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Title: AN ORDINANCE approving membership in the Chicago Climate Exchange; authorizing the executive to execute the appropriate documents to become a member of the Chicago Climate Exchange; and establishing and stating the purpose of a new fund entitled Climate Exchange Fund; amending Ordinance 12076, Section 9, as amended and K.C.C. 4.08.015, as amended, and adding a new section to K.C.C. chapter 4.08.

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| 7/24/2006 | 1 | Metropolitan King County Council | Passed | Pass |
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AN ORDINANCE approving membership in the Chicago Climate Exchange; authorizing the executive to execute the appropriate documents to become a member of the Chicago Climate Exchange; and establishing and stating the purpose of a new fund entitled Climate Exchange Fund; amending Ordinance 12076, Section 9, as amended and K.C.C. 4.08.015, as amended, and adding a new section to K.C.C. chapter 4.08.

STATEMENT OF FACTS:

1. There is a consensus among the world's leading scientists that global warming pollution by humans is one of the world's most significant problems today.

2. King County recognized global warming and related energy pollution problems at an early stage, and over the past fifteen years has actively implemented policies to foster a clean fuel economy, which experts agree is a critical element to reducing global warming pollution caused by humans.
3. In September 1988, the King County council proposed Ordinance 88-662 with the intent of creating an office of science and technology planning to address the issues of ozone depletion and global warming.
4. In 2002 the King County executive signed Executive Order PHL 10-1(AEO), by which the executive created and led a countywide initiative to inventory and reduce global warming pollution caused by greenhouse gas emissions ("carbon" or "carbon equivalents").
5. Council subsequently adopted Motion 11364 which approved participation in the Cities for Climate Protection Campaign and supported the executive's development of an action plan to reduce emissions of greenhouse gases and targeted air pollutants from King County operations.
6. In furtherance of this legislative implementation, an Air Quality Steering Team was established to provide the organizational capacity for inventorying and reducing greenhouse gas emissions that cause global warming pollution.
7. As a result of the Air Quality Steering Team's important work, the county has created one of the most comprehensive emissions inventories ("carbon inventory") of any local government in the United States and has empowered the county to fully understand its carbon liabilities and marketable carbon assets ("carbon credits").
8. The preceding work to develop a best-practice carbon inventory has built critical organizational expertise and resources in the departments of King County for future emissions reduction planning and sale of carbon credits.
9. The Rio Treaty, established on May 9, 1992, and entered into force in 1994, set a long-term

objective of stabilizing greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous human-caused climate change, and represented an important first step toward creating a framework for emissions trading.

10. In 2003 the Lieberman-McCain Climate Stewardship Act (United States Senate Bill 139) has proposed federal limits on carbon emissions and a system that allows for trading carbon credits (a "carbon market").

11. In February 2005, the Kyoto Protocol to the United Nations Framework Convention on Climate Change entered into force, officially creating a market for the trading of emissions by over one hundred forty signatory countries and regional organizations, which represent sixty-two percent of global emissions.

12. On June 22, 2005 the United States Senate stated in an amendment to its version of the Energy Policy Act of 2005, "It is the sense of the Senate that Congress should enact a comprehensive and effective national program of mandatory, market-based limits and incentives on emissions of greenhouse gases that slow, stop, and reverse the growth of such emissions at a rate and in a manner that-(1) will not significantly harm the United States economy; and (2) will encourage comparable action by other nations that are major trading partners and key contributors to global emissions."

13. In May 2006, the United States House of Representatives Appropriations Committee accepted a nonbinding climate change amendment that endorsed a mandatory cap on greenhouse gas emissions as a measure to reduce global warming, as long as such a program would not harm the United States economy.

14. Each year across the United States, state and local regulations on limiting carbon emissions and forming carbon credits are promulgated with growing frequency.

15. King County continues to be committed to reducing global warming pollution in accordance

with the United States Senate statements on global warming and the 2003 proposed Lieberman-McCain Climate Stewardship Act (United States Senate Bill 139); and these important legislative initiatives recognize that federal limits (a "cap") on carbon emissions will be essential for nationwide greenhouse gas reductions, and that a federal cap on carbon emissions also ensures the meaningfulness of carbon credits by fully internalizing the cost of carbon liability.

16. Banks, insurance companies and financial institutions have increasingly begun to calculate the financial risks of carbon emissions under a range of possible future regulations, and many businesses also recognize the need for a federal cap on carbon emissions, in order to ensure uniformity of carbon market rules and to provide clear parameters for long-term business investments within the context of carbon markets.

17. There is a growing consensus among leading scientists and economic experts that entrance into a carbon market represents an opportunity for expertise-building in the array of alternative fuels and technologies that will underpin a future clean energy, climate-friendly economy.

18. King County's efforts in clean energy development and carbon management and budgeting practices have led to its development of the necessary carbon management and budgeting tools to participate successfully in a carbon exchange.

19. The Chicago Climate Exchange ("CCX") is the most active carbon exchange in the United States.

20. The CCX requires members to reduce carbon emissions and allows trading of carbon credits and additional carbon credit projects to achieve such reductions.

21. The CCX manages the carbon exchange for the European Union's tradable carbon program that exists under their Kyoto Protocol agreement.

22. King County's participation in the CCX can contribute to enhancing the CCX's carbon inventory requirements.

23. King County's participation in the CCX can help expand the eligibility of credits that are beneficial to King County and many local governments.

24. King County maintains a significant interest in writing rules for carbon market accounting in regard to landfill and transit operations and forest sequestration, and CCX offers the opportunity for King County to shape future rules on how to calculate emissions and credits from those operations.

25. Participants in the CCX are gaining valuable experience in carbon inventories, limits and credits that will likely help shape expected federal laws and regulations.

26. The International Council for Local Environmental Initiatives (ICLEI), a network of regional governments that sponsors the Cities for Climate Protection, in which King County is a member by order of the same council Motion 13364, has entered a formal partnership with CCX to facilitate member

27. On June 13, 2005, the United States Conference of Mayors passed a unanimous resolution that recognized "the leadership of the cities that have joined the Chicago Climate Exchange and... the valuable role that the Chicago Climate Exchange plays in helping cities to achieve greenhouse gas reductions" and resolved to "[encourage] U.S. mayors to strongly consider membership for their cities in the Chicago Climate Exchange."

28. There is significant support for CCX from the private and public sectors as demonstrated by the membership of such leading organizations as Ford Motor Company, IBM, Motorola Incorporated, International Paper and American Electric Power, and such governments as the State of New Mexico, the cities of Chicago, Portland, Berkeley and Oakland.

29. County membership in CCX will likely influence regional businesses and organizations to join as well, providing participants in our regional economy the opportunity through market transactions to support environmentally-friendly regional programs while at the same time mitigating their own carbon emissions liability.

30. King County has performed an assessment of its carbon liability and potential carbon credits under the current and evolving CCX rules and this assessment indicates the county is optimally positioned to meet CCX mitigation targets.

31. King County intends to meet its obligation fully in accordance with the rules and guidelines established by the CCX and other such emission-reducing organizations as the county may join, and King County recognizes that it may be required to purchase carbon credits or other emission credits under the rules and guidelines of such organizations.

BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

SECTION 1. The King County council, determining that entrance into the Chicago Climate Exchange represents an optimal opportunity to reduce King County's carbon emissions and to develop effective and efficient rules for emission trading, approves membership into the Chicago Climate Exchange and authorizes the executive to execute the appropriate documents to become a member of the Chicago Climate Exchange for a period of time ending on December 31, 2010. King County shall use its influence in the Chicago Climate Exchange as follows:

A. To reduce King County's carbon emissions.

B. To develop accounting methodology for emission trading that recognizes transit's role in reducing regional greenhouse gas emissions and credits regional entities for provision of public transit service, and to establish such a regional transit credit.

C. To develop accounting methodology for emission trading that recognizes the role of efficient landfill management in reducing regional greenhouse gas emissions and credits regional entities for maximally efficient capture of landfill methane emissions, and to establish such a landfill credit.

D. To develop accounting methodology for emission trading that recognizes the emissions reduction and carbon sequestration value of other county policies and programs, including but not limited to efforts in farming, forestry, growth management, and to establish related credits.

E. To partner with other governments, institutions and organizations on further development of effective and efficient rules for emission trading.

F. To advocate for expedited legislation on a federal emission cap and nationwide emission trading.

SECTION 2. Ordinance 12076, Section 9, as amended, and K.C.C. 4.08.015, as amended, are each hereby amended to read as follows:

First tier funds and designated fund managers.

A. First tier funds and fund managers are as follows:

| Fund No. | Fund Title | Fund Manager |
|-----------------|---|---|
| 103 | County Road | Dept. of Transportation |
| 104 | Solid Waste Landfill Post Closure Maintenance | Dept. of Natural Resources and Parks |
| 109 | Recorder's O & M | Dept. of Executive Services |
| 111 | Enhanced-911 Emergency Tel System | Dept. of Executive Services |
| 112 | Mental Health | Dept. of Community and Human Services |
| 115 | Road Improvement Guaranty | Dept. of Transportation |
| 117 | Arts and Cultural Development | Dept. of Executive Services |
| 119 | Emergency Medical Services | Dept. of Public Health |
| 121 | Surface Water Management | Dept. of Natural Resources and Parks |
| 122 | Automated Fingerprint Identification System | Dept. of Public Safety |
| 128 | Local Hazardous Waste | Dept. of Public Health |
| 129 | Youth Sports Facilities Grant | Dept. of Natural Resources and Parks |
| 131 | Noxious weed control fund | Dept. of Natural Resources and Parks |
| 134 | Development and Environmental Services | Dept. of Development and Environmental Services |
| 137 | Clark Contract Administration | Office of Management and Budget |
| 138 | Parks Trust and Contribution | Dept. of Natural Resources and Parks |
| 139 | Risk Abatement | Office of Management and Budget |
| 145 | Parks and Recreation | Dept. of Natural Resources and Parks |
| 164 | Two-Tenths Sales Tax Revenue Receiving | Dept. of Transportation |
| 165 | Public Transit Self Insurance | Dept. of Transportation |
| 215 | Grants tier 1 fund | Dept. of Executive Services |
| 216 | Cultural Resource Mitigation Fund | Office of Business Relations & Economic Development |
| 309 | Neighborhood Parks and Open Space | Dept. of Executive Services |
| 312 | HMC Long Range CIP | Dept. of Executive Services |
| 315 | Conservation Futures | Dept. of Natural Resources and Parks |
| 316 | Parks, Rec. and Open Space | Dept. of Executive Services |
| 318 | Surface and Storm Water Mgmt Const | Dept. of Natural Resources and Parks |
| 320 | Public Art Fund | Dept. of Executive Services |

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| 322 | Housing Opportunity Acquisition | Dept. of Community and Human Services |
| 326 | 1990 Series B Youth Detention Facility | Dept. of Executive Services |
| 327 | Equipment and Building Acquisition | Dept. of Executive Services |
| 329 | SWM CIP Construction 1992-1997 | Dept. of Natural Resources and Parks |
| 331 | Long-Term Leases | Dept. of Executive Services |
| 334 | Capital Acqn and County Fac Renovation | Office of Management and Budget |
| 335 | Youth Services Facilities Construction | Dept. of Executive Services |
| 338 | Airport Construction | Dept. of Transportation |
| 339 | Working Forest 1995 B | Dept. of Natural Resources and Parks |
| 340 | Park Lands Acquisition 1993 | Dept. of Natural Resources and Parks |
| 340-3 | Urban Reforestation and Habitat Restoration | Dept. of Natural Resources and Parks |
| 341 | Arts and Historic Preservation Capital | Dept. of Executive Services |
| 342 | Major Maintenance Reserve | Dept. of Executive Services |
| 343 | Core GIS Capital Project | Dept. of Natural Resources and Parks |
| 346 | Regional Justice Center Construction | Dept. of Executive Services |
| 347 | Emergency Communications System | Dept. of Executive Services |
| 349 | Parks Facilities Rehabilitation | Dept. of Executive Services |
| 350 | Open Space Acquisition | Dept. of Natural Resources and Parks |
| 364-3 | Transit Cross-Border Lease Financing Fund | Dept. of Executive Services |
| 369 | Transfer of Development Credits Program (TDC) Fund | Dept. of Natural Resources Parks |
| 377-1 | OIRM Capital Fund | Office of Information Resource Management |
| 378 | Information and Telecommunications Capital Improvement Fund | Dept. of Executive Services |
| 381 | Solid Waste Cap Equip Recovery | Dept. of Natural Resources and Parks |
| 383 | Solid Waste Environmental Reserve | Dept. of Natural Resources and Parks |
| 384 | Farmland and Open Space Acquisition | Dept. of Natural Resources and Parks |
| 385 | Renton Maintenance Fac. Const | Dept. of Transportation |
| 386 | County Road Construction | Dept. of Transportation |
| 387 | HMC Construction | Dept. of Executive Services |
| 390 | Solid Waste Construction | Dept. of Natural Resources and Parks |
| 391 | Landfill Reserve | Dept. of Natural Resources and Parks |
| 394 | Kingdome CIP | Dept. of Executive Services |
| 395 | Building Capital Improvement | Dept. of Executive Services |
| 396 | HMC Building Repair and Replacement | Dept. of Executive Services |
| 404 | Solid Waste Operating | Dept. of Natural Resources and Parks |
| 429 | Airport Operating | Dept. of Transportation |
| 448 | Stadium Management | Dept. of Executive Services |
| 453-1 | Institutional Network Operating Fund | Dept. of Executive Services |
| 461 | Water Quality | Dept. of Natural Resources and Parks |
| 464 | Public Transportation | Dept. of Transportation |
| 542 | Safety and Workers' Compensation | Dept. of Executive Services |
| 544 | Wastewater Equipment Rental and Revolving Fund | Dept. of Transportation |

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| 546 | Department of Executive Services Equipment Replacement | Dept. of Executive Services |
| 547 | Office of Information Resource Management Operating Fund | Dept. of Executive Services |
| 550 | Employee Benefits Program | Dept. of Executive Services |
| 551 | Facilities Management | Dept. of Executive Services |
| 552 | Insurance | Dept. of Executive Services |
| 557 | Public Works Equipment Rental | Dept. of Transportation |
| 558 | Motor Pool Equipment Rental | Dept. of Transportation |
| 560 | Printing/Graphic Arts Services | Dept. of Executive Services |
| 603 | Cultural Resources Endowment | Dept. of Executive Services |
| 622 | Judicial Administration Trust and Agency | Dept. of Judicial Administration |
| 624 | School District Impact Fee | Office of Management and Budget |
| 674 | Refunded Ltd GO Bond Rdmp. | Dept. of Executive Services |
| 675 | Refunded Unltd GO Bond | Dept. of Executive Services |
| 676 | H&CD Escrow | Dept. of Executive Services |
| 693 | Deferred Compensation | Dept. of Executive Services |
| 694 | Employee Charitable Campaign Contributions | Dept. of Executive Services |
| 696 | Mitigation Payment System | Dept. of Transportation |
| 843 | DMS Limited GO Bonds | Dept. of Executive Services |
| 890 | ULID Assessment - 1981 | Dept. of Transportation |
| <u>1010</u> | <u>Climate Exchange Fund</u> | <u>Office of Management and Budget</u> |

B. The following shall also be first tier funds:

1. 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 transportation shall be the fund manager for transportation-related funds. The director of the department of natural resources and parks shall be the fund manager for utility-related funds.

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

3. Any other fund as the council may hereinafter prescribe by ordinance to be invested for its own benefit. County funds shall be treated as provided in K.C.C. 4.10.110 unless a designation is made by the council.

NEW SECTION. SECTION 3. There is hereby added to K.C.C. chapter 4.08 a new section to read as follows:

A. There is hereby created the Climate Exchange fund, classified as a special revenue fund, for the purpose of accounting for any revenue generated by the sale of carbon credits and other emission credits, and the expenditures incurred for the purchase of carbon credits or other emission credits, in accordance with the rules of the Chicago Climate Exchange or other emissions trading programs in which the county may participate. Carbon credits include but are not limited to those credits sold or purchased through the Chicago Climate Exchange. This fund may also be used for the purpose of accounting for the sale or purchase of other emission credits as the county may develop.

B. Any financial benefit that accrues to the county from its participation in the Chicago Climate Exchange shall be appropriately invested in actions that reduce carbon emissions and/or address global warming impacts.

C. The office of management and budget shall be the fund manager for the Climate Exchange fund.

D. For investment purposes, the Climate Exchange fund shall be considered a first tier fund.