund is technically the City's General Fund. The use of the term general subfund originated in 1995 when the City re-designated several independent special revenue, internal service and expendable trust funds as subfunds of the General Fund.¹ For clarity during resource and accounting discussions, it became customary to refer to resources residing in the General Fund, but not in one of the specified subfunds, as being in the General Subfund. Thus, the authority for the General Subfund of the General Fund is found in the City Charter.

Fund Authority

Policy 1. Creation of Fund: There shall be a General Fund into which shall be paid all revenues of the City, except as otherwise provided by law, and from which shall be paid all expenses and liabilities not required to be paid out of some special or other fund. [Charter Art. VIII, Sec. 15]

Reporting Requirements

Policy 2. Revenue Reporting: The Department of Finance will provide the Council with revenue forecasts for general government revenues at least twice a year and will, through the budget document, provide an annual written report on General Subfund revenues. [New Policy]

¹ Effective December 31, 1995, ordinance 117977 re-designated the Cumulative Reserve Fund, the Emergency Fund, the Judgement/Claims Fund, the Neighborhood Matching Fund, the Development Rights Fund, the Industrial Insurance Fund, the Unemployment Insurance Fund, the Special Employment Program Fund, the Health Care Fund, and the Group Term Life Insurance Fund as subfunds of the General Fund.



**CITY OF SEATTLE
EMERGENCY SUBFUND OF THE GENERAL FUND**

Introduction

The Emergency Subfund is the City's main reserve fund, and is available to pay for unanticipated or unplanned expenditures that occur during the course of the fiscal year. Prior to this review, there were two accounts in the Subfund – the Emergency Account and the Supplemental Appropriations Account. The Emergency Account was intended to fund costs associated with emergencies as defined by state law, and the Supplemental Appropriations Account was intended to fund other necessary expenditures that were not anticipated at the time the budget was developed. However, the City concluded that this division of the Subfund frequently created accounting ambiguities and no longer serves any useful purpose. Therefore, these accounts were eliminated via Council Bill _____.

Fund Structure

Policy 1. Fund Structure. The City shall continue to maintain in the City Treasury, as a subfund of the General Fund, an Emergency Subfund as described in RCW 35.32A.060. [Ord 117977]

Expenditures

Policy 2. Emergency expenditures. By an ordinance approved by three-fourths of all of its members, the City Council may authorize the expenditure of sufficient money from the Emergency Subfund to meet the expenses or obligations:

- a) Caused by fire, flood, explosion, storm, earthquake, epidemic, riot, insurrection, act of God, act of the public enemy or any other such happening that could not have been anticipated; or
- b) For the immediate preservation of order or public health, or for the restoration to a condition of usefulness of public property the usefulness of which has been destroyed by accident; or
- c) In settlement of approved claims for personal injuries or property damages, exclusive of claims arising from the operation of a public utility owned by the city; or
- d) To meet mandatory expenditures required by laws enacted since the last budget was adopted.
[Council Bill _____]

Policy 3. Supplemental expenditures. The City Council by an ordinance approved by three-fourths of all its members may appropriate from the Emergency Subfund an amount sufficient to meet the actual and necessary expenditures of the City for which insufficient or no appropriation have been made due to causes which could not reasonably have been foreseen at the time of the making of the budget. [Council Bill _____] Supplemental expenditures need not be appropriated from the Emergency Subfund, but can be appropriated from other City funds whose purposes are consistent with the intended expenditure, provided sufficient balances are available.
[New Policy]

Revenues/Fund Balances



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Policy 4. Fund balance requirements. At the beginning of each year, sufficient funds shall be appropriated to the Emergency Subfund so that its balance equals thirty-seven and one-half cents per thousand dollars of assessed value, which is the maximum amount allowed by state law. [Res 28953] The City may also choose to reimburse the Emergency Subfund during the year for any expenditures incurred, by transferring unexpended and unencumbered balances from another City fund or subfund, or from other reimbursements the City may receive. [New Policy]

Planning/Reporting Requirements

Policy 5. Year-to-date appropriations. The City Council will receive with every Emergency Subfund appropriation request a list of all Emergency Subfund appropriations for that year and a cumulative dollar total for all year-to-date appropriations. [Revised from Res 27206]



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**CITY OF SEATTLE
CUMULATIVE RESERVE SUBFUND OF THE GENERAL FUND**

Introduction

The Cumulative Reserve Subfund of the General Fund is comprised of two accounts, the Capital Projects Account and the Revenue Stabilization Account. The Capital Projects Account is used to pay debt service on the City's Capital Facilities Bonds (through 2017) and is the primary resource for major maintenance funding in non-utility departments other than SEATRAN. The Revenue Stabilization Account (also called the Rainy Day Fund) is intended to cushion the City from sudden unanticipated shortfalls in revenue due to economic downturns in order to avoid or mitigate mid-year reductions.

Fund Structure

Policy 1. Subfund Accounts. The Cumulative Reserve Subfund shall be comprised of two (2) accounts: the Capital Projects Account, with its several sub-accounts, and the Revenue Stabilization Account. [Ord 119761]

Policy 2. Capital Projects Account Subaccounts. The Capital Projects Account shall be comprised of several subaccounts, including but not limited to the Real Estate Excise Tax I Subaccount; the Real Estate Excise Tax II Subaccount; the South Lake Union Property Proceeds Subaccount; and the Unrestricted Subaccount. [Ord 120411]

Expenditures

Policy 3. Purposes of Subfund. There is hereby established under authority of RCW 35.21.070, as a subfund of the General Fund, a cumulative reserve fund for several different municipal purposes as well as certain specific municipal purposes as follows:

- a) The making of any public improvement, including but not limited to the construction, alteration, renovation or repair of City buildings; the establishment, widening and extending of streets and highways; and the construction and repair of sewers;
- b) Investigations and studies in connection with any public improvement;
- c) The acquisition of real property;
- d) The purchase of supplies, material or equipment as specified in the ordinance making an appropriation therefor;
- e) Civil defense;
- f) The provision of low-income housing;
- g) The provision of reserves for revenue stabilization for future operations;
- h) Short-term loans for capital projects to meet cash-flow requirements, provided that a source of repayment is identified and that a schedule and term of repayment are specified;
- i) The financing of capital projects specified in the capital facilities element of the City's Comprehensive Plan and housing relocation assistance, as authorized by Chapter 82.64 RCW;

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- j) The matching of federal or state funds for any of the foregoing or any other municipal purpose the nature of which shall be specified in the appropriating ordinance.

The subfund shall be known as the Cumulative Reserve Subfund.
[Ord 117977]

Policy 4. Capital Projects Account expenditures. Expenditures from the Capital Projects Account shall require an ordinance adopted by a majority of the members of the City Council.
[Ord 119761]

- a) Real Estate Excise Tax I Subaccount expenditures. The Real Estate Excise Tax I Subaccount shall be expended only for the purposes and capital projects contemplated by RCW 82.46.010. [Ord 119761] RCW 82.46.010 requires that expenditures from this subaccount be limited to financing capital projects specified in a capital facilities plan element of a comprehensive plan and housing relocation assistance, except for (a) revenues pledged to debt retirement prior to April 30, 1992, which may be used for that purpose until the original debt is retired, or (b) revenues committed prior to April 30, 1992 to a project, which may be used for that purpose until the project is completed. "Capital project" is defined in RCW 82.46.010(6) to mean those public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, parks, recreational facilities, law enforcement facilities, fire protection facilities, trails, libraries, administrative and/or judicial facilities, river and/or waterway flood control projects (for jurisdictions that had expended funds from this tax prior to June 11, 1992 for such purpose), and housing projects (until December 31, 1995 and only for those jurisdictions that had expended funds from this tax prior to June 11, 1992 for this purpose).
- b) Real Estate Excise Tax II Subaccount expenditures. The Real Estate Excise Tax II Subaccount shall be used solely for the purposes and capital projects contemplated by RCW 82.46.035. [Ord 119761] RCW 82.46.035 requires that expenditures from this subaccount be limited to financing capital projects specified in a capital facilities plan element of a comprehensive plan, except for (a) revenues pledged to debt retirement prior to March 1, 1992, which may be used for that purpose until the original debt is retired, or (b) revenues committed prior to March 1, 1992 to a project, which may be used for that purpose until the project is completed. "Capital project" is defined in RCW 82.46.035(5) to mean those public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, and planning, construction, reconstruction, repair, rehabilitation, or improvement of parks.
- c) Unrestricted Subaccount expenditures. Expenditures from the Unrestricted Subaccount shall be generally for major maintenance, facility improvements that do not expand capacity, and planning and development of new or expanded capital infrastructure. [New Policy]
- d) South Lake Union Property Proceeds Subaccount expenditures. Expenditures from the South Lake Union Property Proceeds Subaccount shall be used for the purposes described in Sections 1 through 6 of Resolution 30334, including transaction costs, the Fairview-Valley



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Corridor realignment project, legal reserves, affordable housing, and other South Lake Union transportation projects.

Policy 5. Revenue Stabilization Account expenditures. The Revenue Stabilization Account shall be used for revenue stabilization for future City operations. Expenditures from the Revenue Stabilization Account shall require an ordinance passed by two-thirds vote unless state law requires a higher supermajority vote of the City Council. [Ord 119761]

Revenues/Fund Balances

Policy 6. Revenues into REET I Subaccount. The Real Estate Excise Tax I Subaccount shall be comprised of the first one-quarter (1/4) of one (1) percent excise tax on real estate sales collected on or after May 1, 1992. [Ord 119761]

Policy 7. Revenues into REET II Subaccount. The Real Estate Excise Tax II Subaccount shall be comprised of the second one-quarter (1/4) of one (1) percent excise tax on real estate sales collected on or after May 1, 1992. [Ord 119761]

Policy 8. Revenues into the Unrestricted Subaccount. The Unrestricted Subaccount shall, unless provided otherwise by ordinance, be comprised of revenues from sales of surplus City property net of sale proceeds deposited into the South Lake Union Property Proceeds Subaccount, transfers of General Fund balances, investment earnings attributable to the Capital Projects Account of the Cumulative Reserve Subfund net of investment earnings attributable to the South Lake Union Property Proceeds Subaccount, and other unrestricted contributions to the Cumulative Reserve Subfund. [Ord 120411]

Policy 9. Revenues to the South Lake Union Property Proceeds Subaccount. The South Lake Union Property Proceeds Subaccount shall, unless provided otherwise by ordinance, be comprised of revenues from sales of certain surplus City property located adjacent to South Lake Union, investment earnings attributable to the Subaccount, and other revenues identified through ordinance. [Ord 120411]

Policy 10. Revenues to, and fund balance of, the Revenue Stabilization Account. The Revenue Stabilization Account shall be funded by (1) transfers by ordinance, and (2) automatic transfer of tax revenues to the extent described in this section. Upon completion of fiscal year accounting, tax revenues collected during the closed fiscal year which are in excess of the latest revised estimate of tax revenues for that closed fiscal year (as published in the current fiscal year adopted budget) shall automatically be deposited to the Revenue Stabilization Account. Such deposit shall occur at that time the City completes its accounting for the fiscal year. At no time shall the balance of the Revenue Stabilization Account exceed two and one-half (2.5) percent of the amount of tax revenues received by the City during the fiscal year prior to the closed fiscal year. For purposes of this paragraph, the phrase "tax revenues" means all tax revenues deposited into the General Subfund, including but not limited to, tax revenue from the regular property tax levy, business and occupation tax, utility business taxes, admissions tax, leasehold excise tax, gambling taxes, and sales and use taxes. [Ord 119761]

Policy 11. Fund balance policy. It is the City's goal to maintain a positive fund balance in each sub-account of the Capital Projects Account in the Cumulative Reserve Subfund. [New Policy]



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~~Policy 12. Interest payments on loans. It is the City's general policy that the Cumulative Reserve Subfund charge interest on any loan to another City fund or subfund. Loans will be approved by ordinance, and interest charges established via ordinance. [New Policy]~~

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**CITY OF SEATTLE
CABLE TELEVISION FRANCHISE SUBFUND OF THE GENERAL FUND**

Introduction

On January 20, 1996 the City entered into cable television franchise agreements with Seattle area cable providers. These agreements called for new franchise fees as compensation for the right to locate cable in the public right of way. On July 1, 1996 the Council created the Cable Television Franchise Subfund in the General Fund to receive these franchise fee revenues and account for their expenditure.

Fund Structure

Policy 1. Creation of Subfund: A new Subfund in the General Fund, entitled Cable Television Franchise Subfund, is hereby created. [Ord. 118196]

Policy 2. Creation of Account: A new account, known as the Community Television Account, shall be established within the Cable Franchise Subfund of the General Fund. [Ord. 120214]

Expenditures

Policy 3. Expenditures from Subfund: Cable franchise revenues shall be used for the following purposes:

1. Funding for the Office of Cable Communications, including administration of the Cable Customer Bill of Rights and the Public, Education, and Government Access costs that the City is obligated to fund under the terms of its cable franchise agreements.
2. Support for the City's government access TV channel(s), including both operations and capital equipment.
3. Programs and projects that promote citizen technology literacy and access, including related research, analysis and evaluation.
4. Use of innovative and interactive technology, including the Internet and TV, to provide the means for citizens to access City services and easily and meaningfully interact with their elected officials and decision makers. [New Policy]

Additionally,

5. Funds from the Community Television Account shall be used solely for the purposes of supporting the operations and capital needs of public access television, including payments to the Designated Access Manager for services provided under its agreement with the City. [Ord. 120214]

Revenues



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Policy 4. Revenues to Subfund: Revenues from the Cable Franchise Fee shall be deposited into the Cable Television Franchise Subfund. [Ord. 118196]

Fund Balance/Fund Management

Policy 5. Retention of Interest Earnings: In accordance with applicable state law and City investment policy, the Finance Director shall invest all funds received and held in the Community Television Account, and any interest earnings from such investments shall be deposited in this account and used for the purposes set forth in this section. [Ord. 120214]



**CITY OF SEATTLE
POLICE SUPPORT FACILITY SUBFUND OF THE GENERAL FUND**

Introduction

The Police Support Facility Subfund accounts for the revenues and expenditures associated with the management and operation of the complex of buildings at 2303 Airport Way South. Originally established when the City bought the property, the Subfund was set up to track the costs and revenues of the property when it was largely occupied by private tenants. Now the facility houses or is planned to house largely public tenants including various Police Department functions, the Seattle Public Utilities' Water Quality Lab, and Fleets and Facilities Department shops. There continue to be a few private tenants.

Fund Structure

Policy 1. Creation of Subfund: There is hereby established a subfund within the General Fund, entitled the Police Support Facility Subfund. [Ord. 118292]

Expenditures

Policy 2. Expenditures from Subfund: All expenses associated with said property, including but not limited to operations, property management, tenant improvements, capital improvements, leasing activity, and City management and planning for City occupancy, shall be paid from said subfund, either directly or through reimbursement of other City funds, subfunds, or accounts. [Ord. 118292]

Policy 3. Periodic Payments to Bond Interest and Redemption Fund: The Police Support Facility Subfund shall make periodic payments to the Bond Interest and Redemption Fund in amounts necessary to pay the principal and interest on all debt incurred by the City for acquisition of the property, as such payments become due. [Ord. 118292]

Revenues

Policy 4. Revenues to Subfund: All revenues from 2203 Airport Way South, including rents from private tenants, public tenants, including City departments, parking revenues, and all other sources, shall be deposited into said subfund. [Ord. 118292]

Fund Balance/Fund Management

Policy 5. Termination of Subfund: It is the intention of the City to eliminate the Police Support Facility Subfund once the City's occupancy of the facility has stabilized and reasonable allowance has been made for integrating the facility's costs and revenues into the budget and rate setting cycle of the following biennium. Costs and revenues associated with the facility subsequently will be accounted for in the same manner as is used for other City buildings. [New Policy]



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Reporting Requirements

Policy 6. Reports to Council: The Fleets and Facilities Department shall report twice yearly to the Council on the revenues and expenditures associated with the Police Support Facility. The Fleets and Facilities Department will report annually to Council on the status of City occupancy in the facility and projected termination date for the subfund. [New Policy]



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CITY OF SEATTLE
KEY TOWER OPERATIONS SUBFUND OF THE GENERAL FUND

Introduction

The Key Tower Operating Subfund accounts for all revenues and expenditures associated with Key Tower. The City acquired the building in January, 1996, intending to house many City offices there. Originally established in April, 1996, the City Hall Subfund was renamed the Key Tower Operating Subfund in November, 2000.

Fund Structure

Policy 1. Creation of Fund: The City Hall Subfund, established by Ordinance 118081 as a subfund of the General Fund, is hereby renamed the Key Tower Operating Subfund to reflect the intended usage of the fund and to reduce any potential confusion with the Municipal Civic Center Fund. [Ord. 120165]

Expenditures

Policy 2. Expenditures from Subfund: All expenses associated with Key Tower, including but not limited to operations, asset and property management, tenant improvements, capital improvements, leasing activity, and City management and planning for City occupancy, shall be paid from said subfund, either directly or through reimbursement of other City funds, subfunds, or accounts. [Ord. 118081]

Policy 3. Periodic Payments to Bond Interest and Redemption Fund: The Key Tower Operating Subfund shall make periodic payments to the Bond Interest and Redemption Fund in amounts necessary to pay the principal of and interest on all debt incurred by the City for acquisition of or enhancement to Key Tower as such payments become due. [Ord. 118081]

Policy 4. Reimbursement of Fleets and Facilities Fund: The Executive Services Fund shall be reimbursed by the Key Tower Operating Subfund for payroll and other expenses incurred after acquisition of Key Tower on January 12, 1996, associated with staff assigned to management of and planning for City occupancy of Key Tower, and for any other necessary post-acquisition expenses incurred by the Fleets and Facilities Department related to Key Tower. The reimbursement amount for expenses shall be as determined by the Director of Finance and reviewed by the Chair of the Finance Committee based upon documentation submitted by the Fleets and Facilities Director, and shall be within the Key Tower Operating Subfund appropriation authority of the Fleets and Facilities Department. [Ord. 118081]

Revenues

Policy 5. Revenues to Subfund: All revenues derived from Key Tower, including rents from private tenants, other public tenants, and City departments; parking revenues; and all other sources, shall be deposited in said subfund. [Ord. 118081]



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Fund Balances/Fund Management

Policy 6. Termination of Subfund: It is the intention of the City to eliminate the Key Tower Operating Subfund once the City's occupancy of the facility has stabilized and reasonable allowance has been made for integrating the facility's costs and revenues into the budget and rate setting cycle of the following biennium. Costs and revenues associated with the facility subsequently will be accounted for in the same manner as is used for other City buildings. [New Policy]

Reporting Requirements

Policy 7. Reports to Council: The Fleets and Facilities Department shall report quarterly to the Council on the revenues and expenditures associated with Key Tower. The Fleets and Facilities Department will report annually to Council on the status of City occupancy in the facility and projected termination date for the subfund. [New Policy]



**CITY OF SEATTLE
GROUP TERM LIFE INSURANCE SUBFUND OF THE GENERAL FUND**

Introduction

The City's Group Term Life Insurance Subfund of the General Fund handles the revenues and expenditures associated with the City's group term life insurance, long term disability programs, and accidental death and dismemberment coverage for employees. The Subfund is reimbursed for these costs by departments, based on projected insurance premium costs, and by payroll deductions authorized by employees to pay premiums for voluntary, additional insurance coverage.

Refunds from rate adjustments and insurance company demutualization created significant fund balances in this subfund. The City has reserved in 2000 \$907,318 from the Demutualization refund, from which union members may be paid a share once an agreement is reached. In 2001 and 2002, fund balances in this subfund are being used to pay for the City's administrative costs of the health care program.

Fund Structure

Policy 1. Creation of subfund. There is hereby created in the City Treasury, as a subfund of the General Fund, a "Group Term Life Insurance Subfund." [Ord 117977]

Expenditures

Policy 2. Expenditures from subfund. From the subfund shall be paid all liabilities incurred by the City by reason of such group term life insurance program, accidental death and dismemberment insurance program, long term disability insurance program, and such other expenditures as may be authorized by ordinance. [Ord 117977, Council Bill _____]

Revenues

Policy 3. Revenues to subfund. The Group Term Life Insurance Subfund of the General Fund shall include all contributions to the group term life insurance program, accidental death and dismemberment insurance program, long term disability insurance program, and all money otherwise accruing to the City under such programs, and such other revenues as may be authorized by ordinance. [Ord 117977, Council Bill _____]

Fund Balances

Policy 4. Use of undesignated and unreserved fund balances. Generally, the Group Term Life Insurance Subfund should generate very little fund balance. In unique circumstances (such as significant rate refunds or refunds from demutualizations) where fund balances are higher than needed to pay the necessary expenditures, these fund balances can be used for other purposes. For any portion contributed by employees, the City may remit excess balances to City



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employees. For that portion contributed by the City, the City may use undesignated and unreserved fund balances to fund future under-recovery from departments of group term life costs, or to fund group term life rate stabilization, or to rebate back to the contributing City funds. [New Policy]

Reporting Requirements

Policy 5. Budgeting for Group Term Life costs. The Budget Director, with information provided by the Personnel Department, shall inform other City Departments of the group term life rates to be recommended for the ensuing budget for their use in preparing departmental budget requests. [New Policy]



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**CITY OF SEATTLE
HEALTH CARE SUBFUND OF THE GENERAL FUND**

Introduction

The City's Health Care Subfund of the General Fund handles the revenues and expenditures associated with the City's medical, dental, vision and employee assistance programs. This fund is administered by the Personnel Department, with additional administrative costs incurred in the Department of Finance. Insurance premiums (for the Group Health program, dental program, and vision program), actual claims costs (for the Aetna Traditional and Aetna Copay programs, where the City is self-insured), and the costs of the Employee Assistance Program are charged to this Subfund. The Subfund is reimbursed for these costs by departments, based on projected insurance premiums and projected claims costs. In the recent past, there have been excess fund balances in this Subfund that were used to cover the City's administrative costs rather than seeking reimbursement from the City departments.

Because the City is partly self-insured for health care claims, City ordinance and State law require that the City maintain a Reserve, whose balance is equal to at least two and one half months of projected health care claims and non-City administrative costs under the self-insured plans. In addition, in 2000, the City had a reserve for Healthcare Committee cost stabilization, per the 1998 coordinated bargaining agreement.

The Personnel Department reports annually to the state on the status of the self-insured portion of the Health Care Subfund.

Fund Structure

Policy 1. Creation of subfund. There is hereby created in the City Treasury, as a subfund of the General Fund, a "Health Care Subfund." [Ord 117977]

Policy 2. Creation of Reserve. A separate Reserve is hereby created in the Health Care Subfund. [Ord 119762, Council Bill _____]

Expenditures

Policy 3. Expenditures from subfund. From this Subfund shall be paid all liabilities incurred by the City by reason of such dental, vision, health care, and employee assistance programs, and such other expenditures as may be authorized by ordinance. [Ord 119762, Council Bill _____]

Revenues

Policy 4. Revenues to subfund. The Health Care Subfund of the General Fund shall include all City, employee, and eligible retiree contributions to the dental, vision, health care, and employee



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assistance programs contemplated by this ordinance; all money otherwise accruing to the City under such programs; and such other revenues as may be authorized by ordinance. [Ord 119762, Council Bill _____]

Fund Balances

Policy 5. Reserve minimum fund balance. A separate Reserve is hereby created in the Health Care Subfund to hold the reserves necessary to obtain and maintain approval by the State of Washington Risk Manager for the City's self-insured medical and dental health care program authorized under Chapter 48.62 RCW. The Reserve shall maintain a balance which is equal to at least two and one half months of projected health care claims and non-City administrative costs under the self-insured plans, and shall be administered in compliance with applicable law including State of Washington self-insurance regulations, Chapter 236-22 WAC. [Ord 119762, Council Bill _____]

Policy 6. Use of undesignated and unreserved fund balances. Undesignated and unreserved fund balances in the Health Care Subfund may be used for future under-recovery from departments for health care costs or for health care rate stabilization. [New Policy]

Reporting Requirements

Policy 7. Budgeting for Health Care costs. The Budget Director, with information provided by the Personnel Department, shall inform other City Departments of the health care rates to be recommended for the ensuing budget for their use in preparing departmental budget requests. [New Policy]



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**CITY OF SEATTLE
INDUSTRIAL INSURANCE SUBFUND OF THE GENERAL FUND**

Introduction

The City's Industrial Insurance Subfund of the General Fund handles the revenues and expenditures associated with the worker's compensation program for employees. This program is administered by the Personnel Department, with additional administrative costs incurred in the Department of Finance. Out of this fund is paid actual medical claims costs, and the time loss cost of intermittent employees (time loss for regular employees is paid directly by the departments). The fund is then reimbursed by the department in which the industrial injury occurred. The City's administrative costs (including administration of the Citywide safety program), as well as the State's assessment amount and other miscellaneous costs, are also charged to this subfund, which in turn charges all City departments a monthly fee to cover these estimated costs. Currently, excess fund balances in this subfund are paying a share of the City's administrative costs (\$300,000 in 2001 and \$400,000 in 2002) without reimbursement from City departments.

Since 1972, the City of Seattle has been a self-insured employer as authorized under State law. The State Department of Labor and Industries requires that the subfund maintain a minimum reserve level for a given year of at least 25% of the estimated annual medical claims plus time loss expenses (for both regular and intermittent employees) for that year. The Personnel Department reports annually to the state on the status of the Industrial Insurance Subfund.

Fund Structure

Policy 1. Creation of subfund. There is established in the City Treasury, as a subfund of the General Fund, an "Industrial Insurance Subfund." [Ord 117977]

Expenditures

Policy 2. Expenditures from subfund. From this subfund shall be paid all costs and expenses arising from self insurance by the City for workers' compensation, and for the administrative costs of the Citywide safety program and such other expenditures as may be authorized by ordinance. [Ord 117977, Council Bill _____]

Revenues

Policy 3. Revenues to subfund. Into the Industrial Insurance Subfund shall be paid all amounts charged to departments for workers' compensation for departmental employees, and for the administrative costs of the Citywide safety program and such other revenues as may be authorized by ordinance. [Ord 117977, Council Bill _____]

Fund Balances



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Policy 4. Minimum fund balance requirement. A public entity's surety must provide for sufficient revenues to satisfy the total estimated claim costs for the upcoming fiscal period. Each public entity must also establish a cumulative reserve of at least twenty-five percent of its surety requirement. [WAC 296-15-051]

Policy 5. Use of undesignated and unreserved fund balances. Claims costs can fluctuate dramatically from year-to-year, and the Executive is exploring funding policies for unanticipated catastrophic claims costs, as well as policies for how to fund the additional reserve requirements associated with these unanticipated claims costs. With the 2002 budget submittal, the Executive will propose to Council financial policies that will address these funding issues. These policies may involve use of existing fund balances. Undesignated and unreserved fund balances in excess of any amounts set-aside for the above uses are available to fund future under-recovery from departments for industrial insurance costs, or to fund industrial insurance rate stabilization, or to rebate back to the contributing City funds. [New Policy]

Reporting Requirements

Policy 6. Budgeting for Industrial Insurance costs. The Budget Director, with information provided by the Personnel Department, shall inform other City Departments of the industrial insurance rates to be recommended for the ensuing budget for their use in preparing departmental budget requests. [New Policy]



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**CITY OF SEATTLE
SPECIAL EMPLOYMENT SUBFUND OF THE GENERAL FUND**

Introduction

The City's Special Employment Subfund of the General Fund handles the revenues and expenditures associated with the City's Temporary Employment Service, Internship, and Work Study programs. These programs are administered by the Personnel Department, with additional administrative costs incurred in the Department of Finance. The administrative costs of these programs are charged to this subfund, and reimbursed via a 3.7 percent charge to the customer department on the salary, premium, and benefits of the temporary employee. The salaries, premiums, and benefits of the temporary employees are paid out of the fund as well, and the fund is reimbursed by the user departments based on actual costs.

The Special Employment Program also assists Federal agencies, King County, Sound Transit, and the Seattle School District with temporary employment needs.

Recently, there have been fund balances in excess of needs generated by the 3.7 percent charge, due to higher-than-projected usage of temporary employees. As a matter of informal practice, the Personnel Department has used these excess fund balances to fund the costs of the MESA high school intern program, the C-West intern program, and the City's diversity intern program. The cost of these three programs is about \$200,000 total in 2001.

Fund Structure

Policy 1. Creation of subfund. There is hereby created in the City Treasury, as a subfund of the General Fund, the "Special Employment Subfund." [Ord 117977]

Expenditures

Policy 2. Expenditures from subfund. The Special Employment Subfund of the General Fund shall be used to pay all compensation and benefits of employees of the Temporary Employment Service, Intern, and Work Study Programs operated by the Personnel Department, as well as the administrative costs associated with said programs and the administrative costs of the Supported Employment Program, and such other expenditures as may be authorized by ordinance. Expenditures shall be reimbursed by the respective employing departments. [Ord 117977, Council Bill _____]

Revenues

Policy 3. Revenues to subfund. Payments from City Departments for the Temporary Employment Service, Internship, and Work Study Programs, and such other revenues as may be authorized by ordinance, shall be deposited into the Special Employment Program Subfund of the General Fund. [Ord 117320, Council Bill _____]



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Policy 4. Administration fee. To pay for administering the Temporary Employment Service program, the Supported Employment Program, and the Internship and Work Study Programs of the City, the Personnel Director is authorized to charge a user surcharge to City Departments and other agencies that participate in the programs. The user surcharge shall be sufficient to cover the administrative costs associated with said programs and additionally shall cover all costs of certain of the City's intern programs. In 2001, the intern programs covered by the user surcharge include the MESA high school intern program, the C-West intern program, and the City's diversity intern program. The user surcharge will be calculated as a percentage on the cost of wages and benefits of temporary employees furnished to the department, and will be established each biennium as part of the budget process. [New Policy]

Fund Balances

Policy 5. Use of undesignated and unreserved fund balances. The accumulated balance of such subfund shall be limited to (a) employee vacation or other benefit and compensation accruals, payable as specified by ordinance, and (b) additional fund balance necessary to cover the lag between expenditures and reimbursement of such expenditures and avoid periods of negative cash balances in the subfund. Any unexpended revenues over that necessary for such purposes shall be applied to reduce the user fees during the next budget period, or to fund longer-term rate stabilization, or to rebate back to the contributing City funds. [New Policy]

Reporting Requirements

Policy 6. Notification of administrative fee. The Budget Director, with information provided by the Personnel Department, shall inform other City Departments of the user surcharge to be recommended for the ensuing budget for their use in preparing departmental budget requests. [New Policy]



**CITY OF SEATTLE
UNEMPLOYMENT INSURANCE SUBFUND OF THE GENERAL FUND**

Introduction

The City's Unemployment Insurance Subfund of the General Fund handles the revenues and expenditures associated with the City's unemployment insurance costs for employees. This program is administered by the Personnel Department, with additional administrative costs incurred in the Department of Finance. As the City is self-insured in this area, actual unemployment claims costs are paid from this Subfund. The fund is then reimbursed by the departments based on estimated unemployment claims. The City's administrative costs are charged to this subfund as well, which in turn charges all City departments a monthly fee to cover these costs.

Because of lower-than-projected unemployment claims in recent years, the Unemployment Insurance Subfund has accumulated excess fund balances. In the 2001-2002 budget, the charges to departments to cover annual unemployment claim costs and administrative fees for the unemployment fund are less than the estimated actual costs in order to draw down the current fund balance. The budgeted fund balance draw down is \$256,718 in 2001, and \$319,586 in 2002.

In 1998, the Personnel Department, in consultation with the Budget Office, determined that it would be prudent financial management to maintain approximately \$800,000 in reserve for higher-than-projected claims costs.

Fund Structure

Policy 1. Creation of subfund. There is established in the City Treasury, as a special subfund of the General Fund, an "Unemployment Insurance Subfund." [Ord 117977, Council Bill _____]

Expenditures

Policy 2. Expenditures from subfund. From this subfund shall be paid all costs and expenses, including administrative costs, arising from the unemployment insurance program and such other expenditures as may be authorized by ordinance. [Ord 117977, Council Bill _____]

Revenues

Policy 3. Revenues to subfund. The unemployment insurance program established by this chapter of the Seattle Municipal Code shall be funded by appropriate billings from the Personnel Director to all departments with eligible employees and such other revenues as may be authorized by ordinance. [Ordinance 117977, SMC 4.40.020, Council Bill _____]



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Fund Balances

Policy 4. Use of undesignated and unreserved fund balances. Claims costs can fluctuate from year-to-year, and there is some cash float requirements resulting from seasonality in unemployment claims, with more costs incurred in the first quarter of the year. With the 2002 budget submittal, the Executive will propose to Council financial policies that will address the funding of these fluctuations in claims. These policies may involve use of existing fund balances. Undesignated and unreserved fund balances in excess of any amounts set-aside for the above uses are available to fund future under-recovery from departments for unemployment insurance costs, or to fund unemployment insurance rate stabilization, or to rebate back to the contributing City funds. [New Policy]

Reporting Requirements

Policy 5. Budgeting for Unemployment Insurance costs. The Budget Director, with information provided by the Personnel Department, shall inform other City Departments of the unemployment insurance rates to be recommended for the ensuing budget for their use in preparing departmental budget requests. [New Policy]

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**CITY OF SEATTLE
EMPLOYEES' RETIREMENT TRUST FUND**

Introduction

The Seattle City Employees' Retirement System (SCERS) is a single-employer defined benefit public employee retirement system, covering employees of the City of Seattle and administered in accordance with Chapter 4.36 of the Seattle Municipal Code. SCERS is a department of the City of Seattle.

All employees of the City of Seattle are eligible for membership in SCERS with the exception of uniformed police and fire personnel who are covered under a retirement system administered by the State of Washington. Employees of METRO and the King County Health Department who, before the City departments were combined into these units established membership in SCERS, were allowed to continue their SCERS membership.

SCERS provides retirement, death, and disability benefits. Retirement benefits vest after five years of credited service, while death and disability benefits vest after ten years of service. Maximum retirement benefits are calculated as 2% multiplied by years of creditable service, multiplied by average salary, based on the highest 24 consecutive months. The benefit is actuarially reduced for early retirement or for a retiree's choice of annuity or beneficiary options. Employees who worked for the City of Tacoma, the City of Spokane, the State of Washington or any agency covered by the Washington State Retirement System may also be eligible for portability benefits.

Fund Structure

Policy 1. Creation of fund. The Employees' Retirement Trust Fund was created as set forth in SMC 4.36.020, which states: "A fund is created and established to be known as the 'Employees' Retirement Fund' and shall consist of all the moneys paid into it in accordance with the provisions of this chapter, whether such moneys shall take the form of cash, securities or other assets."

Expenditures

Policy 2. Expenditures from fund. Permissible expenditures from the fund are set forth in SMC 4.36.360: "The retirement fund shall be a trust fund for the exclusive benefit of the members of the City Employees' Retirement System and their beneficiaries. No part of the corpus or income of the retirement fund shall be used for or diverted to, purposes other than for the exclusive benefit of the members of the system or their beneficiaries and the payment of fees and expenses of maintaining and administering the system."

Revenues/Fund Balances

Policy 3. Revenues to fund. Members of the Retirement System make contributions to the retirement fund at the rate of 8.03% of the compensation of each member. [SMC 4.36.110 A]



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The City matches the members' contributions, and also must contribute additional moneys actuarially determined to be necessary to guarantee payment of retirement benefits. [SMC 4.36.110 C and 4.36.170] No such additional moneys are currently required. Revenues (or losses) also result from the Retirement System's investment of retirement fund assets pursuant to SMC 4.36.130 A and F, and RCW 35.39.060.

Reporting Requirements

The Retirement Board provides an annual report to the City Council showing the financial condition of the retirement fund. [SMC 4.36.140 D] The financial statements for the retirement fund must comply with Governmental Accounting Standards Board Rules 25 and 27.

Actuarial valuations and actuarial investigations are conducted periodically by the Retirement Board, the results of which are submitted to City Council. [SMC 4.36.140 A and B]

Planning Requirements

There are no formal City policies other than submittal of biennial budgets for the City Employees' Retirement System to the City Council (via the Mayor and Budget Office).

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**CITY OF SEATTLE
POLICE RELIEF AND PENSION FUND**

Introduction

The City's Police Relief and Pension Fund handles the revenues and expenditures associated with pension and medical benefits for eligible active-duty and retired Seattle police officers and their beneficiaries. Although the primary liability for police pension benefits shifted from the Washington cities to the State on March 1, 1970, the City of Seattle is still responsible for eligible excess benefits (beyond State coverage) for police officers in service on March 1, 1970, and for medical benefits for police officers hired after March 1, 1970 but before October 1, 1977. The City has full responsibility for pension payments and obligations to members who retired prior to March 1, 1970 and their beneficiaries. Other pension benefits are now part of the State's Law Enforcement Officers' and Fire Firefighters' (LEOFF) systems.

Eligibility for participation in the City's Police Relief and Pension Fund was closed to all commissioned law enforcement officers hired and/or commissioned after September 30, 1977. This program is administered by the Board of Trustees of the Seattle Police Relief and Pension Fund as provided by RCW 41.20.010, and the "local disability board" established under RCW 41.26.110 (1) (1). For 2001, administrative costs (3%), death benefits (less than 1%), medical benefits (38%), and pension benefits (59%) are paid out of this fund. The two basic funding sources are auction proceeds from unclaimed property (about 2% of total annual appropriations of approximately \$13 million to this fund) and the City's General Fund (the remaining 98%). The associated General Fund revenue sources are fines, forfeitures, and licenses. Per RCW 41.20.140, surplus funds "shall be transferred to the general fund of the city." Benefits are funded on a pay-as-you-go basis with supplemental appropriations for any benefit requirements exceeding the adopted budget.

While pension benefits are fairly predictable on an annual basis, medical benefits, especially extraordinary medical claims for the aging participants covered by this fund, are much more difficult to accurately predict. Policy 4 establishes a reserve account to cover the City's liabilities for catastrophic medical expense, funded by setting aside unspent fund balances until a desired maximum amount is reserved. Final closure of this fund is anticipated around 2050.

Fund Structure

Policy 1. Creation of fund. The Police Relief and Pension Fund was established by the City in compliance with requirements of the Revised Code of Washington (RCW) for Police Relief and Pensions in First Class Cities: "There is created in each city subject to the provisions of this chapter a police relief and pension fund." [RCW 41.20]

Expenditures

Policy 2. Expenditures from fund. "The obligations of chapter 41.20 RCW shall continue to be paid from whatever financial sources the city has been using for this purpose." These obligations include administrative and staffing costs. In addition, this RCW also states that the "payment of



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such excess shall be made by the employer which was the member's employer when his transfer of membership occurred" (to the State's LEOFF systems). [RCW 41.26.404]

Revenues/Fund Balances

Policy 3. Revenues to fund. At the time the annual tax levy of the city is made, the city council, or other legislative body, shall order the transfer of an amount of money into the fund...to meet the financial requirements thereof: (1) From moneys collected or received from all licenses issued; (2) From fines and forfeitures collected or received in money for violation of city ordinances. [RCW 41.20.130] In practice, however, the City transfers General Fund money to this Fund with no linkage to any specific revenue source.

Policy 4. Fund balance requirements. If at any time there is more money in the fund provided in this chapter than is necessary for the purposes of this chapter, then such surplus shall be transferred from such fund to the general fund of the city: Provided, That at all times enough money shall be kept in said fund to meet all payments provided for in this chapter. [RCW 41.20.140]

The City will allow unspent Police Relief and Pension Fund balances to accumulate up to a maximum of Five Hundred Thousand Dollars (\$500,000.00) in order to cover extraordinary or catastrophic medical expenses, reduce the need for supplemental appropriations, and smooth annual budget appropriations. [New Policy]

Reporting Requirements

There are no formal City policies on reporting requirements other than disclosure on financial statements to comply with ERISA and Governmental Accounting Standards Board rules (GASB 25 and 27). The composition of the Board of Trustees is provided in RCW 41.20.010 (including a representative of the mayor and president of the city council), and "a majority of all the members of the said Board herein provided for shall constitute a quorum and have the power to transact business." RCW 41.20.030. In addition, "Each board may make all needful rules and regulations for its guidance in the administration of and in conformance with the provisions of this chapter." RCW 41.20.040. The Polices, Rules and Procedures of the Seattle Police Pension Board are filed with the City Clerk's Office.

Planning Requirements

There are no formal City policies other than submittal of biennial budgets for the Seattle Police Relief and Pension Fund to the Seattle City Council (via the Mayor and Budget Office). Actuarial valuations of fund needs and projections are done for the Board on an annual basis.

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**CITY OF SEATTLE
FIREFIGHTER'S PENSION FUND**

Introduction

The Seattle Firefighter's Pension Fund handles the revenues and expenditures associated with pension and medical benefits for eligible active-duty and retired Seattle Firefighters and their beneficiaries. The primary liability for firefighters' pension benefits shifted from the Washington cities to the State on March 1, 1970. The City of Seattle is still responsible for eligible excess benefits (beyond State coverage) for firefighters who were in active service prior to March 1, 1970 but retired after March 1, 1970. The City has full pension responsibility for members and their beneficiaries who retired prior to March 1, 1970. The City is responsible for all medically necessary medical procedures for members who were active employees anytime between March 1, 1970 and October 1, 1977. This coverage continues for the remainder of the member's life. For members who retired on a duty related disability prior to March 1, 1970 the City is only responsible for medical coverage necessary for their duty related disability.

Eligibility for participation in the City's Firefighter's Pension Fund was closed to all Firefighters hired after March 1, 1970. Eligibility for medical coverage, as defined in RCW 41.26, was closed to Firefighters hired after September 30, 1977. The Seattle Firefighter's Pension Board as provided by RCW 41.16.020 administers this program. For 2001, administrative costs (3%), death benefits (less than 1%), medical benefits (36%), and pension benefits (60%) are paid out of this fund. The two basic funding sources are a state-administered Fire Insurance Tax, which generates approximately \$350,000 per year, and a 22.5 cents per thousand dollars of assessed value of all the taxable property of the City of Seattle as provided in RCW 41.16.060, which will contribute approximately fourteen and half million dollars for calendar year 2001. Revenues from these two sources are expected to cover the approximately \$12.6 million expenditures of the Firefighter's Pension Fund anticipated for year 2001. Benefits are paid on a pay-as-you-go basis with supplemental appropriations for any benefit requirements exceeding the adopted budget. In 1994, by Ordinance 117216, the City created a program to set aside actuarially determined level payment amounts for the budget in order to pay any remaining pension liabilities by December 31, 2018.

While pension benefits are fairly predictable on an annual basis, medical benefits, especially extraordinary medical claims for the aging participants covered by this fund, are much more difficult to accurately predict. Policy 4 establishes a reserve account to cover the City's liabilities for catastrophic medical expense, funded by setting aside unspent fund balances until a desired maximum amount is reserved. Final closure of this fund is anticipated around 2050.

Fund Structure

Policy 1. Creation of fund. The Firefighter's Pension Fund was established by the City in compliance with requirements of the Revised Code of Washington (RCW) 41.16.050. "There is hereby created and established in the treasury of each municipality a fund which shall be known and designated as the firemen's pension fund."



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Expenditures

Policy 2. Expenditures from fund. "All funds held by any firemen's or policemen's relief and pension fund shall remain in that fund for the purpose of paying the obligations of the fund. The municipality shall continue to levy the dollar rate as provided in RCW 41.16.060, and this dollar rate shall be used for the purpose of paying the benefits provided in chapters 41.16 and 41.18 RCW". These obligations include administrative and staffing costs. In addition, this RCW also states that the "payment of such excess shall be made by the employer which was the member's employer when his transfer of membership occurred" (to the State's LEOFF systems). [RCW 41.26.404]

Revenues/Fund Balances

Policy 3. Revenues to fund. The firemen's pension fund "shall consist of: (1) all bequests, fees, gifts, emoluments, or donations given or paid thereto; (2) the City's share of twenty-five percent of all moneys received by the state from taxes on fire insurance premiums; (3) taxes paid pursuant to the provisions of RCW 41.16.060; (4) interest on the investments of the fund; and (5) contributions by fire fighters as provided for herein." [RCW 41.16.050]

Distribution: "The moneys received from the tax on fire insurance premiums under the provisions of this chapter shall be distributed in the proportion that the number of paid fire fighters in the city, town, or fire protection district bears to the total number of paid fire fighters throughout the state..." [RCW 41.60.050]

Tax levy: "It shall be the duty of the legislative authority of each municipality, each year as a part of its annual tax levy, to levy and place in the fund a tax of twenty-two and one-half cents per thousand dollars of assessed value against all the taxable property of such municipality." [RCW 41.16.060]

Policy 4. Fund balance requirements. RCW 41.16.060 PROVIDED, "That if a report by a qualified actuary on the condition of the fund establishes that the whole or any part of said dollar rate is not necessary to maintain the actuarial soundness of the fund, the levy of said twenty-two and one-half cents per thousand dollars of assessed value may be omitted, or the whole or any part of said dollar rate may be levied and used for any other municipal purpose."

The City will allow unspent Firefighter's Pension Fund balances to accumulate up to a maximum of Five Hundred Thousand Dollars (\$500,000.00) in order to cover extraordinary or catastrophic medical expenses, reduce the need for supplemental appropriations, and smooth annual budget appropriations. [New Policy]

Policy 5. Actuarial Account. In 1994, by Ordinance 117216, the City created a program to set aside actuarially determined annual amounts in a separate "Actuarial Account" in order to pay any remaining pension liabilities by December 31, 2018. The funding approach for this program was clarified through Ordinance 118814 in 1997. Significant aspects of the Actuarial Account include the following:



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- a. The City's contribution to the pension expense of the Firefighter's Pension Fund each budget year shall be the "level dollar amount," which is the actuarially determined contribution necessary to pay the current annual projected pension benefits plus a contribution to the Actuarial Account sufficient to pay the remaining pension liabilities by 2018.
- b. The level dollar amount shall be placed in the Firefighter's Pension Fund during the year as the City receives property tax receipts. The City will invest those funds which are not used to pay pension benefits, as part of its residual cash investment fund and apportion the earnings pro rata. In practice, the City invests the Actuarial Account in longer-term assets in order to get higher interest rates.
- c. Additional sums shall be placed in the Fund as needed when the year's actual pension benefits exceed the level dollar amount.
- d. Every two years as part of the City's biennial budgeting process, the Firefighter's Pension Board will obtain an actuarial valuation from a qualified actuary to establish a new level dollar amount amortization schedule through 2018.
- e. After 2018, if there are pension liabilities which cannot be met from the balance of the Actuarial Account, the City will pay those liabilities.

Reporting Requirements

Reporting requirements on financial statements are required to comply with Governmental Accounting Standards Board rules (GASB 25 and 27). The composition of the Pension Board is provided in RCW 41.16.020 (including two representatives of the mayor and the city's Chief Financial Officer), and "a majority of all the members of the said Board herein provided for shall constitute a quorum and have the power to transact business." [RCW 41.16.020]

Planning Requirements

There are no formal City policies other than submittal of biennial budgets for the Seattle Firefighter's Pension Fund to the Seattle City Council (via the Mayor and Budget Office). Actuarial valuations of fund needs and projections are done for the Board on an annual basis.

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STATE OF WASHINGTON - KING COUNTY

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135822
City of Seattle, Clerk's Office

No. RESOLUTION TITLES

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 12th 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

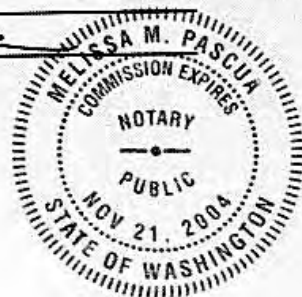
CTRT:30379/82/83

was published on

09/10/01

Valley Valdez
Subscribed and sworn to before me on
09/10/01

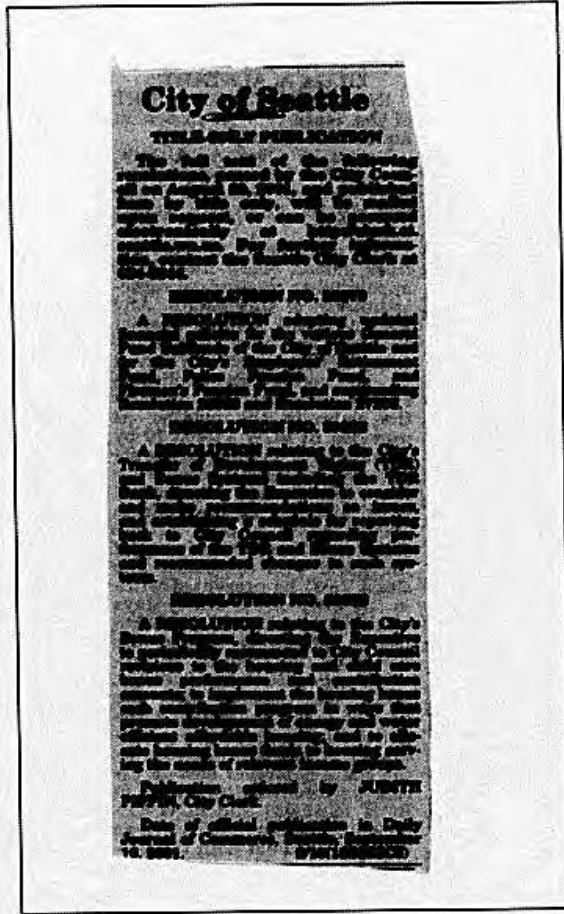
Melissa M. Pasqua
Notary public for the State of Washington,
residing in Seattle



Affidavit of Publication

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State of Washington, King County



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