

Ordinance No. 120705

Council Bill No. 114004

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The City of Seattle
Council Bill/Ordinance

AN ORDINANCE amending Chapter 4.100 of the Seattle Municipal Code, authorizing the City of Seattle to enter into salary reduction agreements with employees as a condition of employment, for qualified transportation fringe benefits, pursuant to Internal Revenue Code, 26 U.S.C. Section 132

CF No. _____

12-17-01 *Pa*

Date Introduced:	DEC 10 2001	
Date 1st Referred:	To: (committee)	FULL COUNCIL
Date Re - Referred:	To: (committee)	
Date Re - Referred:	To: (committee)	
Date of Final Passage:	Full Council Vote:	
<u>12-17-01</u>	<u>9-0</u>	
Date Presented to Mayor:	Date Approved:	
<u>12-18-01</u>	<u>12/20/01</u>	
Date Returned to City Clerk:	Date Published:	T.O. <input checked="" type="checkbox"/> F.T. <input checked="" type="checkbox"/>
<u>12/21/01</u>	<u>2/9/02</u>	
Date Vetoes by Mayor:	Date Veto Published:	
Date Passed Over Veto:	Veto Sustained:	

This file is complete and ready

Law Department

Law Dept. Review

The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: _____

Jan Drago
Councilmember

Committee Action:

12/17/01 Passed 9-0

This file is complete and ready for presentation to Full Council.

Committee: _____

(initials/date)

Law Department

Law Dept. Review

OMP
Review

4
City Clerk
Review

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*Approved
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ORDINANCE 120705

1
2
3 AN ORDINANCE amending Chapter 4.100 of the Seattle Municipal Code, authorizing the City
4 of Seattle to enter into salary reduction agreements with employees as a condition of
5 employment, for qualified transportation fringe benefits, pursuant to Internal Revenue
6 Code, 26 U.S.C. Section 132

7 WHEREAS, Seattle Municipal Code Chapter 4.100 authorizes salary reduction agreements
8 between the City of Seattle and its employees pursuant to Internal Revenue Code, 26
9 U.S.C. Sections 125 and 129; and

10 WHEREAS, the Internal Revenue Code, 26 U.S.C. Section 132 now allows salary reduction
11 agreements on a "before tax basis" between employers and employees for qualified
12 transportation fringe benefits; and

13 WHEREAS, amending the existing Seattle Municipal Code will allow the City of Seattle and its
14 employees the opportunity to obtain federal tax savings; Now Therefore,

15 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

16 Section 1. SMC Chapter 4.100 is amended as follows:

17 **SMC 4.100.010 Salary Reduction Agreements (~~for dependent care assistance and~~**
18 **~~other eligible expenses~~)).**

19 The City of Seattle, as a condition of employment, may enter into salary reduction
20 agreements with employees pursuant to the Internal Revenue Code, 26 U.S.C. Sections
21 125, ~~((and))~~129, and 132, for the purpose of making it possible for employees to select
22 on a "before-tax basis" certain taxable and nontaxable benefits such as dependent care
23 assistance or qualified transportation fringe benefits. The Mayor is authorized for and on
24 behalf of the City to execute an agreement or agreements with labor organizations
25 representing City employees to the extent necessary to implement any such programs
26 ~~((including but not limited to Dependent Care Assistance Program))~~ for those City
27 employees represented by local unions for purposes of collective bargaining. The City
28 may at its discretion terminate such programs after prior notice to affected employees and
labor organizations representing City employees for purposes of collective bargaining.

1 **SMC 4.100.020 Plan, policies and administration.**

2 The Finance and Personnel Directors shall be responsible for developing ((a))plans,
3 policies and procedures to guide, implement, administer and monitor ((the-)) those salary
4 reduction programs authorized in Section 4.100.010 of this chapter(~~(, including but not~~
5 ~~limited to the Dependent Care Assistance Program))~~).

6
7 Section 2. Any act made consistent with the authority and prior to the effective date of
8 this ordinance is hereby ratified and confirmed.

9
10 Section 3. This ordinance shall take effect and be in force thirty (30) days from and after
11 its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days
12 after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

13
14 Passed by the City Council the 17th day of December 2001, and signed by me in
15 open session in authentication of its passage this 17th day of December, 2001.

16
17 Margaret A. Payer
18 President _____ of the City Council

19 Approved by me this 20th day of DECEMBER, 2001.

20
21 Paul Schell
22 Paul Schell, Mayor

23 Filed by me this 21st day of Dec., 2001.

24
25 Judith E. Pippin
26 City Clerk

27 (Seal)



City of Seattle

Paul Schell, Mayor

Department of Finance

Dwight D. Dively, Director

MEMORANDUM

Date: December 3, 2001

To: Honorable Margaret Pageler, President
Seattle City Council

Via: Joan Walters, City Budget Office

From: Dwight Dively, Director
Finance Department 

Subject: AN ORDINANCE amending Chapter 4.100 of the Seattle Municipal Code, authorizing the City of Seattle to enter into salary reduction agreements with employees as a condition of employment, for qualified transportation fringe benefits, pursuant to Internal Revenue Code, 26 U.S.C. Section 132

Recent changes to the IRS Code have resulted in employers being able to exclude costs associated with certain modes of transportation from their employees' taxable wages. As a result, employees may now designate a specific amount of money, up to a maximum amount established by the IRS, to be withheld from their taxable earnings for the purpose of paying for qualified transportation fringe benefits. These payroll deductions will not be subject to federal income tax or FICA/medicare taxes. Although we anticipate that actual cost savings will be negligible, the City will benefit by not having to pay matching contributions for these taxes.

In recent negotiations between the City of Seattle and its coalition of unions, it was determined that: "The City shall take such actions as may be necessary so that employee costs directly associated with their City employment for public transportation and/or parking in a City owned facility paid through payroll deduction will be structured in a manner whereby said costs are tax exempt, consistent with applicable IRS rules and regulations. Said actions shall be completed for implementation of this provision no later than January 1, 2003."

We already have a structure in place to allow City employees to use payroll deduction in order to purchase annual transit passes, and to pay for monthly parking in City-owned facilities. If testing goes according to plan, we expect to convert payroll deductions for these services from post-tax deductions to pre-tax deductions by January 1, 2002.

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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Transportation Salary Reduction Ordinance
December 3, 2001
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Work is underway to extend a pre-tax deduction benefit to the purchase of other types of qualifying transit passes such as quarterly bus passes, monthly bus and ferry passes, etc. We expect to offer employees these additional pre-tax deduction options in the second quarter of 2002.

I appreciate your consideration of this ordinance. If you have any questions or would like an individual briefing on this matter, please call Carol Metcalf at 684-8348. Thank you.

cc: Norma McKinney, Personnel Director
Mike Schoeppach, Labor Relations
Carol Metcalf, Accounting Services Director, Department of Finance



Fiscal Note Template

Each piece of legislation that is financial in nature requires a fiscal note. The fiscal note should be drafted by department staff and should identify operating, capital, revenue, and FTE impacts of the legislation. After preparation by departmental staff, the City Budget Office will review and make necessary revisions before transmittal to Council.

Department: Finance	Contact Person/Phone: Carol Metcalf / 4-8348	CBO Analyst/Phone: Greg Petersen / 4-8075
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Legislation Title:

AN ORDINANCE amending Chapter 4.100 of the Seattle Municipal Code, authorizing the City of Seattle to enter into salary reduction agreements with employees as a condition of employment, for qualified transportation fringe benefits, pursuant to Internal Revenue Code, 26 U.S.C. Section 132

Summary of the Legislation:

The existing SMC allows the City to enter into salary reduction agreements pursuant to Internal Revenue Code, 26 U.S.C. Sections 125 and 129. This legislation authorizes salary reduction agreements under recently adopted IRS Section 132, which provides favorable tax treatment for payroll deductions for qualified transportation costs.

Background (Include justification for the legislation and funding history, if applicable):

This ordinance will authorize the City to take advantage of a relatively new IRS code that allows certain payroll deductions related to transportation costs to be handled as "pre-tax" dollars, thereby reducing the employee's federal taxes (up to a maximum amount as determined by the IRS). This change will also benefit the City as it will not have to pay matching contributions for these FICA/Medicare taxes. Actual cost savings are expected to be negligible, however. Although the new tax treatment for qualified transportation costs has been allowed for well over a year, it has only recently been negotiated as an employee benefit with the coalition of City unions.

Public Private Partnership Review Status:

Is the project referenced in the legislation subject to P4 review? If yes, identify P4 review to date.

No



Is the legislation subject to public hearing requirements? If yes, what public hearings have been held to date?

No

Fiscal Sustainability Issues (related to grant awards):

No

Estimated Expenditure Impacts:

FUND (List # and/or Account)	2000	2001	2002
Estimated total for all City Operating Funds			
TOTAL	Negligible	Negligible	Negligible

One-time \$ _____

On-going \$ _____

Estimated Revenue Impacts:

FUND (List # and/or Account)	2000	2001	2002
			\$0
TOTAL	0	0	0

One-time \$ _____

On-going \$ _____

Estimated FTE Impacts:

FUND	2000	2001	2002
			0
TOTAL	0	0	0

Full Time _____ # Part Time _____ # TES _____

Do positions sunset in the future? If yes, identify sunset date?

N/A

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

None



STATE OF WASHINGTON – KING COUNTY

--SS.

140090
City of Seattle, Clerk's Office

No. ORDINANCE IN FULL

Affidavit of Publication

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

CT:120705 ORD IN FULL

was published on

1/10/2002

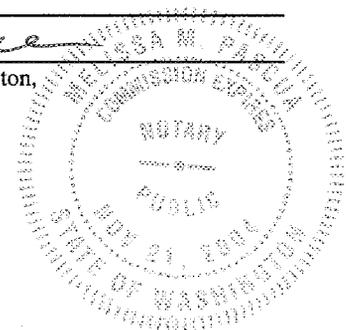
J. Stedman

Subscribed and sworn to before me on

1/10/2002

Mel M. Pascoe
Notary public for the State of Washington,
residing in Seattle

Affidavit of Publication



State of Washington, King County

City of Seattle

ORDINANCE 120705

AN ORDINANCE amending Chapter 4.100 of the Seattle Municipal Code, authorizing the City of Seattle to enter into salary reduction agreements with employees as a condition of employment, for qualified transportation fringe benefits, pursuant to Internal Revenue Code, 26 U.S.C. Section 132.

WHEREAS, Seattle Municipal Code Chapter 4.100 authorizes salary reduction agreements between the City of Seattle and its employees pursuant to Internal Revenue Code, 26 U.S.C. Sections 125 and 129; and

WHEREAS, the Internal Revenue Code, 26 U.S.C. Section 132 now allows salary reduction agreements on a "before tax basis" between employers and employees for qualified transportation fringe benefits; and

WHEREAS, amending the existing Seattle Municipal Code will allow the City of Seattle and its employees the opportunity to obtain federal tax savings; Now Therefore,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. SMC Chapter 4.100 is amended as follows:

SMC 4.100.010 SALARY REDUCTION AGREEMENTS (FOR DEPENDENT CARE ASSISTANCE AND OTHER ELIGIBLE EXPENSES)

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. Section 125, (and) 129, and 132, for the purpose of making it possible for employees to select on a "before-tax basis" certain taxable and nontaxable benefits such as dependent care assistance or qualified transportation fringe 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 any such programs (including but not limited to Dependent Care Assistance Program) for those City employees represented by local unions for purposes of collective bargaining. The City may at its discretion terminate such programs after prior notice to affected employees and labor organizations representing City employees for purposes of collective bargaining.

SMC 4.100.020 PLAN, POLICIES AND ADMINISTRATION

The Finance and Personnel Directors shall be responsible for developing ((a))plans, policies and procedures to guide, implement, administer and monitor ((the)) those salary reduction programs authorized in Section 4.100.010 of this chapter((, including but not limited to the Dependent Care Assistance Program)).

Section 2. Any act made consistent with the authority and prior to the effective date of this ordinance is hereby ratified and confirmed.

Section 3. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the

Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the 17th day of December, 2001, and signed by me in open session in authentication of its passage this 17th day of December, 2001.

MARGARET FACELER,
President of the City Council.