

ORDINANCE No. 114160

*Law Department*

COUNCIL BILL No. 106916

The City of

An ordinance establishing a Dependent Care Assistance program for City employees; providing for implementation of such program, including any appropriate contracts, and utilization of any savings realized therefrom for other daycare programs; and providing payment therefor. *PASS HHS 4-0 9/23/88*

Honorable President:

Your Committee on \_\_\_\_\_

to which was referred the within Co report that we have considered the

COMPTROLLER FILE No. \_\_\_\_\_

Introduced: <i>Sept. 19, 1988</i>	By: <i>BENSON</i>
Referred: <i>Sept. 19, 1988</i>	To: <i>Department of Human Resources</i>
Referred:	To:
Referred:	To:
Reported: <i>OCT 3 1988</i>	Second Reading: <i>OCT 3 1988</i>
Third Reading: <i>OCT 3 1988</i>	Signed: <i>OCT 3 1988</i>
Presented to Mayor: <i>OCT 4 1988</i>	Approved: <i>OCT 7 1988</i>
Returned to City Clerk: <i>OCT 7 1988</i>	Published:
Vetoed by Mayor:	Veto Published:
Passed over Veto:	Veto Sustained:

*PASS*

*Vote 8-0*

*OK*

Department

# The City of Seattle--Legislative Department

## REPORT OF COMMITTEE

Date Reported  
and Adopted

President:

Committee on \_\_\_\_\_

was referred the within Council Bill No. \_\_\_\_\_

that we have considered the same and respectfully recommend that the same:

PASS HHS 4-0  
9/23/88

Vote 8-0

Jane Maud

Committee Chair

ORDINANCE 114160

1  
2 AN ORDINANCE establishing a Dependent Care Assistance Program for City  
3 employees; providing for implementation of such program, including any  
4 appropriate contracts, and utilization of any savings realized  
5 therefrom for other daycare programs; and providing payment therefor.

6 WHEREAS, 40% of the United States work force is made up families with  
7 both spouses working; and

8 WHEREAS, in the Unites States work force women make up almost one half  
9 of the labor force and 63% of mothers with children under 18 are  
10 in the labor force; and

11 WHEREAS, in 1984 more than 20% of all families in the United States  
12 with children were maintained by women alone; and

13 WHEREAS, childcare costs represent on average over 10% of a family's  
14 budget; and

15 WHEREAS, in the City of Seattle, 9,953 children are estimated to be in  
16 need of subsidized care, yet only 15% of them receive assistance  
17 from the City, DSHS, or United Way; and

18 WHEREAS, the City's Comprehensive Childcare Program currently has a  
19 waiting list of 450 families, some of whom are City employees who  
20 are seeking financial assistance for childcare costs; and

21 WHEREAS, over one third of City employees have children under the age  
22 of twelve; and

23 WHEREAS, other employers who have established childcare assistance  
24 programs have experienced a decreased rate of employee turnover  
25 and absenteeism, and heightened morale and motivation in the  
26 workplace;

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

28 Section 1. There is hereby added to Title 4 of the Seattle Muni-  
cipal code, a new chapter, 4.100, as follows:

4.100 Dependent Care Assistance Program

4.100.010 The City of Seattle, as a condition of employment, may  
enter into salary reduction agreements with employees pursuant to  
the Internal Revenue Code, 26 U.S.C. Sections 125 and 129 for the pur-  
pose of making it possible for employees to select on a "before-tax  
basis" certain taxable and non-taxable benefits. The Mayor is  
authorized for and on behalf of the City to execute an agreement or  
agreements with labor organizations representing City employees to the  
extent necessary to implement the program set forth in this Section  
for those City employees represented by local unions for purposes of

1 collective bargaining. The City may at its discretion terminate such  
2 program after prior notice to affected employees and labor organiza-  
3 tions representing City employees for purposes of collective  
4 bargaining.

5 4.100.020 The Personnel Department shall be responsible for deve-  
6 loping a plan, policies, and procedures to guide, implement, admi-  
7 nister, and monitor the salary reduction program authorized in Section  
8 1 hereof which shall be known as the Dependent Care Assistance  
9 Program.

10 Section 2. Consistent with City law, the Personnel and Budget  
11 Directors are authorized to enter into any professional service con-  
12 sulting contracts or contract amendments necessary and appropriate for  
13 implementation of the program authorized in Section 1 hereof.

14 Section 3. The Personnel and Budget Directors are authorized to  
15 use any unexpended and unencumbered balances accumulating in their  
16 respective 1988 Budgets for implementation in 1988 of the Dependent  
17 Care Assistance Program. Funding for such program in 1989 and suc-  
18 ceeding years shall be as provided in succeeding annual Budgets. The  
19 City Comptroller is authorized to draw and the City Treasurer to pay  
20 the necessary warrants and make the necessary transfers.

21 Section 4. The Office of Management and Budget is directed to  
22 identify the amount of City savings, revenue, and other moneys  
23 generated by the Dependent Care Assistance Program. These moneys  
24 shall be used to offset the City's cost of operating such program, and  
25 any remaining amounts shall be used to provide additional funds for  
26 daycare programs or related activities.

27 Section 5. Any act consistent with the authority and prior to the  
28 effective date of this ordinance is hereby ratified and confirmed.

(To be used for all Ordinances except Emergency.)

Section..... This ordinance shall take effect and be in force thirty days from and after its passage and approval, if approved by the Mayor; otherwise it shall take effect at the time it shall become a law under the provisions of the city charter.

Passed by the City Council the 3rd day of October, 1988,  
and signed by me in open session in authentication of its passage this 3rd day of  
October, 1988.

*[Handwritten signature]*  
President of the City Council.

Approved by me this 7th day of October, 1988.  
*[Handwritten signature]*  
Mayor.

Filed by me this 7th day of October, 1988.

Attest: *Norward J. Brooks*  
City Comptroller and City Clerk.

(SEAL)

Published.....

By *J. Theresa Dunbar*  
Deputy Clerk.

PUBLISH  DO NOT PUBLISH

CITY ATTORNEY \_\_\_\_\_

# Seattle City Council



Sam Smith  
President of the City Council  
684-8800

George E. Benson  
Chair  
Environmental Management  
Committee  
684-8801

Virginia Galle  
Chair  
Finance and Personnel  
Committee  
684-8805

Paul Kraabel  
Chair  
Urban Redevelopment  
Committee  
684-8807

Jane Noland  
Chair  
Housing and Human  
Services Committee  
and Public Safety  
Committee  
684-8803

Norman B. Rice  
Chair  
Energy Committee  
684-8806

Dolores Sibonga  
Chair  
Parks and Public  
Grounds  
Committee  
684-8802

Jim Street  
Chair  
Land Use and Community  
Development Committee  
684-8808

Jeanette Williams  
Chair  
Transportation  
Committee  
684-8804

TO: City Councilmembers

FROM: Councilmember George Benson

SUBJECT: Council Bill 106916 - Establishing a Daycare Assistance for City Employees and Funding for Daycare Programs

DATE: September 22, 1988

Due to the growing number of women entering the workforce childcare has become one of the most pressing issues facing families and employers. Quality childcare is costly. The average cost of infant care in the City is \$379/month/child, \$303/month for toddler care, and \$271/month for older children. It is estimated that nearly 10,000 children are in need of subsidized care, yet there are funds to provide assistance to 15%.

Council Bill 106916 would establish a City program which could reduce the cost of childcare and dependent care for City employees. This concept is authorized by the federal government and has been used successfully in a number of businesses and the public sector. Examples include Anchorage, San Diego, Washington State, and Puget Power. The program will provide one additional benefit to the City in that the City will actually save money from the program and those savings can then be directed to other daycare programs. I urge your speedy adoption of this legislation.

## PROGRAM CONCEPT

The Internal Revenue Code authorizes employers to set up a program whereby employees may elect to set aside a portion of the employee's gross salary to be paid toward expenses incurred for the care of dependent children under the age of 15 or older individuals who are dependents. The amount set aside by the employee would not be subject to federal income tax or social security tax. The employer in turn would not have to pay the social security tax match.

It is proposed that this program be established for City employees. The amount the City would save on the social security match would be used to first offset the cost of administering the dependent care deduction program and the remaining would be directed for use for other daycare programs and activities.

## THE DEPENDENT CARE DEDUCTION AND HOW IT WORKS

The IRS has established a number of conditions for the program. The following highlight some of the key provisions.

1. All participants must be employees and if married, their spouse must have earned income or be full-time students.
2. The City must have a Plan which is written, enforceable, and of unlimited duration.
3. Employees participating must make an annual election of an amount which is irrevocable except under the following circumstances: Marriage/divorce, birth/death of child/dependent, adoption, or termination/commencement of participant's/spouse's employment. Any amounts deducted which remain unused by the end of the plan year would be forfeited.
4. The plan must not discriminate in favor of highly paid employees.
5. Yearly elections must be limited to the lowest of:
  - a. \$5,000 per family or \$2,500 if each parent files separately.
  - b. actual child care expenses of custodial parents for children under the age of 15 (including step children and foster children) or for any other person who qualifies as a tax dependent and is physically or mentally incapable of self-care.
  - c. Spouse-earned income or if the spouse is a student, \$2,400 for one child, and \$4,800 for two children.
  - d. 50% of the participant-earned income.
6. Eligible expenses include payments for care provided inside or outside the employee's home when the employee and employee's spouse is working. Payments to a person for whom the employee can claim a dependency exemption for federal income tax purposes are not eligible under the program.

The amount deducted would not be subject to federal income tax resulting in a 15%, 28%, or 33% savings depending the adjusted gross income of the employee. In addition, the amount deducted would not be subject to FICA representing an additional 7.51% savings. The employer in turn would not be required to pay the 7.51% FICA match. The following examples illustrate how this deduction might affect certain employees.

A. One parent/one child/\$20,000 family gross income/monthly childcare costs of \$300/month and monthly deductions of \$300/month

Without Program - Annual savings of \$696 from the childcare tax credit

With Program -

Option 1: Annual savings of \$810 using the deduction program only

Option 2: Annual savings of \$966 using the tax credit for the first \$2400 of expenses (maximum allowed by the IRS) and the deduction program for the remaining \$1200 of expenses

B. Two parents/one child/\$50,000 family gross income/ \$30,000 employee annual salary/monthly childcare costs of \$300/month and monthly deductions of \$300/month

Without Program - Annual savings of \$480 from the childcare tax credit

With Program -

Option 1: Annual savings of \$1278 using deduction program only

Option 2: Annual savings of \$906 using the tax credit for the first \$2400 of expense (maximum allowed by the IRS) and the deduction program for the remaining \$1200 of expenses

#### PROGRAM FISCAL IMPACT

##### Program Costs

The cost of program start up and administration for the first year is estimated at \$17,000. This figure is based on estimates provided by the City's consultant who will administer the program and by DAS/Comptroller relating the the data processing programming costs. Of the \$17,000, \$15,000 would be for start-up and ongoing administration by an outside administrator and the remaining would cover the City's DP costs to reprogram our computers to allow for this new type of deduction.

City Savings and Revenue

City savings and revenue would come from three sources: savings from the 7.51% FICA match, any interest accruing from the employee's deduction prior to the check being redeemed, and any amounts forfeited by employees under the "use it or lose it" provisions of the tax code.

The expenses and revenues associated with the program depend on a number of factors. They include: the participation rate, in that costs and revenues will increase as participation rates increase, the average amount deducted per month, in that the higher the level of deduction, the greater the FICA savings to the City, and the number of participants earning over \$45,000, in that FICA is not deducted for earnings above \$45,000 and the City would not realize any savings from those employees who participate in the FICA program but whose earnings exceed the FICA cutoff.

Experience from other jurisdictions show that participation rates range from 1/2% to 5%. Some outside administrators estimate that the City can expect as high as 10% participation. Actual average monthly deduction in other programs is approximately \$360/month. In terms of the number of participants with income in excess of \$45,000 the experience of the State is that out of 230 participants only a handful earn over the FICA cutoff. Given the average costs of daycare in Seattle and the City's salary range, the experience of other jurisdictions should be applicable to a City program. The following assumptions were used to develop cost and revenue estimates.

Participation level - 2% or 200 employees in the first year  
Average deduction - \$350/month  
Participants above the FICA cutoff - 5% of participants.

Assuming program start-up on March 1 1989, City savings will equal \$49,942, excluding interest and forfeitures. Deducting the \$17,000 in program operating costs it is estimated that there will be \$32,942 in net savings in 1989 which can be directed to other daycare programs.

The actual newspaper  
publication was missing  
when this Ordinance was  
prepared for microfilming

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TIME AND DATE STAMP

**SPONSORSHIP**

THE ATTACHED DOCUMENT IS SPONSORED FOR FILING WITH THE CITY COUNCIL BY  
(THE MEMBER(S) OF THE CITY COUNCIL WHOSE SIGNATURE(S) ARE SHOWN BELOW:

*Eric J. Benson*

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**FOR CITY COUNCIL PRESIDENT USE ONLY**

COMMITTEE(S) REFERRED TO:

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# Affidavit of Publication

## STATE OF WASHINGTON KING COUNTY—SS.

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 .....

Ordinance No. 114160

was published on October 20, 1988

*[Signature]*  
Subscribed and sworn to before me on

October 20, 1988

*[Signature]*  
Notary Public for the State of Washington,  
residing in Seattle.