

**CITY OF SEATTLE**

**ORDINANCE \_\_\_\_\_**

**COUNCIL BILL \_\_\_\_\_**

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4 AN ORDINANCE relating to fleet services, authorizing the transfer to King County of certain  
5 vehicles leased from the City by Public Health - Seattle and King County; establishing  
6 the method for determining the value of the vehicles to be transferred; authorizing the  
7 Director of Finance and Administrative Services to execute an agreement with King  
8 County in order to complete the associated transition, including refunding County funds  
9 that were originally intended to replace the vehicles being transferred, compensating the  
10 City for those vehicle assets, transferring said vehicles; and ratifying and confirming  
11 certain prior acts.

12 WHEREAS, the City of Seattle and King County governments have provided critical public  
13 health services within the city and county metropolitan region and have operated as a  
14 joint agency for more than 60 years; and

15 WHEREAS, since 1981, the County assumed primary administrative responsibility for the public  
16 health agency; and

17 WHEREAS, a Memorandum of Agreement (MOA) authorized by County Ordinance 5232 and  
18 City Ordinance 109478 allowed for the City to provide fleet services to Seattle-King  
19 County Public Health; and

20 WHEREAS, the Seattle-King County Public Health agency's name was formally changed to  
21 "Public Health - Seattle and King County," by Ordinance 123668, which passed in  
22 August 2011; and

23 WHEREAS, the City has been the principal provider of fleet services to Public Health - Seattle  
24 and King County since 1961 as authorized under City Ordinance 90033 and County  
25 Resolution 22121; and

26 WHEREAS, the City operates a centralized fleet service division through its Department of  
27 Finance and Administrative Services, which provides vehicle equipment leases, motor  
28 pool, vehicle fuel, and vehicle maintenance and repair services to 198 Public Health -  
Seattle and King County vehicles; and

WHEREAS, the City includes an operating/maintenance component and a capital replacement  
component in its lease rates, which King County has contributed to for the ongoing  
maintenance and replacement of Public Health - Seattle and King County vehicles; and

1 WHEREAS, beginning in 2011, the County continued to pay full lease rates, including the  
2 capital replacement component, but asked the City to place a moratorium on replacing the  
3 Public Health - Seattle and King County vehicles until further notice for budgetary  
4 reasons; and

5 WHEREAS, in 2012, the County notified the City of its intent to exercise termination rights of  
6 the City's fleet services and assume responsibility for all aspects related to managing and  
7 administering the entire Public Health - Seattle and King County fleet, effective January  
8 1, 2013, which currently consists of 198 vehicles that will be transferred from the City to  
9 the County; and

10 WHEREAS, with the exception of four vehicles that needed to be replaced due to car accidents  
11 or other emergency purposes, the City has not replaced any Public Health - Seattle and  
12 King County vehicles since 2010; and

13 WHEREAS, the City has been collecting and holding the County's vehicle replacement  
14 contributions since 2011, which should be refunded to the County for those Public  
15 Health - Seattle and King County vehicles that the City did not, and will not, replace; and

16 WHEREAS, the City will be compensated for the value of the 198 vehicles it transfers to the  
17 County by retaining a mutually agreed-upon percentage of the Public Health - Seattle and  
18 King County's balance remaining in the City's fleet capital replacement reserve, after  
19 deducting the net of the City's contribution toward Public Health - Seattle and King  
20 County's emergency vehicle replacements between January 1, 2011 and December 31,  
21 2012; and

22 WHEREAS, it is incumbent upon the City and County to reach a financial agreement associated  
23 with the transfer of vehicles that takes into account the fiduciary responsibility of each  
24 entity toward their taxpayers; NOW, THEREFORE,

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

26 Section 1. The Director of Finance and Administrative Services is authorized to enter  
27 into for and on behalf of the City an agreement with King County providing for the transfer to  
28 King County of 198 City-owned vehicles currently being leased from the City by Public Health-  
Seattle and King County.

1           Section 2. As part of the agreement referred to in Section 1, the Director of Finance and  
2 Administrative Services is authorized to negotiate and determine the amount of compensation the  
3 City shall receive from King County in exchange for the vehicles that are transferred. The  
4 amount of compensation shall be deducted from Public Health – Seattle and King County’s  
5 portion of the fleet capital replacement reserve in the Fleet Services Subfund 50320, at which  
6 time the Director is authorized to transfer the remainder of that portion of the fund to King  
7 County.  
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9           Section 3. Any act consistent with the authority of this ordinance taken after its passage  
10 and prior to its effective date is hereby ratified and confirmed.

11           Section 4. This ordinance shall take effect and be in force 30 days after its approval by  
12 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it  
13 shall take effect as provided by Seattle Municipal Code Section 1.04.020.  
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Passed by the City Council the \_\_\_\_ day of \_\_\_\_\_, 2012, and  
signed by me in open session in authentication of its passage this  
\_\_\_\_ day of \_\_\_\_\_, 2012.

\_\_\_\_\_  
President \_\_\_\_\_ of the City Council

Approved by me this \_\_\_\_ day of \_\_\_\_\_, 2012.

\_\_\_\_\_  
Michael McGinn, Mayor

Filed by me this \_\_\_\_ day of \_\_\_\_\_, 2012.

\_\_\_\_\_  
Monica Martinez Simmons, City Clerk

(Seal)

**2013 BUDGET LEGISLATION FISCAL NOTE**

<b>Department:</b>	<b>Contact Person/Phone:</b>	<b>CBO Analyst/Phone:</b>
Finance and Administrative Services	Dave Seavey 684-0917	Jennifer Devore 615-1328

**Legislation Title:**

AN ORDINANCE relating to fleet services, authorizing the transfer to King County of certain vehicles leased from the City by Public Health - Seattle and King County; establishing the method for determining the value of the vehicles to be transferred; authorizing the Director of Finance and Administrative Services to execute an agreement with King County in order to complete the associated transition, including refunding County funds that were originally intended to replace the vehicles being transferred, compensating the City for those vehicle assets, transferring said vehicles; and ratifying and confirming certain prior acts.

**Summary of the Legislation:**

This legislation authorizes the Director of Finance and Administrative Services to transfer to King County 198 City-owned vehicles currently leased by Public Health - Seattle and King County (Public Health), retain the agreed-upon amount of compensation the City shall receive from the County in exchange for the vehicles, and refund to the County the remaining portion its capital replacement reserve that were not used to replace Public Health vehicles as originally intended.

**Background:**

For many years, the City has managed Public Health's fleet. As compensation, the City has collected lease payments that include a maintenance component as well as a capital component that is dedicated to replacing vehicles at the end of their useful lives. In 2011, the County asked the City to place a moratorium on replacing its Public Health vehicles as a budget measure, and earlier this year notified the City of its intent to assume full responsibility for the entire Public Health fleet. Because of prior year vehicle reductions and the City only replacing four damaged Public Health vehicles in the last two years, a healthy fund balance has accumulated in the County's capital replacement fund. The attached proposed Bill will transfer to the County 198 vehicles and an estimated \$1.46 million in cash, leaving the City to retain approximately \$562,032 as compensation for the transferred vehicles.

Please check one of the following:

**This legislation does not have any financial implications.**

**This legislation has financial implications.**

**Summary of Changes to Revenue Generated Specifically from this Legislation:**

	Revenue Source	2013 Proposed	2014 Endorsed
<b>Total Fees and Charges Resulting From Passage of This Ordinance</b>			

**Revenue Change Notes:** One-time proceeds from the transfer of 198 City-owned vehicles to the County are based on the proposed distribution outlined in Attachment A. After refunding the County’s portion of its capital replacement funds, FAS’ Subfund 50320 will absorb the remaining \$562,031 as compensation for the transferred vehicles into the fund balance.

**Anticipated Total Revenue from Entire Program, Including Changes Resulting from this Legislation:**

Fund Name and Number	Revenue Source	Total 2013 Revenue	Total 2014 Revenue
Fleets and Facilities subfund of the Department of Finance and Administrative Services subfund 50320			
<b>TOTAL</b>			

**Total Revenue Notes:** The capital vehicle replacement funds associated with this legislation have been accumulating and held in trust for the County and, as a result, were not considered to be revenue. Therefore, the transaction will be noted by Accounting Services staff on the City’s balance sheet, but will not affect the budget.

**Other Implications:**

- a) Does the legislation have indirect financial implications, or long-term implications?  
 Other than the one-time absorption of proceeds in FAS’ fund balance from the transfer of the vehicles, this legislation does not directly affect FAS’ budget. As mentioned above, the replacement funds have been accumulating and held in trust for the County. As budget authority is only granted for actual expenditures on vehicles and equipment, and not on the accumulation of funds, this transaction will be noted by Accounting Services staff on the City’s balance sheet, but will not affect the budget. The reduction of 198 King County Health vehicles from the City’s centralized fleet represents less than 5% of the fleet’s total unit count. A large majority of costs (fuel, vehicle purchases, etc.,) are pass-through expenses. Fixed costs for operating the fleet will not decrease as a result of this legislation and the net effect will be reallocated to the remaining City customers

through the rate-setting process. There is no reduction in FTE as auto mechanics work to absorb the existing backlog of maintenance and repair work in an attempt to meet the existing demand.

b. What is the financial cost of not implementing this legislation? If the legislation is not implemented, the City will be unable to legally transfer the 198 vehicles or refund its capital replacement funds held in trust.

c. Does this legislation affect any departments besides the originating department? See the answer to question “a” above

d. What are the possible alternatives to the legislation that could achieve the same or similar objectives? There are no alternatives to this legislation that could achieve the same or similar results.

e. Is the legislation subject to public hearing requirements? No.

f. Other Issues:

Please list attachments to the fiscal note below:

Attachment A - Proposed Distribution of Public Health - Seattle and King County Capital Replacement Reserve

Attachment A - Proposed Distribution of Public Health - Seattle and King County Capital Replacement Reserve

The Public Health - Seattle and King County (Public Health) capital replacement reserve is the result of accumulated payments for the purpose of replacing equipment. A combination of prior year vehicle reductions and Public Health only replacing four vehicles in the last two years, has resulted in a healthy fund balance for Public Health. Provided the current quasi-moratorium of not replacing equipment in 2012 remains in effect, Public Health’s capital replacement reserve is estimated to be as shown in the chart below. The proposed distribution methodology is also outlined in the chart. The calculation will be updated after January 31, 2013, or when all 2012 City accounting records are available.

1. Distribute the 12/31/10 balance of \$1,124,063 as follows:
  - a. Allocate \$562,031 (50% of the balance) to the City as compensation for transferring ownership of 198 vehicles to the County;
  - b. Refund \$562,032 (the remaining 50% of the balance) to the County.
2. Refund \$899,426, which is the net of 2011 and 2012 activity, to the County.

<b>Proposed Distribution of King County's Equity in Capital Replacement Reserve</b>				
	KC's Activity in Reserve	Proposed Reserve Distribution		
		City	County	Total
<b><i>Balance of as 12/31/10</i></b>	<b><i>\$1,124,063</i></b>	<b><i>\$562,031</i></b>	<b><i>\$562,032</i></b>	<b><i>\$1,124,063</i></b>
2011 KC County Contributions	535,671			
2011 KC County Expenditures	(23,168)			
2012 KC County Contributions	474,013			
2012 KC County Expenditures	(87,090)			
<b><i>Subtotal 2011 &amp; 2012 Activity</i></b>	<b><i>899,426</i></b>	<b><i>0</i></b>	<b><i>899,426</i></b>	<b><i>899,426</i></b>
				-
<b><i>Estimated Balance as of 12/31/12</i></b>	<b><i>\$2,023,489</i></b>	<b><i>\$562,031</i></b>	<b><i>\$1,461,458</i></b>	<b><i>\$2,023,489</i></b>