

0020.030.036
LCM/crd
05/09/89

Investment of City property
tax receipts by King County

RESOLUTION NO. 797

A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF REDMOND, WASHINGTON, RELATING TO THE
INVESTMENT OF CITY PROPERTY TAX RECEIPTS IN
CUSTODY OF THE COUNTY FINANCE MANAGER.

WHEREAS, as required by state law, the King County Finance Manager collects property taxes for and on behalf of the City of Redmond, and

WHEREAS, RCW 36.29.020 provides that the City Council may authorize and direct the King County Finance Manager to invest property tax receipts which are collected prior to the disbursement of such receipts to the City, and the City Council has so authorized and directed through the adoption of Resolution No. 758, and

WHEREAS, the King County Finance Manager has proposed the automatic investment of city tax receipts in a manner set forth in a letter dated April 21, 1989, a copy of which is attached as Exhibit A and to make a lump sum payment retroactive to October 24, 1988, and

WHEREAS, it is in the best interest of the citizens of the City of Redmond that city tax receipts in the custody of the King County Finance Manager be invested in the manner he has proposed, now, therefore,

THE CITY COUNCIL OF THE CITY OF REDMOND, WASHINGTON,
HEREBY RESOLVES AS FOLLOWS:

Section 1. The King County Finance Manager is authorized and directed to invest tax receipts in the manner proposed in the letter dated April 21, 1989, a copy of which is attached as Exhibit A.

Section 2. The City shall accept a lump sum payment calculated according to the system proposed by the King County Finance Manager, retroactive to October 24, 1988, in complete satisfaction for all past claims for earnings on city tax receipts.

Section 3. The City agrees to hold King County, its Finance Manager, and other officers and employees harmless from any claims for damages or loss of funds resulting from investments made in accordance with the system proposed by the King County Finance Manager.

Section 4. Resolution No. 758 adopted by the City Council on July 7, 1987, is hereby repealed.

RESOLVED this 16th day of May, 1989.

APPROVED:

Doreen Marchione
MAYOR, DOREEN MARCHIONE

ATTEST/AUTHENTICATED:

Doris A. Schaible
CITY CLERK, DORIS A. SCHAIBLE

FILED WITH THE CITY CLERK: 5-11-89
PASSED BY THE CITY COUNCIL: 5-16-89
RESOLUTION NO. 797

**King County
Finance Division**Office of
Financial Management600 King County Administration Building
500 Fourth Avenue
Seattle, Washington 98104

April 21, 1989

RECEIVED**APR 24 1989**CITY OF REDMOND
FINANCE DIRECTORFINANCE MANAGER
City of Redmond
15670 NE 85th St.
Redmond, WA 98052

Dear City Finance Officer:

As you may know, the State Court of Appeals issued a decision last fall regarding interest earnings on property tax receipts. That case, Seattle, et al vs. King County, et al, has now become final. The general effect of this decision is that cities now have the right to earn interest on taxes collected for them by the County up to the date the taxes are disbursed. The purpose of this letter is to explain the way in which we intend to implement this decision.

1. Automatic Investment Earnings - In order to realize the greatest overall return and to minimize administrative burdens for all of us, we will combine all city tax receipts for investment with other residual County cash. We will then provide an automatic prorata distribution of the earnings to each fund at month end. In addition to increasing our mutual investment power, this will eliminate the need for you to give, and for us to receive, individualized investment directions.

The formula by which earnings will be prorated is complex, but fair. It duplicates the formula agreed to between Seattle and the County for purposes of the litigation (see enclosure). You should contact Garry Holmes of this office at 296-7333 if you would like a detailed explanation of the formula.

2. Investment Service Fee - The County will charge and deduct an investment service fee for all investments made pursuant to this letter as provided in RCW 36.29.020. This fee is 5 percent of the earnings up to a maximum fee of \$50 per year for each transaction for each city. For purposes of computing the fee, all collections, deposits and investments for each city on a given day will be considered a single transaction.
3. Retroactive Earnings - Subject to and upon receipt of appropriation authority from the County Council, we will make a lump sum retroactive payment to all cities which have elected to participate in this system. The payment will represent the earnings which would have accrued under the formula between October 24, 1988 (the date of the court decision), and the date the new automatic system is fully implemented. Retroactive payments will be made only to those cities from which a resolution as described below has been received.

City Finance Officer
April 21, 1989
Page 2

4. Resolutions - Each city wishing to participate in the system described above must adopt a resolution which:
1. References and adopts the terms of this letter,
 2. Directs investment according to the terms of the letter,
 3. Accepts the lump sum payment in satisfaction of all claims for earnings on tax receipts.
 4. Expressly holds the County harmless from any damage or loss of funds resulting from investments made pursuant to this letter.

I have enclosed a draft resolution for your consideration which contains the elements required. Cities which have previously adopted resolutions which do not contain the above elements must submit either a new or an amended resolution containing the required elements.

The effective date for beginning the interest earnings calculation will be October 24, 1988 for those cities from which we have received a resolution by June 30, 1989. Resolutions received after June 30, 1989 will be effective on the date received.

I believe the system described above will work smoothly and fairly, although I anticipate there will be some period of adjustment necessary. If you have any questions on how the system will operate, please contact Scott Matheson, Cash Management Supervisor, at 296-7310 or me at 296-7326.

Sincerely,



D. Lee Dedrick
Finance Manager

DLD:ja
Enclosures