



**LACEY CITY COUNCIL  
WORKSESSION  
THURSDAY, DECEMBER 10, 2015  
7:00 – 9:00 P.M.  
LACEY CITY HALL – 420 COLLEGE STREET SE**

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**AGENDA**

- 7:00**     **2016 LEGISLATIVE AGENDA**  
*MARK BROWN, CITY LOBBYIST*  
(PRESENTATION – NO ATTACHMENT)
- 7:45**     **HICKS LAKE CONTRACT WITH THURSTON COUNTY TREASURER**  
*TOM PALMATEER, PW MANAGEMENT ANALYST*  
(STAFF REPORT ATTACHED – ACTION ITEM)
- 7:55**     **SOCIAL MEDIA UPDATE**  
*LIZ GOTELLI, PUBLIC AFFAIRS & HUMAN RESOURCES DIRECTOR*  
(VERBAL REPORT – NO ATTACHMENT)
- 8:25**     **VEBA BRIEFING**  
*LIZ GOTELLI, PUBLIC AFFAIRS & HUMAN RESOURCES DIRECTOR*  
(STAFF REPORT ATTACHED)
- 8:40**     **TRANSPORTATION BENEFIT DISTRICT**  
*SCOTT EGGER, PUBLIC WORKS DIRECTOR*  
(VERBAL REPORT – NO ATTACHMENT)
- 9:30**     **ADJOURN**



**LACEY CITY COUNCIL WORKSESSION**  
**December 10, 2015**

**SUBJECT:** Collection of Hicks Lake Management District Assessments

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**RECOMMENDATION:** Motion to authorize the City Manager to sign a contract with the Thurston County Treasurer's office to collect the Hicks Lake Management District assessments as part of the regular property tax collections.

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**STAFF CONTACT:** Scott Spence, City Manager *SS*  
Dave Schneider, City Attorney  
Troy Woo, Finance Director *TW*  
Scott Egger, Public Works Director *SE*  
Tom Palmateer, Management Analyst *TP*

**ORIGINATED BY:** Public Works Department

**ATTACHMENTS:** 1. Thurston County Treasurer Contract

**FISCAL NOTE:** Thurston County will charge the Hicks Lake Management District a fee of 1% of the total assessment annually for this service. This amounts to \$481 per year.

**PRIOR REVIEW:** None.

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**BACKGROUND:**

The Hicks Lake Management District was created with Ordinance 1479 on October 8, 2015. It authorized the collection of property assessments to support the district.

The County Treasurer collects property taxes and assessments, and can provide the service of collecting these funds and transferring them to the City of Lacey. The City will manage the funds in conjunction with the Lake Management District. The Treasurer will charge a nominal fee of 1% of the total assessment, or about \$481 per year for the service.

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**ADVANTAGES:**

1. Thurston County already manages property ownership records and tax collection. Contracting with Thurston County for this service will save staff time and money by eliminating the need for city staff to set up and manage their own process.

**DISADVANTAGES:**

1. None.

## Contract for Collection and Administration of City of Lacey - Hicks Lake Management District

This Contract is between the Thurston County Treasurer (hereinafter referred to as the “Treasurer”) and the City of Lacey-Hicks Lake Management District (hereinafter referred to as the “District”), in accordance with RCW 84.56.035. The purpose of this Contract is to define the responsibilities of the Treasurer and the District and the payment by the District for such services.

It is Mutually Agreed That:

1. **Calculation Responsibility.** The District shall be responsible for developing the charges in accordance with the provisions of appropriate statutes.
2. **Assessment Charge Information to Treasurer.** The District shall be responsible for providing test information for each parcel charge to the Treasurer. Such collection information for each property within the District boundaries is to be supplied on a computer CD or e-mail in the ASCII flat file-comma delimited txt format.
3. **Parcel Changes.** The Treasurer will modify billings as follows:
  - a. Parcels combined after billing: original amount will still be carried as a receivable and collected.
  - b. Parcels segregated after billing: original billing will stay with the parent parcel or if a parent parcel does not exist, assessment will be ratably distributed based on acreage.
  - c. Cancellations or supplemental tax that occurs after the final roll has been submitted will be considered in succeeding year.
  - d. Adjustments that affect Thurston County Stormwater assessments need to be communicated directly to Stormwater.
4. **Delinquent District Charges.** The Treasurer will track amounts and bill charges in future periods which remain unpaid. The Treasurer is not responsible for initiating any collection procedures beyond sending the statement.
5. **Annual Calendar:** Final assessment charge files in the required format must be received by November 15 for the next year’s collection with the exception of the 2016 assessment. 2016 assessment charge files must be received by Dec 15, 2015.
  - A. Billing date to taxpayer-mid February of any collection year.
  - B. Collections-are posted to fund on the last day of the current month’s collections.
  - C. Collections for the prior month will be remitted to the City of Lacey on the 10<sup>th</sup> of each month.
  - D. Due Dates-first half due on April 30<sup>th</sup> and second half due on October 31<sup>st</sup>.
  - E. 1% Interest on delinquents will be added the first of each month until paid.

F. 3% penalty added June 1<sup>st</sup> and 8% added December 1<sup>st</sup>.

If appropriate statutes relating to due dates, penalties and interest for general property taxes are modified, it is agreed that the above schedule will be modified to be consistent.

6. **Administration costs and Payment.** Per RCW 84.56.035, the Treasurer will impose an annual fee for collecting the charge not to exceed one percent of the dollar value of the total assessment charges. The District will be notified each June of the collection year for the administration fee charges and the treasurer's accounting staff will do a journal entry to the fund for payment.
7. **Period of Performance.** The period of performance of this Contract shall be in effect for as long as the rates and charges continue to be assessed and collected, unless otherwise agreed by all parties.
8. **Severability. A.** It is understood and agreed by the parties hereto that if any part, term or provision of this Contract is held by the courts to be illegal, the validity of the remaining provisions shall not be affected and the rights and obligations of the parties shall be construed and enforced as if the Contract did not contain the particular provision held to be invalid.  

**B.** If it should appear that any provision hereof is in conflict with any statutory provision of the State of Washington, said provision which may conflict therewith shall be deemed inoperative and null and void insofar as it may be in conflict therewith, and shall be deemed modified to conform to such statutory provision.
9. **Entire Contract.** The parties agree that this Contract is the complete expression of the terms hereto and any oral representations or understandings not incorporated herein are excluded.
10. **Modifications.** Any amendment to this Contract, including recovery of additional costs for unanticipated services, shall be in writing, signed by the parties and attached to this Contract.
11. **Cooperation encouraged.** During the period of this Contract, the Treasure's staff needs to be advised and kept up to date on circumstances which could cause delays in the implementation of this Contract. This is necessary to ensure coordination of the collection of funds consistent with cash needs of the District.
12. **Termination.** Any party hereto may terminate this Agreement upon ninety (90) days notice in writing either personally delivered or mailed postage-prepaid by certified mail, return receipt requested, to the other party's address for the purposes of giving notice under this paragraph.

Adopted and approved December 1<sup>st</sup>, 2015

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Shawn D. Myers, Thurston County Treasurer

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Scott Spence, Manager, City of Lacey



**LACEY CITY COUNCIL WORKSESSION**  
December 10, 2015

**SUBJECT:** Resolution to create Health Reimbursement Arrangement (HRA) utilizing a Voluntary Employees' Beneficiary Association (VEBA).

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**RECOMMENDATION:** Motion to move item of establishing HRA VEBA Plan for non-represented City employees and City employees who are represented by AFSCME Local 618-L to the next regularly scheduled City Council meeting.

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**STAFF CONTACT:** Scott Spence, City Manager *SS*  
Liz Gotelli, Public Affairs and Human Resources Director *LG*

**ORIGINATED BY:** Public Affairs and Human Resources Department

**ATTACHMENTS:** 1. Draft resolution

**FISCAL NOTE:** Estimated savings over a two year period (2016-2017) of \$270,000.

**PRIOR REVIEW:** There has been no prior review by the City Council.

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**BACKGROUND:**

In anticipation of the implementation of the excise tax relating to the federal Affordable Care Act (ACA), commonly known as the "Cadillac Tax," the Association of Washington Cities (AWC) has notified the City that the health care plans currently provided to City employees will no longer be offered effective January 1, 2018.

In a proactive measure to prepare for this transition and to realize cost savings in health care prior to 2018, the City of Lacey will transition its non-represented employees as well as those employees represented by AFSCME Local 618-L to new health care plans effective January 1, 2016. This transition was part of the negotiated collective bargaining process with AFSCME, resulting in a new collective bargaining agreement for 2016-2018.

As part of this transition, the City proposes the establishment of an HRA VEBA plan for those employees moving to the new health care plans in 2016. An HRA is an account-based health plan that may be used to reimburse qualified out-of-pocket medical care costs as defined by the IRS. Common qualified expenses include co-pays, deductibles, prescription drugs, and retiree insurance premiums. The HRA is not an insurance plan, but rather an account that is funded through contributions from the employer.

Employer contributions, investment earnings, and withdrawals (claims) are tax-free. These funds may cover expenses for spouses and dependents, can accumulate in the HRA account for future use such as during retirement, and may be carried forward year-to-year.

The City will make contributions into this fund in 2016 based on the employee's enrollment status and the number of dependents. Amounts will range from \$750 for an employee with no dependents to \$2,250 for a full family. The net effect to the City for the transition to the new health care plans and the funding of the HRA accounts is expected to result in a savings of over \$270,000 for the two-year period of 2016-2017.

In addition to employer contributions, the creation of a VEBA allows for employee groups to elect to make mandatory contributions to the HRA as well.

To establish an HRA VEBA Plan for non-represented and AFSCME employees, the City Council must pass a resolution that authorizes this action.

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#### **ADVANTAGES:**

1. The City pro-actively plans for the implementation of provisions of the Affordable Care Act in 2018.
2. The City realizes significant cost savings in health care for employees.
3. Lacey employees retain comparable health care coverage, but with higher out of pocket expenses.
4. The City establishes a mechanism to create and fund a health care account to help employees save for future medical expenses.

#### **DISADVANTAGES:**

1. None foreseen.

## RESOLUTION NO.

### CITY OF LACEY

#### A RESOLUTION AUTHORIZING THE ESTABLISHMENT OF THE HEALTH REIMBURSEMENT ARRANGEMENT/VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION ("HRA VEBA") PLANS

WHEREAS, the Internal Revenue Code Section 501(c)(9) allows for the creation of a voluntary employees' beneficiary association which is a tax-exempt health and welfare trust; and

WHEREAS, IRS regulations and guidelines allow an employer to offer health reimbursement arrangement (HRA) plans; and

WHEREAS, such HRA plans are available to governmental employers in the Northwest; and

WHEREAS, the Voluntary Employees' Beneficiary Association Trust for Public Employees in the Northwest ("Trust") offers and will administer two HRA VEBA plans (collectively the "Plans") as amended and restated: the **Standard HRA Plan**, which shall be integrated with the Employer's or another qualified group health plan and which shall accept Employer contributions on behalf of eligible employees who are enrolled in or covered by such qualified group health plan and any other contributions that may be permitted under applicable law from time to time; and the **Post-separation HRA Plan**, which shall accept contributions on behalf of eligible employees, including eligible employees who are not enrolled in or covered by the Employer's or another qualified group health plan, and which shall provide benefits only after a participant separates from service or retires; and

WHEREAS, the City of Lacey ("Employer") has determined that it is in the best interest of the Employer and its employees to establish the Plans, which provide tax-free, defined contribution accounts for employees to reimburse qualified medical, dental, vision and tax qualified long-term care premiums and non-covered healthcare expenses of the employees and their qualified dependents; and

WHEREAS, available guidance indicates that with respect to governmental employers, the IRS generally treats union member contributions to an HRA, made pursuant to mandatory CBA provisions, as employer contributions; and

WHEREAS, the Employer desires to establish the Plans for City of Lacey union members of the American Federation of State, County and Municipal Employees (AFSCME) and non-represented employees; and

WHEREAS, the Employer desires to use the services of the Trust to administer such Plans; and

WHEREAS, the Plans will be administered in accordance with the Plan documents provided by the Trust on file in the Employer's main office.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON, that:

Section 1. Effective, January 1, 2016 the Employer hereby elects to participate in the Plans and Trust as presently constituted or hereafter amended using the Trust as its plan administrator for the benefit of eligible employees as defined by Employer policies or collective bargaining agreements.

Section 2. The Plans will be funded with Employer contributions in amounts determined from time to time pursuant to Employer policies and collective bargaining agreements.

Section 3. The City Manager, the Human Resources Director, and Human Resources Analysts are authorized to execute documents and establish procedures consistent with Plan and Trust provisions and applicable Employer policies and collective bargaining agreements necessary to effect the adoption and administration of the Plans.

PASSED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON, this \_\_\_\_ day of December, 2015.

CITY COUNCIL

\_\_\_\_\_  
Mayor

Attest:

Approved as to form:

\_\_\_\_\_  
City Clerk

\_\_\_\_\_  
City Attorney

DRAFT