## STAFF REPORT

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| **Agenda Item:** | 8 | **Name:** | Melissa Bailey  |
| **Proposed No.:** | 2021-0380 | **Date:** | October 19, 2021  |

**SUBJECT**

Proposed Ordinance 2021-0380 would create a new special revenue fund to record the administrative expenditures and revenues for the deferred compensation program. It would also transfer the net assets and fund balances from the current deferred compensation subfund, managed by the Department of Executive Services, to the newly created fund to be managed by the Department of Human Resources.

**SUMMARY**

Historically, the Department of Executive Services (DES) has been responsible for managing the Employee Deferred Compensation Administration subfund, which pays the operational costs of the King County Employees Deferred Compensation Board. Consistent with Council action taken in 2018 and 2020,[[1]](#footnote-1) the proposed ordinance would create a new Deferred Compensation fund to be managed by the Department of Human Resources (DHR) and would transfer all net assets and fund balances from the DES managed subfund to the newly created fund managed by DHR.

The Executive’s proposed 2021 2nd Omnibus (mid-biennial supplemental budget)[[2]](#footnote-2) includes a corresponding $665,000 transfer from DHR's General Fund appropriation to the newly created Deferred Compensation fund. This is a technical transfer with no changes to spending or policy as a result of the transfer.

Staff has prepared Striking Amendment 1 to correct minor typos and spelling errors.

**BACKGROUND**

**Employees Deferred Compensation Administration Subfund.** The Employees Deferred Compensation Administration subfund pays the operational costs of the King County Employees Deferred Compensation Board. The main source of revenue for this subfund is from fees charged to employees through their investments in the deferred compensation plan. This is currently an administrative subfund of the General Fund, managed by the Director of the Department of Executive Services.

**Department of Human Resources.** In 2018, Council eliminated the Human Resources Division within the Department of Executive Services (DES) and centralized employee services into a new Department of Human Resources (DHR).[[3]](#footnote-3) This work continued in 2020, when Council moved the Benefits, Payroll, and Retirement Operations Section (BPROS) of the Finance and Business Operations Division within DES to DHR's Central Employee Services Division.[[4]](#footnote-4) Included in this move to DHR was the duty of administering the employer responsibilities for retirement and deferred compensation plans.

**ANALYSIS**

The proposed ordinance would create a new special revenue fund, the Deferred Compensation fund, to be managed by the Director of DHR. The fund would provide for the receipt of revenues and disbursement of expenditures related to administering the employer responsibilities for the deferred compensation plans. The special revenue fund would be a tier one fund, meaning it can be invested for its own benefit.

The proposed ordinance would also transfer the net assets and fund balances from the current subfund managed by DES to the newly created fund to be managed by DHR.

These changes are consistent with Council's previous actions and aligns oversight of the funds with DHR's responsibilities.[[5]](#footnote-5)

As previously noted, the Executive’s proposed 2021 2nd Omnibus (mid-biennial supplemental budget)[[6]](#footnote-6) includes a $665,000 transfer from the DHR's fund to the newly created Deferred Compensation fund.[[7]](#footnote-7)

**AMENDMENT**

Striking Amendment S1 is a technical amendment to correct minor typos and spelling errors.

**INVITED**

* Dwight Dively, Director, Office of Performance, Strategy and Budget

**ATTACHMENTS**

1. Proposed Ordinance 2021-0380
2. Striking Amendment S1
3. Transmittal Letter
4. Fiscal Note (Revised)
5. Deferred Compensation Fund Financial Plan, updated August 24, 2021
1. Ordinances 18793 and 19199 [↑](#footnote-ref-1)
2. Proposed Ordinance 2021-0372 [↑](#footnote-ref-2)
3. Ordinance 18793 [↑](#footnote-ref-3)
4. Ordinance 19199 [↑](#footnote-ref-4)
5. Ordinance 19199 and K.C.C. 2.16.036.E.6 [↑](#footnote-ref-5)
6. Proposed Ordinance 2021-0372 [↑](#footnote-ref-6)
7. The original fiscal note for this ordinance (2021-0380) included slightly different expenditure and revenue amounts than what was reflected in the proposed mid-biennial supplemental budget (2021-0372) and the Deferred Compensation Fund Financial Plan. PSB has revised the fiscal note for PO 2021-0380 to correct the error. [↑](#footnote-ref-7)