

ORDINANCE NO. 7112

1 AN ORDINANCE relating to the investment of certain county  
2 funds, designating certain county funds as eligible to benefit  
3 from investments of their surplus monies, establishing a  
4 procedure for determining the amounts to be invested for the  
5 benefit of each such fund and authorizing the investment of  
6 such amounts, confirming the authority and specifying the  
7 composition of the executive finance committee, specifying the  
8 allocation of investment earnings and providing for an  
9 investment service fee, authorizing certain temporary interfund  
10 borrowing and interfund investment purchases, providing for  
11 regular reports on investments of county funds, authorizing  
12 pooling of monies for investment purposes, repealing Resolution  
13 36165 with some exceptions, establishing practices for the  
14 investment of monies in newly created county funds, ratifying  
15 past investment practices and providing for a transitional  
16 period.

10 PREAMBLE:

11 It is hereby found and declared to be in the best interest of the county  
12 that only certain money in certain county funds be invested pursuant to  
13 the first paragraph of RCW 36.29.020 for the benefit of those funds; and  
14 the county by this ordinance takes action with respect to certain monies  
15 in certain county funds as set forth in section 2, below, to authorize  
16 such investment.

17 It is found and declared to be proper that the determination of the  
18 maximum prudent extent to which residual treasury cash in the control of  
19 the director of the office of finance is to be invested should be made by  
20 the director of the office of finance or his or her designee under the  
21 direction of the Executive Finance Committee.

22 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

23 SECTION 1. As used in this ordinance, the following terms shall have the  
24 following meanings:

25 "Director of Finance": The director of the King County office of finance.

26 "First tier fund": Each county fund listed or described in section 2 of  
27 this ordinance.

28 "Fund manager": That person holding or exercising the powers of the  
29 office specified in section 2 or section 11 for each fund, or that person's  
30 designee, which designee must be a county employee subordinate to and in the  
31 same department as the person holding or exercising the powers of the office  
32 specified in section 2 or section 11.

1        "Residual treasury cash": Any cash in the custody or control of the  
 2 office of finance as to which no investment directive under the first  
 3 paragraph of RCW 36.29.020, as now or hereafter amended, has been received by  
 4 the director of finance. Residual treasury cash includes county cash for  
 5 which the fund manager has not directed a specific fund investment pursuant to  
 6 this ordinance.

7        "Second tier fund": A fund that is not to be invested for its own benefit  
 8 under the first paragraph of RCW 36.29.020.

9        SECTION 2. A. First tier funds are as follows:

<u>Fund Number</u>	<u>Fund Name</u>	<u>Fund Manager</u>
111	Emergency Telephone - E-911	E-911 program manager
115	Road Improvement Guaranty	director of the department of public works
119	Emergency Medical Service	director of the department of public health
127	UA Real Estate Transfer Tax	director of the office of finance
134	Building and Land Development	director of the department of planning and community development
241	Federal Shared Revenue	director of the office of finance
302	Harborview Hospital Construction	director of the department of executive administration
309	Neighborhood Parks and Open Space Acquisition and Development	director of the department of planning and community development
310	West Seattle Bridge Construction	director of the office of finance
316	Parks, Recreation and Open Space	director of the department of planning and community department
317	Surface Water Construction	director of the department of public works
323	Solid Waste Construction - 1981	director of the department of public works
330	River and Flood Control Construction	director of the department of public works
331	Building Modernization and Construction	director of the department of executive administration

1	<u>Fund Number</u>	<u>Fund Name</u>	<u>Fund Manager</u>
2	332	Solid Waste Capital	director of the department of public works
3	333	Health Centers Construction	director of the department of public health
5	335	Youth Services Facilities Construction	director of the department of youth services
6	336	Arterial Highway	director of the department of public works
8	337	Park Acquisition and Development	director of the department of planning and community development
10	338	Airport Construction	director of the department of public works
11	345	Cedar Hills Center Construction	director of the department of public health
13	381	Solid Waste Equipment Recovery	director of the department of public works
14	384	Farmland and Open Space Acquisition	director of the department of planning and community development
16	385	Renton Maintenance Facility	director of the department of public works
18	386	County Road Construction	director of the department of public works
19	387	Harborview Medical Construction - 1977	director of the department of executive administration
21	388	Jail Renovation and Construction	director of the department of adult detention
22	391	Landfill Reserve Fund	director of the department of public works
24	404	Solid Waste Operating	director of the department of public works
25	429	Airport-Boeing Field	director of the department of public works
27	447	Waste Water Sewer Operation and Maintenance	director of the department of public works
28	448	Stadium Operations	director of the department of stadium administration
29			
30			
31			
32			
33			

	<u>Fund Number</u>	<u>Fund Name</u>	<u>Fund Manager</u>
1			
2	542	Safety and Workers' Compensation	director of the department of executive administration
3			
4	552	Insurance	director of the office of finance
5	557	Public Works E. R. and R.	director of the department of public works
6			
7	558	Motor Pool E. R. and R.	director of the department of public works
8	559	Purchasing Stores Revolving	director of the department of executive administration
9			
10	560	Printing/Graphic Arts Services	director of the department of executive administration
11	622	Judicial Administration Trust	director of the department of judicial administration
12			
13	674	Refunded Ltd. G. O. Bond Redemption	director of the office of finance
14	675	Refunded Unltd. G. O. Bond Redemption	director of the office of finance
15			
16	676	Housing and Community Development Escrow	director of the department of planning and community development
17			
18	679	H.U.D. Home Improvement Loans	director of the department of planning and community development
19			
20	693	Deferred Compensation Trust	director of the office of finance
21	795	Richmond Beach Sewer (No. 3)	director of the department of public works
22			
23	797	Skyway Sewer (No. 4)	director of the department of public works
24	844	Stadium Limited G. O. Bond Redemption	director of the office of finance
25			
26	890	King County ULID Assessment and Revenue Bond	director of the department of public works
27	3101	Sewer and Drainage 3 Maintenance	director of the department of public works
28			
29	3801	Sewer and Drainage 3 Bond	director of the department of public works
30	4101	Sewer and Drainage 4 Maintenance	director of the department of public works
31			
32	4801	Sewer and Drainage 4 Bond	director of the department of public works
33			

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33

B. The following shall also be first tier funds:

All funds now or hereafter established by ordinance for capital construction through specific road improvement districts, utility local improvement districts or local improvement districts. The director of the department of public works shall be the fund manager for such funds.

C. The following shall also be first tier funds:

All county funds that receive original proceeds of borrowings made pursuant to Chapter '216, Washington Laws of 1982 as now existing or hereafter amended, to the extent of the amounts then outstanding for such borrowings for that fund. For purposes of this subsection, the director of the county department or office primarily responsible for expenditures from that fund, or his or her designee, shall be the fund manager.

D. The following shall also be first tier funds:

Any other fund as the council may hereinafter prescribe by ordinance to be invested for its own benefit. If no designation is made by the council upon creation of the county fund, then the fund shall be treated as provided in section 11 of this ordinance.

SECTION 3. A. Second tier funds are as follows, except to the extent that all or a portion of any listed fund is a first tier fund by virtue of any other provision of this ordinance:

<u>Fund Number</u>	<u>Fund Name</u>
010	Current Expense
103	County Roads
105	River Improvements
106	Veterans Relief
107	Human Services
108	Civil Defense
112	Involuntary Treatment
113	Retention-Detention Facility

	<u>Fund Number</u>	<u>Fund Name</u>
1		
2	120	Treasurer's O and M
3	126	Alcoholism Services
4	128	Surface Water Utility
5	180	Public Health Pooling
6	182	Intercounty River Improvement
7	214	General Grant
8	224	Youth Programs
9	225	Head Start H.E.W.
10	243	C.E.T.A. Title VI
11	246	Community Development Block Grant
12	553	Systems Services
13	554	Payroll Revolving
14	555	Accounts Payable Revolving
15	621	Residual Investments
16	623	Cash in Other Banks
17	661	Deceased Effects Trust
18	662	Real Property Title Assurance
19	663	Comptroller Property Tax Refund
20	664	Property Tax Foreclosure Sale Excess
21	666	Real Property Advance Tax Collect
22	667	Fiscal Agent
23	668	Ad Valorem Tax Refund
24	669	Certificate of Redemption LID Assessment
25	670	Undistributed Taxes
26	671	District Court Suspense
27	672	Certificate of Redemption Real Property
28		
29		
30		
31		
32		
33		

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33

<u>Fund Number</u>	<u>Fund Name</u>
673	Misc. Tax Distribution Trust
677	Property Tax Suspense Fund
678	King County Fiscal Agent
692	Medical Benefit Plan Fund
697	Mailroom Property Tax Refund
698	Miscellaneous Trust
699	Assessment Distribution/Refund
840	Limited G.O. Bond Redempt.
850	Unlimited G.O. Bond Redempt.
851	Stadium G. O. Bond Redempt.

B. The County Roads Fund shall be a second tier fund provided that revenues to support appropriations made in support of capital projects approved in the County Road Construction Fund and Arterial Highway Fund shall be transferred from the County Roads Fund to those funds no later than the end of the fiscal year in which they are first appropriated beginning in fiscal year 1985.

Provided further, that in calendar year 1985 the amount of interest accruing to the Current Expense Fund which is attributable to residual treasury cash in the County Roads Fund shall not exceed the difference between the 1984 and the 1985 total real and personal unincorporated area property tax levy diverted to the Current Expense Fund plus the forest excise and harvest tax amounts diverted from the County Roads Fund to the Current Expense Fund for each year 1984 and 1985 so that such interest earnings accruing to the Current Expense Fund shall not exceed the reduction to the diversion between the years 1984 and 1985 and there is hereby appropriated from the Current Expense Fund to the County Roads Fund any such excess amounts as calculated by the director of finance.

SECTION 4. For each first tier fund, the maximum amount of funds available but not required for immediate expenditure which are to be invested pursuant to the first paragraph of RCW 36.29.020, as now or hereafter amended, is to be determined by the fund manager prospectively taking into

1 consideration the need to maintain sufficient cash liquidity in the fund to  
2 meet current expenditure requirements. Each fund manager shall make such a  
3 determination for each fund no less often than weekly, nor more often than  
4 daily, and shall promptly advise the director of finance or his designee, in  
5 such manner and subject to such reasonable administrative constraints as the  
6 director of finance shall establish, if there are funds to be invested, to  
7 invest such amounts from each fund, informing the director of finance of the  
8 amount and maximum length of maturity appropriate for each investment, and  
9 such amounts are hereby authorized for investment under the first paragraph of  
10 RCW 36.29.020, as now or hereafter amended. Such investments shall be made  
11 and the lengths of their maturities selected by the director of finance in  
12 consultation with the executive finance committee. Consultation with the  
13 executive finance committee shall include at a minimum, full disclosure of  
14 average invested and residual cash for each county fund. Such investments  
15 shall not negate or affect the authority of the director of the office of  
16 finance, under the guidance of the executive finance committee, to include the  
17 retained cash balance in the fund as part of the residual treasury cash  
18 invested under the second paragraph of RCW 36.29.020, as now or hereafter  
19 amended, for the benefit of the county Current Expense Fund.

20 SECTION 5. The executive finance committee is hereby confirmed as being  
21 the "county finance committee", referred to in RCW 36.29.020 and RCW 36.48.070  
22 and shall be composed of the following or their designees: county executive,  
23 director of finance, director of the budget office and the chairperson of the  
24 county council. The executive finance committee shall be responsible for  
25 directing the director of finance in determining the maximum prudent extent to  
26 which residual treasury cash shall be invested pursuant to RCW 36.29.020 and  
27 this ordinance. Actions of the committee shall be by majority vote except  
28 when the chairperson of the council determines such action constitutes a  
29 policy determination, as opposed to an administrative determination, which  
30 should be referred to the council. The councilmember or designee serving on  
31 the executive finance committee may defer action on the proposal until the  
32 county council makes such policy determination regarding the proposed action.  
33



1           SECTION 6. The investment instruments in which county funds shall be  
2 invested shall be selected solely by the director of finance or his or her  
3 designee and fully reported to the executive finance committee on a monthly  
4 basis at a minimum. Any losses on investments including all investments of  
5 the county treasury shall be reported by the director of finance to all  
6 members of the executive finance committee immediately upon discovery.  
7 Investments shall be chosen from those which are now or may hereafter be  
8 legally permitted, with the aim of maximizing return to the county while  
9 safeguarding county funds, providing the liquidity needed to meet county  
10 obligations in timely fashion, and complying with such other county policy  
11 directives as now exist or may be hereafter adopted.

12           SECTION 7. Investment earnings and losses and any penalties for premature  
13 liquidation shall be allocated as follows:

14           A. In the case of first tier funds, for those specific fund investments  
15 directed by the fund manager, an investment service fee equal to the maximum  
16 now or hereafter authorized by state law shall be deposited in the county  
17 current expense fund, and the balance of the maturing or liquidated  
18 investment, plus earnings if any, shall be deposited in the specific fund out  
19 of which the investment originated.

20           As an alternative to premature liquidation of these specific fund  
21 investments, the Executive Finance Committee may provide, on appropriate terms  
22 and conditions, for temporary interfund borrowing to cover unforeseen cash  
23 liquidity needs, and may provide for interfund purchases, at then market  
24 value, of investments in order to avoid penalties, provided that, the director  
25 of finance shall report to the executive finance committee any temporary  
26 interfund borrowing made to avoid liquidation of any investment instrument if  
27 such liquidation would have resulted in a loss of principal or interest.  
28 Terms and conditions should specify an interest rate and schedule of repayment.

29           B. For all other county funds, and for residual treasury cash investments  
30 attributable to first tier funds, all earnings and losses and any penalties  
31 for premature liquidation shall be deducted from or deposited in the county  
32 current expense fund and used for general county purposes.  
33

1           SECTION 8. The executive finance committee shall report to the county  
2 council quarterly the average residual cash and investment balances of each  
3 first tier fund, the amount of investment earnings received by each first tier  
4 fund, the specific fund investments outstanding at the end of the quarter for  
5 each first tier fund, and the amount retained in that fund at the end of the  
6 quarter as part of the residual treasury cash.

7           SECTION 9. At the direction of the executive finance committee, with the  
8 agreement of the fund manager, the director of finance or his or her designee,  
9 may pool monies for specific fund investments with other monies directed for  
10 specific fund investments by a fund manager under the first paragraph of RCW  
11 36.29.020, as now or hereafter amended, monies in the residual treasury cash  
12 and monies directed for investment by other municipal corporations. Interest  
13 earnings and any losses shall be apportioned pro rata, after payment of  
14 investment service fees to the county current expense fund, to each of the  
15 funds participating in the pooled investment.

16           SECTION 10. King County Resolution 36165 is hereby repealed, except that  
17 it shall continue to govern the investment of county funds consisting  
18 primarily of proceeds from the issuance of bonds or other county obligations  
19 authorized (whether or not yet issued) prior to the effective date of this  
20 ordinance, and shall take precedence over this ordinance as to such funds in  
21 case of irreconcilable conflict.

22           SECTION 11. Whenever a new county fund shall be created, unless it is of  
23 a type described in section 2.B. of this ordinance, consideration shall be  
24 given to whether it should be a first tier fund, and the county council shall  
25 consider the recommendation of the county executive in this regard within 45  
26 days of receiving such recommendation. Any fund as to which no specific  
27 action is or has been taken within 45 days to authorize specific fund  
28 investments under the first paragraph of RCW 36.29.020, as now or hereafter  
29 amended, shall be a second tier fund.  
30  
31  
32  
33

1 Whenever a new county fund is established with direction that all surplus  
2 monies in the fund be invested for the benefit of that fund, or when such  
3 direction is given in connection with any county fund, such direction shall be  
4 deemed to mean only that monies available but not required for immediate  
5 expenditure shall be invested for that fund according to the procedures and  
6 limitations contained in this ordinance, and such direction shall not negate  
7 or affect the authority of the director of finance, under the guidance of the  
8 executive finance committee, to include the retained cash balance in that fund  
9 as part of the residual treasury cash invested under the second paragraph of  
10 RCW 36.29.020, as now or hereafter amended, for the benefit of the county  
11 current expense fund; except that if specific negative reference is made to  
12 this ordinance and direction is expressly given that the current expense fund  
13 shall not receive any earnings attributable to the fund in question, then and  
14 only then shall that particular fund be entitled to its proportionate share of  
15 any earnings resulting from residual treasury cash.

16 In case direction shall be given that certain monies in a county fund be  
17 invested for the benefit of that fund, and no fund manager be provided for,  
18 then the director of the county department or office primarily responsible for  
19 expenditures from that fund, or his or her designee, shall be the fund manager.

20 SECTION 12. All prior actions of the executive finance committee and the  
21 director of finance or his predecessor taken in connection with investment  
22 directives and policies, investment decisions, and the allocation of  
23 investment earnings, as they relate to the investment of county funds, are  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33

1 hereby ratified.

2 SECTION 13. The director of finance shall promulgate administrative rules  
3 pursuant to KCC 2.98 to implement this ordinance. The rules shall be approved  
4 by the executive finance committee.

5 SECTION 14. This ordinance shall take effect retroactive to January 1,  
6 1985.

7 SECTION 15. In the event that there are any investments outstanding on  
8 the effective date of this ordinance which have been made for the benefit of a  
9 county fund (the "originating fund") that will no longer, upon the effective  
10 date of this ordinance, be entitled to retain investment earnings, then the  
11 earnings or loss from the investment shall, upon receipt or maturity, be  
12 divided proportionately between the originating fund and the current expense  
13 fund according to the number of calendar days such investment was outstanding  
14 before and on or after the effective date of this ordinance. In such cases,  
15 the current expense fund shall receive, from the originating fund's share of  
16 investment earnings, the maximum investment service fee now or hereafter  
17 allowed by state law.

18 INTRODUCED AND READ for the first time this 14th day  
19 of January, 1985.

20 PASSED this 4th day of February, 1985.

21 KING COUNTY COUNCIL  
22 KING COUNTY, WASHINGTON

23 Gary Grant  
24 Chairman

25 ATTEST:

26 Janet M. Owens  
27 Clerk of the Council

28 APPROVED this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

29 (COUNTY CLERK'S SIGNATURE)

30 DATE: 2/15/85

31 King County Executive



**King County Executive**  
Randy Revelle

February 15, 1985

Honorable Gary Grant, Chairman  
King County Council  
C O U R T H O U S E

RE: Interest Earnings Ordinance 7112

Dear Chairman Grant:

With this letter, I am returning to the King County Council without my signature Ordinance 7112 pertaining to the investment of King County funds. While I have decided not to veto this ordinance again, I do not approve of the ordinance and am using this letter to summarize my concerns.

Except for a retroactivity clause, Ordinance 7112 is identical to Ordinance 7028 which I vetoed on December 6, 1984. At that time, I explained in detail my concerns about this ordinance and my reasons for vetoing it. I also submitted proposed substitute ordinances which resolved my most immediate concerns about Ordinance 7028, while preserving the Council's programmatic decisions on 1985 Budget priorities.

We will not reiterate all of those arguments here. For your information, we have enclosed a copy of my December 6, 1984 veto message which details our concerns.

We would like to emphasize the following points, however. First, we believe certain fundamental principles of government should guide our actions. One of those principles is that elected officials should retain maximum flexibility for their annual resource allocation decisions. This flexibility is a necessary condition if we are to meet the varied and changing demands for services we face. Requirements for serving our residents today are not the same as they will be one year or five years from now. In order to meet those demands, we should not tie our hands by permanently earmarking monies for certain purposes which may be our highest priorities now, but may not be of as great a concern in the future. Yet this is exactly what Ordinance 7112 does.

The ordinance directs certain interest earnings to funds from which we have the legal authority to spend money only on certain narrowly defined purposes. As a matter of principle, we believe that such direction in the case of the Building and Land Development (BALD), Real Estate Excise Tax (REET) and County Road Construction (CRC) Funds is inappropriate and unnecessary.

The Honorable Gary Grant  
February 15, 1985  
Page 2

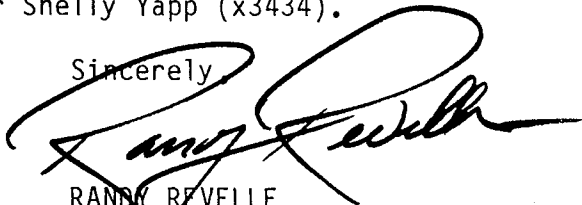
If such interest earnings were deposited in the Current Expense Fund, we as elected officials can make the choice of using these monies to pay for any of the variety of services we pay for out of the BALD, REET, or CRC Funds. We also retain the discretion to use those monies for any other public purpose we collectively deem to be of higher priority. By earmarking those earnings to the BALD, REET, and CRC Funds, we have unnecessarily restricted our decisions to the services carried out by those three funds.

King County's accounting system is already burdened with too many separate funds and too many restrictions on the use of individual funds. In many cases, we as elected officials have little or no choice in how resources are allocated. To the extent this ordinance further restricts our capacity to respond to changing needs and complicates our financial management, we are concerned about the precedent of this approach.

Despite these and other concerns expressed in my December 6, 1984 veto message, I have chosen not to veto Ordinance 7112, but to let it become law without my approval. No ordinance is immutable, however. In preparing the 1986 Executive Proposed Budget, we will reexamine the impacts of the restrictions placed on us by Ordinance 7112. At that time, we will propose appropriate changes in the County's investment practices, consistent with a policy of maximizing the flexibility of the Executive and the Council for annual budget decisions.

Thank you for your attention to this matter. If you have any questions about the subject of this letter or wish to discuss our concerns, please contact me (x4040), Bob Cowan (x2626), or Shelly Yapp (x3434).

Sincerely,



RANDY REVELLE  
King County Executive

RR:RC:ja  
Enclosure

cc: King County Councilmembers  
    ATTN: Cheryl Broome, Program Director  
          Jerry Peterson, Administrator  
          Cal Hoggard, Legislative Section Manager  
King County Executive Cabinet Members