

**SULTAN CITY COUNCIL
AGENDA ITEM COVER SHEET**

ITEM NO: A-2

DATE: June 11, 2007

SUBJECT: Settlement Agreement with Snohomish County for Jail Billing Dispute

CONTACT PERSON: Deborah Knight, City Administrator

ISSUE:

The issue before the City Council is to authorize the Mayor to sign the settlement agreement (Attachment A) between the City of Sultan and Snohomish County to resolve a dispute regarding billings for jail services dating back to 1988.

The County's records show an outstanding balance owed by the City of \$108,843.73. The City disputes this accounting and believes that it has paid its past due jail bills in full as of 2006. The City and the County have agreed to "split the difference" and reconcile the account with a \$50,000 settlement payment to the County.

With this action, the City's jail billing account will be current with no past due owing. There are funds available in the Treasure's Trust as a result of the sale of the Date Avenue property in early 2007.

STAFF RECOMMENDATION:

City staff recommend the City Council authorize the Mayor to sign the settlement agreement to resolve the billing dispute between the City and the County for jail services.

BACKGROUND:

The City contracts with Snohomish County for jail services through an Interlocal Agency agreement. In 2004, a new master jail services agreement was negotiated with local area cities for booking and housing inmates.

During the renegotiation process, the County notified the City that County records showed the City owed the County approximately \$200,000 in past due payments for jail services. The County had an inadequate billing system and was unable to provide

detailed billings to support their claim. The City calculated the amounts due for the years 2001 through 2004 to be \$100,571.54.

In 2005, the City and the County agreed that the City of Sultan would remain current on all invoices and would pay off the undisputed amount of \$100,571.54 over a six month period beginning in 2005.

With the payment of the undisputed amount, the County records showed a balance owing of \$108,843.73.

The parties met and discussed the disputed balance in early 2006 and agreed to split the difference and reconcile the account with a \$50,000 settlement payment to the County.

Section 2 of the settlement agreement requires the City to make the final payment on or before September 1, 2007.

DISCUSSION:

In accordance with Section 11(c) of the Interlocal Agreement, the City and County can resolve the dispute either by mutual agreement or through binding arbitration.

Section 11(c) of the interlocal agreement provides that if the City disputes all or a portion of the bill, the City will provide the County written notice within the 30 days. The director and police chief shall attempt to resolve the dispute by negotiation. If such negotiation is unsuccessful, the dispute shall be appealed to the Mayor and County Executive for settlement. If the matter is still unresolved, the parties may apply to the Snohomish County Superior Court for appointment of an arbitrator whose decision shall be final and binding on both parties. Each part shall pay one-half of the arbitration fee.

The binding arbitration fee is in addition to the legal fees the City would pay to have the City Attorney prepare and arbitrate the matter.

The proposed Settlement Agreement provides a way to resolve a matter that has been on-going for more than two years and it likely to remain unresolved for some time if the Council decided to seek arbitration.

ALTERNATIVES:

There are two alternatives:

1. Authorize the Mayor to sign the settlement agreement. This alternative will cost the City \$50,000. There are funds available in the Treasure's Trust. This alternative will settle the dispute. With this action, the City's jail billing account will be current with no past due owing.

2. Do not authorize the Mayor to sign the settlement agreement and direct the Mayor to seek binding arbitration. A decision to seek binding arbitration would cost the City approximately \$5,000 - \$10,000 in arbitration fees and \$10,000 - \$20,000 in attorney's fees with no guarantee that the outcome will provide a net savings to the City.
3. Do not authorize the Mayor to sign the settlement agreement and direct staff to areas of concern. This alternative implies that the City Council has additional questions and/or concerns about the Settlement Agreement that must be addressed prior to making a final decision.

RECOMMENDED ACTION:

City staff recommend the City Council authorize the Mayor to sign the settlement agreement to resolve the billing dispute between the City and the County for jail services.

RECOMMENDED MOTION:

I MOVE THE CITY COUNCIL AUTHORIZE THE MAYOR TO SIGN THE SETTLEMENT AGREEMENT TO RESOLVE THE BILLING DISPUTE BETWEEN THE CITY AND THE COUNTY FOR JAIL SERVICES.

ATTACHMENT:

A. Settlement Agreement

COUNCIL ACTION:

DATE:

AGREEMENT TO RESOLVE BILLING AND PAYMENT DISPUTES
FOR PAST JAIL SERVICES FEES

THIS AGREEMENT (the "Agreement") is entered into this ____ day of _____, 2007, by and between the City of Sultan, a municipal corporation of the State of Washington (the "City"), and Snohomish County, a political subdivision of the State of Washington (the "County").

RECITALS

WHEREAS, under the authority of the Interlocal Cooperation Act (Chapter 39.34 RCW) and the City and County Jail Acts (Chapter 70.48 RCW), the City and the County have entered into Interlocal Agreements for Jail Services (the "Interlocal Agreements") over a period of years for the purpose of confining City inmates in the County jail; and

WHEREAS, by letter on December 20, 2004, County Executive Director Susan Neely informed the City that, based on her review of County records as of November 20, 2004, the City owed the County \$222,794.67 in unpaid fees accumulated under the Interlocal Agreements from 1988 to the date of the letter; and

WHEREAS, in a letter dated February 24, 2005, City Mayor Benjamin Tolson indicated that the City had calculated the amounts due under the Interlocal Agreements for the years 2001 through 2004 to be \$100,571.54 and offered a City payment of this amount to resolve the dispute; and

WHEREAS, in a letter dated March 8, 2005 the County rejected the City's February 24, 2005 offer; and

WHEREAS, in a March 16, 2005 meeting between the City's Mayor and the County's Executive, the parties agreed that (a) the City would pay the \$100,571.54 not in dispute, (b) the County would not terminate the Interlocal Agreement as of March 31, 2005, and (c) the remaining disputed balance would be resolved through future negotiations between the parties; and

WHEREAS, through negotiations, the County agreed as to the validity of certain billing discrepancies, and the City paid the \$100,571.54 it agreed that it owed to the County; and

WHEREAS, there exists a good faith dispute between the parties as to the true and actual amount remaining owed to the County by the City for the billing period in question; and

WHEREAS, the parties have a mutual desire to resolve this dispute without the expenditure of further staff time or legal fees; and

WHEREAS, the City and the County have now agreed to resolve the remaining issues in their payment and billing dispute under the Interlocal Agreements for the billing period in question in the manner set forth in this Agreement;

NOW, THEREFORE, in consideration of the mutual promises contained herein, the City and the County agree as follows:

Section 1. Liquidated Amount. The City agrees to pay to the County in the manner set forth in Section 2, the amount of \$50,000 in full satisfaction of the remaining past due amounts under the Interlocal Agreements for the period from January 1, 1988 through February 28, 2007 (the "Liquidated Amount").

Section 2. Time and Manner of Payment. The City shall pay the Liquidated Amount to the County by cashier's check made payable to "The Snohomish County Treasurer" on or before September 1, 2007.

Section 3. Effect of Payment. Payment in full of the Liquidated Amount in accordance with the terms of this Agreement shall resolve the dispute between the parties for past due jail services fees for the period from January 1, 1988 through February 28, 2007. Each party shall thereafter be estopped from claiming that amounts are owed or credits should be given for jail services fees for that period.

Section 4. Authority. Each signatory to this Agreement represents that he or she has full and sufficient authority to execute this Agreement on behalf of the City or the County, as the case may be, and that upon execution of this Agreement it shall constitute a binding obligation of the City or the County, as the case may be.

Section 5. Complete Agreement. This Agreement constitutes the entire understanding of the parties on the subject matter hereof. Any written or verbal agreements that are not set forth herein or incorporated herein by reference are expressly excluded.

IN WITNESS WHEREOF, the parties have executed this Agreement by their duly authorized officers and representatives as of the dates indicated below.

CITY OF SULTAN

SNOHOMISH COUNTY

Mayor

County Executive

Dated: _____

Dated: _____

APPROVED AS TO FORM ONLY:

APPROVED AS TO FORM ONLY:

City Attorney

Deputy Prosecuting Attorney