



**LYNNWOOD FINANCE COMMITTEE - regular Finance Committee meeting**

**Conference room 4, City Hall**

**THURSDAY, FEBRUARY 22, 2024 3:00 PM**

- 
1. CALL TO ORDER
  2. ROLL CALL
  3. FINANCIAL REPORTS
    - 3.A [Sales Tax Report](#) - 15 minutes  
Michelle Meyer, Finance Director
  4. DISCUSSION ITEM
    - 4.A [American Rescue Plan Act Follow-up Discussion](#) - 20 minutes  
Michelle Meyer, Finance Director
    - 4.B [2022 Audit Exit Conference Follow-up](#) - 30 minutes  
Michelle Meyer, Finance Director
  5. ADJOURN

## FINANCE COMMITTEE 3.A

### CITY OF LYNNWOOD FINANCE COMMITTEE

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**TITLE:** Sales Tax Report

**DEPARTMENT CONTACT:** Michelle Meyer, Finance

**SUMMARY:**

Review of Sales Tax Revenues through January 2024

**PRESENTER:**

Michelle Meyer, Finance Director

**ESTIMATED TIME:**

15

**BACKGROUND:**

The City receives Sales Tax revenue distributions on a monthly basis for sales that occurred two months prior. Detailed reports through November 2023 sales (revenues received through January 2024) will be reviewed.

**SUGGESTED ACTION:**

Review of Sales Tax detail

**PREVIOUS COUNCIL ACTIONS:**

The Finance Committee reviews monthly sales tax detail at each meeting.

**DEPARTMENT ATTACHMENTS**

Description:

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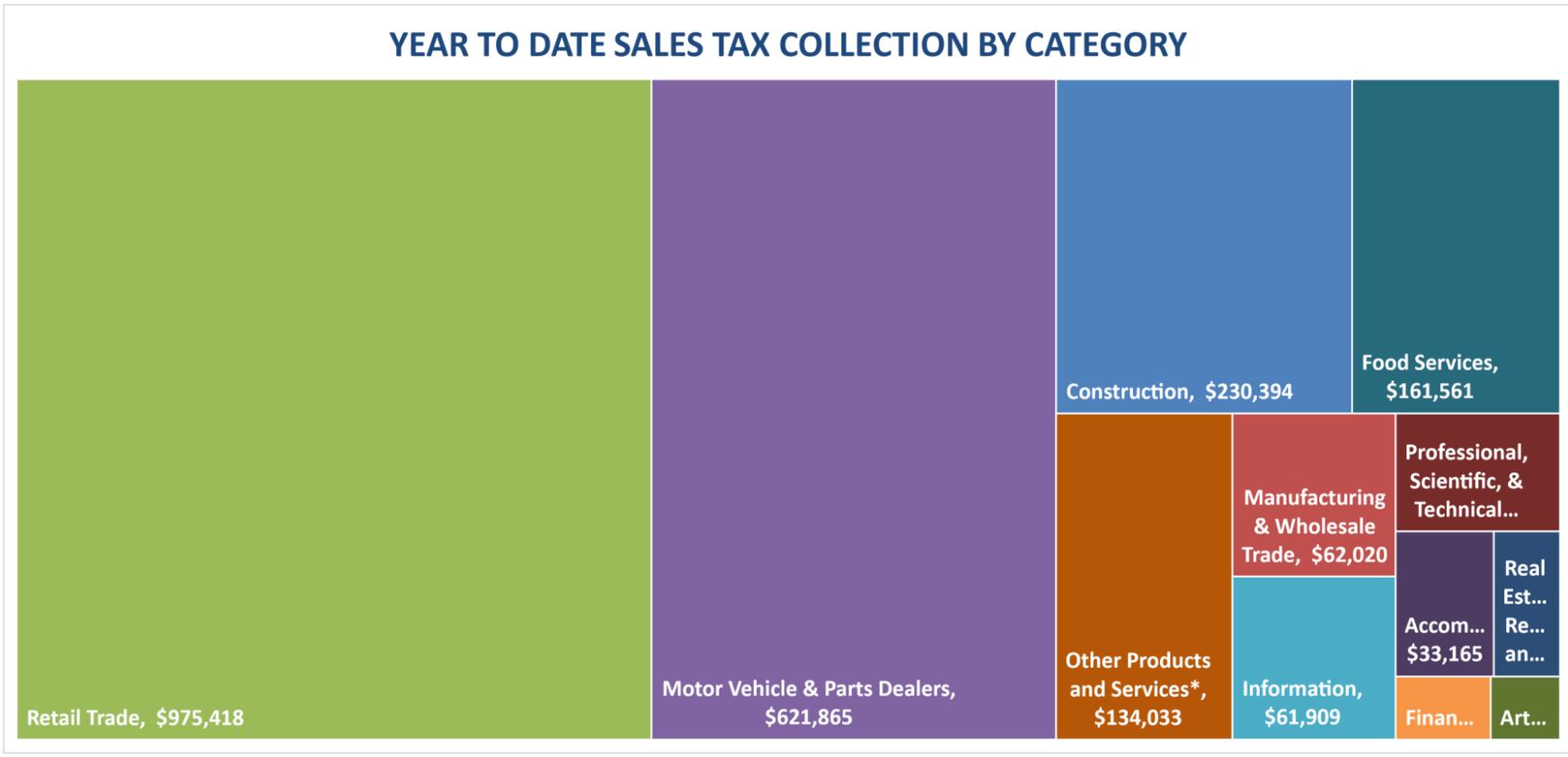
[Lynnwood Sales Tax Analysis Through Jan 2024.pdf](#)



Sales Tax Analysis - Annual Summary  
January 2024

Tax Categories	Jan - Jan 2021	Jan - Jan 2022	Jan - Jan 2023	Jan - Jan 2024
Construction	\$ 163,723	\$ 187,098	\$ 298,823	\$ 230,394
Manufacturing & Wholesale Trade	69,086	55,222	74,558	62,020
Retail Trade	669,205	730,401	1,020,321	975,418
Motor Vehicle & Parts Dealers	406,546	497,515	700,263	621,865
Information	49,483	49,894	52,007	61,909
Finance & Insurance	24,180	31,898	31,442	13,981
Real Estate Rental and Leasing	18,683	23,309	24,180	22,268
Professional, Scientific, & Technical Services	56,514	41,480	60,761	45,116
Arts, Entertainment, & Recreation	4,557	7,721	8,926	10,231
Accommodation	11,006	16,656	27,274	33,165
Food Services	95,321	128,462	155,368	161,561
Other Products and Services*	104,875	131,897	145,212	134,033
<b>Total Sales Tax Collected</b>	<b>\$ 1,673,177</b>	<b>\$ 1,901,553</b>	<b>\$ 2,599,135</b>	<b>\$ 2,371,961</b>
<b>Budgeted Sales Tax Collections</b>	<b>\$ 24,453,852</b>	<b>\$ 24,744,533</b>	<b>\$ 30,394,501</b>	<b>\$ 30,106,099</b>
<b>Realized Revenue as Compared to Budget</b>	<b>7%</b>	<b>8%</b>	<b>9%</b>	<b>8%</b>

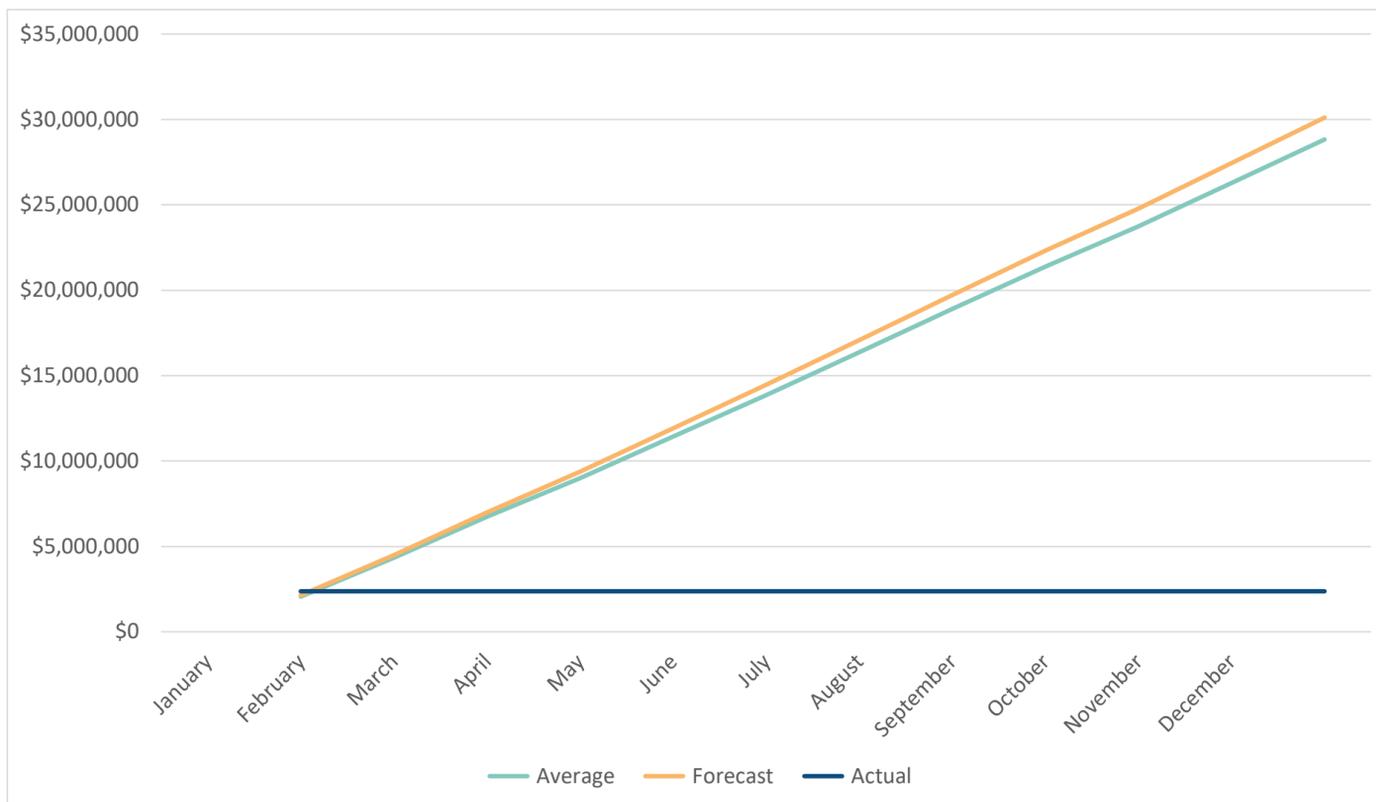
\*Categories with small amounts of sales tax revenues have been combined





Sales Tax Analysis - Annual Summary  
January 2024

				3-Year Average Collection 2021 - 2023		Forecast 2024	Actual 2024	% Change 2023 - 2024
	2021	2022	2023	Rate	Amount			
January	\$ 1,673,177	\$ 1,901,553	\$ 2,599,135	7.10%	\$ 2,057,955	\$ 2,136,237	\$ 2,371,961	-9.58%
February	1,733,822	2,074,601	2,998,393	7.81%	2,268,939	2,350,445	-	NA
March	2,355,720	2,568,509	2,266,392	8.34%	2,396,874	2,510,083	-	NA
April	2,267,311	2,271,016	2,250,419	7.87%	2,262,915	2,369,046	-	NA
May	2,286,659	2,404,505	2,601,481	8.43%	2,430,882	2,538,350	-	NA
June	2,456,345	2,631,081	2,228,709	8.49%	2,438,712	2,556,570	-	NA
July	2,405,512	2,485,666	2,638,901	8.71%	2,510,026	2,622,821	-	NA
August	2,370,461	2,380,789	2,806,745	8.73%	2,519,332	2,628,939	-	NA
September	2,348,178	2,485,667	2,636,686	8.64%	2,490,177	2,600,861	-	NA
October	2,191,649	2,380,788	2,500,321	8.18%	2,357,586	2,461,557	-	NA
November	2,296,275	2,734,292	2,583,228	8.80%	2,537,932	2,650,096	-	NA
December	2,717,369	2,658,770	2,284,092	8.91%	2,553,410	2,681,094	-	NA
<b>Total Sales Tax Collected</b>	<b>\$ 27,102,478</b>	<b>\$ 28,977,237</b>	<b>\$ 30,394,502</b>			<b>\$ 30,106,099</b>	<b>\$ 2,371,961</b>	
<b>Percentage Increase(Decrease)</b>		<b>6.47%</b>	<b>4.66%</b>					



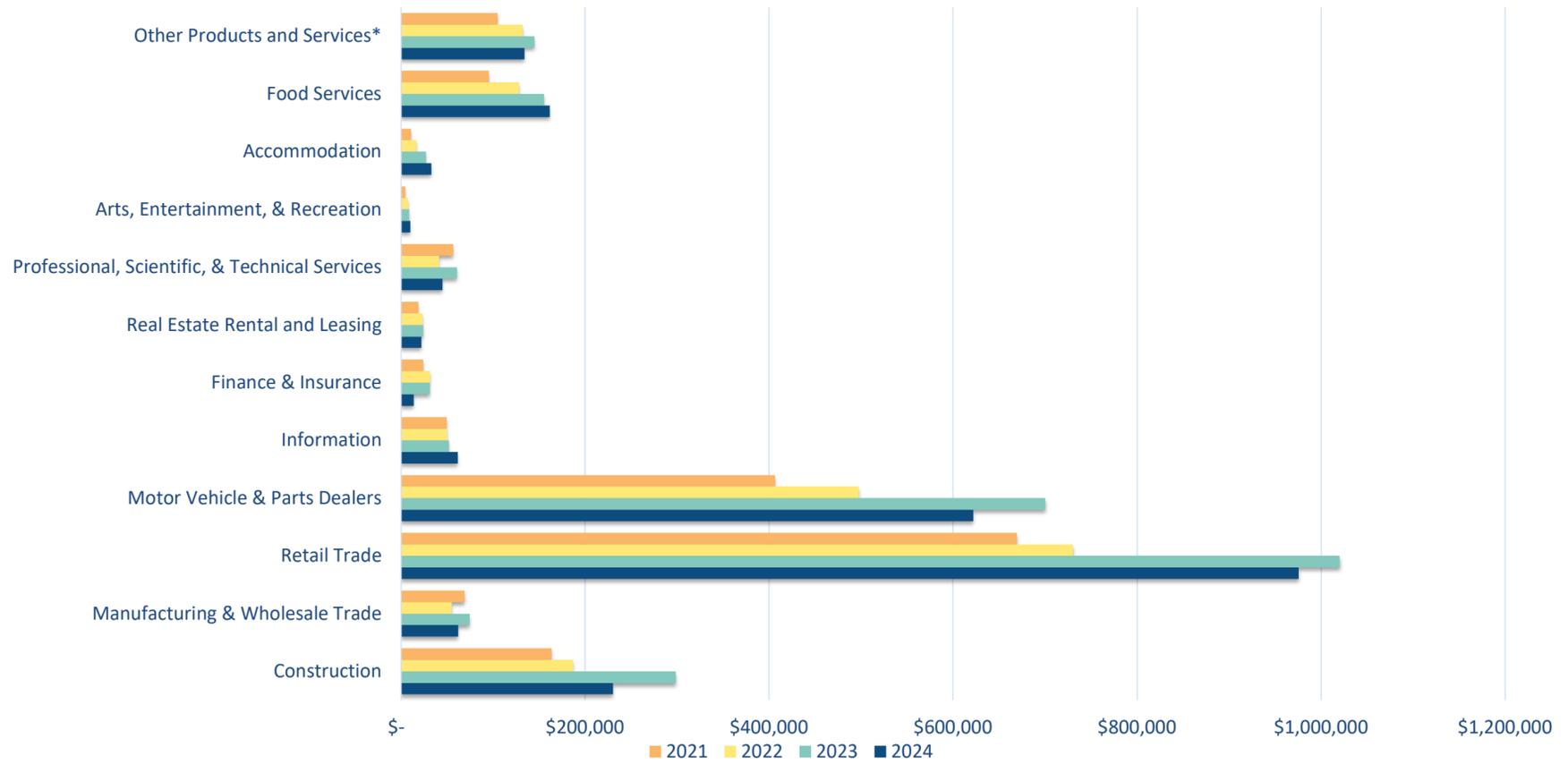


Sales Tax Analysis - Monthly Comparison  
January 2024

Tax Categories	January 2021	January 2022	January 2023	January 2024	Change in Collections from Prior Year	
	\$	\$	\$	\$	\$	%
Construction	\$ 163,723	\$ 187,098	\$ 298,823	\$ 230,394	\$ (68,429)	(22.90%)
Manufacturing & Wholesale Trade	69,086	55,222	74,558	62,020	(12,538)	(16.82%)
Retail Trade	669,205	730,401	1,020,321	975,418	(44,903)	(4.40%)
Motor Vehicle & Parts Dealers	406,546	497,515	700,263	621,865	(78,398)	(11.20%)
Information	49,483	49,894	52,007	61,909	9,902	19.04%
Finance & Insurance	24,180	31,898	31,442	13,981	(17,461)	(55.53%)
Real Estate Rental and Leasing	18,683	23,309	24,180	22,268	(1,912)	(7.91%)
Professional, Scientific, & Technical Services	56,514	41,480	60,761	45,116	(15,645)	(25.75%)
Arts, Entertainment, & Recreation	4,557	7,721	8,926	10,231	1,305	14.62%
Accommodation	11,006	16,656	27,274	33,165	5,891	21.60%
Food Services	95,321	128,462	155,368	161,561	6,193	3.99%
Other Products and Services*	104,875	131,897	145,212	134,033	(11,179)	(7.70%)
<b>Total Sales Tax Collected</b>	<b>\$ 1,673,177</b>	<b>\$ 1,901,553</b>	<b>\$ 2,599,135</b>	<b>\$ 2,371,961</b>	<b>\$ (227,174)</b>	<b>-8.74%</b>

\*Categories with small amounts of sales tax revenues have been combined

Monthly Sales Tax Comparison By Category



## FINANCE COMMITTEE 4.A

### CITY OF LYNNWOOD FINANCE COMMITTEE

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**TITLE:** American Rescue Plan Act Follow-up Discussion

**DEPARTMENT CONTACT:** Michelle Meyer, Finance

**SUMMARY:**

ARPA follow up

**PRESENTER:**

Michelle Meyer, Finance Director

**ESTIMATED TIME:**

20

**BACKGROUND:**

The City Council has taken action to allocate most of the City's \$10.9 million of American Rescue Plan Act (ARPA) funding; to date, approximately \$137,000 remains to be allocated.

All external subrecipients have been asked to provide an estimated reimbursement schedule by April 15, 2024 to ensure full reimbursement prior to the end of the 2024 in accordance with Department of Treasury rules, and/or to identify if any funding will not be spent and can be allocated for another purpose. All internal projects are anticipated to be completed by the end of 2024.

The following items were reviewed by the City Council on February 21, 2024:  
Updated project listing through Quarter 4, 2023.  
Summary of external and internal projects summarized by City department.  
Updated listing of potential/pending allocations.

The Finance Committee can discuss any follow-up items needed after the most recent City Council discussion.

**SUGGESTED ACTION:**

Follow up after ARPA discussion at City Council Work Session on February 21, 2024.

**PREVIOUS COUNCIL ACTIONS:**

Most recent City Council Review February 21, 2024 Work Session.  
Most recent Finance Committee Review January 25, 2024 meeting.

**DEPARTMENT ATTACHMENTS**

Description:

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[ARPA Projects as of 2.14.24.pdf](#)

**ARPA Expenditures and Balance Remaining 2.14.24**

Date Approved	Expenditure Category and Detailed Description	2021 ACTUAL	2022 ACTUAL	2023 ACTUAL	2024 REMAINING	Total
<b>2. Negative Economic Impacts</b>						
5/23/2022	2.37 Economic Impact Assistance: Other: VOAWW Neighborhood Center Construction (orig \$1M)				\$ 998,500	
<b>3. Public Sector Capacity</b>						
8/9/2021	3.2 Rehiring Public Sector Staff: PW Custodian (1 FTE)	\$ 18,720			\$ -	
9/13/2021	3.4 Effective Service Delivery: City Council Chambers AV	\$ 6,133	\$ 100,954	\$ 41,172	\$ -	
<b>6. Replace Lost Revenue &amp; Provide Expanded Services up to \$10M</b>						
8/9/2021	6.1 Provision of Government Services: Body camera equipment, services, and warranty	\$ 390,720	\$ 9,280		\$ -	
8/9/2021	6.1 Provision of Government Services: Body camera program staff (1 FTE)		\$ 52,312		\$ -	
4/11/2022	6.1 Provision of Government Services: Municipal Court Chambers AV			\$ 64,209	\$ -	
4/25/2022	6.1 Provision of Government Services: Residential Street Improvements			\$ 903,780	\$ 1,596,220	
4/25/2022	6.1 and 2.37 Economic Impact Assistance: Other: Heroes' Café			\$ 2,295	\$ 2,705	
5/9/2022	6.1 Provision of Government Services: Recreation Scholarships			\$ 8,790	\$ 16,210	
5/23/2022	6.2 Non-federal match for other Federal Programs: Scriber Lake Park Boardwalk			\$ 117,575	\$ 1,882,425	
5/23/2022	6.1 and 2.1 Household Assistance: Food Programs Lynnwood Food Bank			\$ 37,546	\$ 362,454	
6/27/2022	6.1 Provision of Government Services: Hire 5 new full time police officers through 2024		\$ 187,883	\$ 735,070	\$ 934,924	
6/27/2022	6.1 Provision of Government Services: 18 additional body cameras for Police Department		\$ 92,512		\$ -	
6/27/2022	6.1 Provision of Government Services: 20 Tasers for Police Department		\$ 75,644		\$ -	
10/10/2022,						
8/14/2023	6.1 Provision of Government Services: Lynnwood Police Assistance Fund 20K,25K			\$ 14,732	\$ 30,268	
11/14/2022	6.1 Provision of Government Services: Community and Human Services Position			\$ 58,617	\$ 241,383	
11/14/2022	6.1 and 2.25 Addressing Educational Disparities: C2 Education of Lynnwood				\$ 60,000	
2/27/2023	6.1 Provision of Government Services: Hire 2 FTE for Parks Graffiti Mitigation & Trailer			\$ 112,356	\$ 276,076	
2/27/2023	6.1 and 2.34 Assistance to Impacted Nonprofit Organizations: NW Veteran's Museum				\$ 2,500	
2/27/2023	6.1 and 2.34 Assistance to Impacted Nonprofit Organizations: Sno-Isle Genealogical Society			\$ 1,741	\$ 759	
2/27/2023	6.1 and 2.34 Assistance to Impacted Nonprofit Organizations: Lynnwood Alderwood-Manor Heritage Assn.			\$ 2,500	\$ -	
7/25/2022	6.1 and 2.37 Economic Impact Assistance: Other: Kids in Transition Snohomish County Grant Match				\$ 150,000	
11/14/2022	6.1 and 2.37 Economic Impact Assistance: Other: Lynnwood Chamber of Commerce Shop Lynnwood			\$ 4,685	\$ 38,315	
7/25/2022	6.1 and 2.2 VOAWW Rapid Rehousing Snohomish County Grant Match				\$ 250,000	
6/12/2023	6.1 Provision of Government Services: Gun Buy Back Program (original allocation \$15K)			\$ 7,688	\$ 7,312	
8/14/2023	6.1 and 1.11 Violence Prevention, 1.12 Mental Health Services: ACCESS project			\$ 8,622	\$ 70,847	
8/14/2023	6.1 and 1.13 Substance Use Services: Evergreen Recovery Centers: Hire 2 Additional Nurses			\$ 59,548	\$ 193,172	
8/14/2023	6.1, 1.12 Mental Health Services:CHS Edmonds School District School Based Clinicians				\$ 199,657	
8/14/2023	6.1 and 2.34 Assistance to Impacted Non-Profit: Clothes for Kids, Clothing				\$ 58,500	
8/14/2023	6.1 and 2.18 Housing Support: Other Housing Assistance: Keep Dreams Alive Foundation Housing Academy				\$ 6,000	
8/14/2023	6.1 and 2.25 Addressing Educational Disparities: Foundation for Edmonds School District: On the Job Training Program				\$ 43,784	
8/14/2023	6.1 and 2.1 Household Assistance: Food Programs Homage Senior Services				\$ 3,000	
9/25/2023	6.1 and 2.1, 2.18 Heroes' Cafe				\$ 10,000	
9/25/2023	6.1 and 2.34 Homage Senior Services -Center for Healthy Living				\$ 75,000	
9/25/2023	6.1 Gold Park Fencing (internal project PRWR005400)			\$ 49,396	\$ -	
<b>7. Administrative</b>						
6/13/2022	7.1 Administrative Expenses: ARPA Accountant (.5 FTE 2.5 years)		\$ 19,561	\$ 59,838	\$ 45,601	
<b>Ineligible</b>						
5/23/2022	\$65,000 Silver Creek Church (\$15K lighting, \$50K repave parking lot for FoodBank)					
<b>Total</b>		<b>\$ 415,572</b>	<b>\$ 538,147</b>	<b>\$ 2,290,161</b>	<b>\$ 7,555,612</b>	<b>\$ 10,799,491.39</b>
ARPA Revenue (tranches 1 and 2)						\$ 10,936,804.00
Allocated To Date						\$ 10,799,491.39
<b>Balance Remaining for Allocation</b>						<b>\$ 137,312.61</b>

**ARPA Allocations Internal and External as of 2.14.24**

<b>External</b>	
VOAWW Neighborhood Center Construction	\$ 998,500
Heroes' Café	\$ 15,000
Lynnwood Food Bank	\$ 400,000
C2 Education of Lynnwood	\$ 60,000
NW Veteran's Museum	\$ 2,500
Sno-Isle Genealogical Society	\$ 2,500
Lynnwood Alderwood-Manor Heritage Assn.	\$ 2,500
Kids in Transition Snohomish County Grant Match	\$ 150,000
Lynnwood Chamber of Commerce Shop Lynnwood	\$ 43,000
VOAWW Rapid Rehousing Snohomish County Grant Match	\$ 250,000
ACCESS project	\$ 79,469
Evergreen Recovery Centers: Hire 2 Additional Nurses	\$ 252,720
CHS Edmonds School District School Based Clinicians	\$ 199,657
Clothes for Kids, Clothing	\$ 58,500
Keep Dreams Alive Foundation Housing Academy	\$ 6,000
Foundation for Edmonds School District: On the Job Training Program	\$ 43,784
Food Programs Homage Senior Services	\$ 3,000
Center for Healthy Living	\$ 75,000
<b>TOTAL EXTERNAL</b>	<b>\$ 2,642,130</b>
<b>Parks Recreation and Cultural Arts</b>	
Recreation Scholarships	\$ 25,000
Scriber Lake Park Boardwalk	\$ 2,000,000
Community and Human Services Position (1FTE)	\$ 300,000
Hire 2 Maintenance Workers for Parks Graffiti Mitigation & Trailer (2 FTE)	\$ 388,432
Gold Park Fencing	\$ 49,396
<b>TOTAL PARKS RECREATION AND CULTURAL ARTS</b>	<b>\$ 2,762,828</b>
<b>Police</b>	
Body camera equipment, services, and warranty	\$ 492,513
Body camera program staff (1 FTE)	\$ 52,312
5 new full time police officers through 2024 (5 FTE)	\$ 1,857,877
20 Tasers for Police Department	\$ 75,644
Lynnwood Police Assistance Fund	\$ 45,000
Gun Buy Back Program (partial reallocation to graffiti program pending)	\$ 15,000
<b>TOTAL POLICE</b>	<b>\$ 2,538,346</b>
<b>Public Works</b>	
PW Custodian (1 FTE)	\$ 18,720
Residential Street Improvements	\$ 2,500,000
<b>TOTAL PUBLIC WORKS</b>	<b>\$ 2,518,720</b>
<b>City Council</b>	
City Council Chambers AV	\$ 148,259
<b>TOTAL CITY COUNCIL</b>	<b>\$ 148,259</b>
<b>ARPA Grant Administration (Finance)</b>	
PT ARPA Accountant (.5 FTE)	\$ 125,000
<b>TOTAL GRANT ADMINISTRATION (FINANCE)</b>	<b>\$ 125,000</b>
<b>Municipal Court</b>	
Municipal Court Chambers AV	\$ 64,209
<b>TOTAL MUNICIPAL COURT</b>	<b>\$ 64,209</b>
<b>UNALLOCATED FUNDING REMAINING</b>	<b>\$ 137,312</b>

ARPA PENDING ALLOCATIONS AS OF 2.14.24			
Recipient/Purpose	Eligibility Approved	Pending Eligibility	Notes
<b>REALLOCATION REQUEST:</b> Reallocate remaining Gun Buyback funding for Graffiti Remediation Program	\$ 7,312		PD was originally allocated \$15,000 for gun buyback event. Pre-paid Visa gift cards were purchased, but only around half were used. To avoid paying excess fees to return the cards, PD identified another use to help property owners clean up graffiti on private property. This <b>will require a motion to reallocate the remaining funding for graffiti clean-up.</b>
<b>INCREASE FUNDING REQUEST:</b> Extend term of temporary part-time ARPA Accountant for reporting and auditing	\$ 74,000		In 2022, Council allocated \$125,000 for a temporary Part-Time ARPA Accountant. The position was filled in late August of 2022. After 2023, there is approximately \$45,000 in funding remaining for 2024 which will fund the position only until August of 2024. Due to ongoing subrecipient reimbursement request processing, contract monitoring, federal reporting and state auditing requirements, an additional \$74,000 is requested to fund the position through approximately September of 2025. <b>Updated guidance from Treasury authorizes funding may be used through 12/31/2026 for temporary staff who were specifically hired to administer ARPA funding.</b>
<b>INCREASE FUNDING REQUEST:</b> provide body cameras and Tasers for the 5 new police officer positions that were funded by ARPA	\$ 50,000		Body cameras and Tasers for existing positions were funded through prior ARPA allocations. A separate allocation to fund five new police officer positions did not include funding for body cameras and Tasers for those positions. An updated quote has been requested.
<b>NEW FUNDING REQUEST:</b> Lynnwood Alano Club		\$ 25,000	Alano has clarified that request would be to cover rent deposit (first/last/security) for a yet-to-be identified new location. <b>Staff waiting to hear back from applicant to determine potential eligibility.</b>
<b>TOTAL OF PENDING REQUESTS</b>	<b>\$ 124,000</b>	<b>\$ 25,000</b>	Does NOT include \$7,312 in pre-paid gift cards to reallocate for graffiti remediation
<b>ARPA FUNDING AVAILABLE</b>	<b>\$ 137,312</b>		Does NOT include \$7,312 in pre-paid gift cards from gun buyback pending reallocation. Includes \$65,000 originally allocated to Silver Creek Church for capital improvements deemed
<b>*All subrecipient funding is reimbursement based and must be reimbursed by 12/31/24</b>			

## FINANCE COMMITTEE 4.B

### CITY OF LYNNWOOD FINANCE COMMITTEE

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**TITLE:** 2022 Audit Exit Conference Follow-up

**DEPARTMENT CONTACT:** Michelle Meyer, Finance

**SUMMARY:**

Follow up discussion to the 2022 Audit Exit Conference

**PRESENTER:**

Michelle Meyer, Finance Director

**ESTIMATED TIME:**

30

**BACKGROUND:**

In accordance with state law, the State Auditor's Office (SAO) completed the annual Accountability, Financial and Federal Audits for the City of Lynnwood and an Exit Conference was held on February 5, 2024. SAO included a Management Letter regarding the billing of utility late fees. That item is attached for additional discussion with the Finance Committee.

Published audit reports for 2022 and prior years can be found on the SAO website at <https://sao.wa.gov/reports-data/audit-reports/>.

**SUGGESTED ACTION:**

Follow-up discussion from the Exit Conference for 2022 Accountability, Financial and Federal Audits that was held on February 5, 2024.

**PREVIOUS COUNCIL ACTIONS:**

February 5, 2024 Work Session: 2022 Exit Conference

**DEPARTMENT ATTACHMENTS**

Description:

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[Final\\_ML\\_CityOfLynnwood\\_Uilities\\_FY22.pdf](#)



**Office of the Washington State Auditor  
Pat McCarthy**

February 5, 2024

Mayor and City Council  
City of Lynnwood  
Lynnwood, Washington

Management Letter

This letter includes a summary of specific matters that we identified in planning and performing our accountability audit of the City of Lynnwood from January 1, 2022 through December 31, 2022. We believe our recommendations will assist you in improving the City's internal controls in these areas.

We will review the status of these matters during our next audit. We have already discussed our comments with and made suggestions for improvements to City officials and personnel. If you have any further questions, please contact me at (425) 900-5277.

This letter is intended for the information and use of management and the governing body and is not suitable for any other purpose. However, this letter is a matter of public record and its distribution is not limited.

We would also like to take this opportunity to extend our appreciation to your staff for their cooperation and assistance during the audit.

Sincerely,

Haji Adams, Audit Manager

Attachment

## Management Letter

City of Lynnwood

January 1, 2022 through December 31, 2022

### **Internal Controls over Utility Late Fees**

The City of Lynnwood provides utility services to its 43,000 residents, and collects more than \$26 million in utility revenue annually. Utility revenue includes late fee revenues pursuant to Lynnwood Municipal Code 13.34.030.

The City is responsible for establishing adequate controls over the assessment of late fees on customer utility billings to ensure the City collects all amounts owed while also ensuring that assessments are accurately calculated, assessed timely and uniformly applied.

We examined the City's reinstatement of utility late fees after the ending of the late fee waivers due to the COVID-19 pandemic. The reinstatement notice to customers identified July 1, 2022, as the date late fees were to be reinstated on accounts delinquent more than 35 days.

Based on our testing, we determined the City did not reinstate late fees on July 1, 2022, as required. Late fees were reinstated in February 2023, about eight months after the City distributed the official notice to customers.

As a result, late fees were not reinstated uniformly, as accounts that were brought current during the interim period were not assessed late fees. The City determined that late fee revenue in the amount \$819,286 was due for the period July 1, 2022, through February 2023. However, the City only assessed \$461,435 in late fees to selected customers and waived \$375,278 to other customers. Specifically, retroactive late fees were assessed only on accounts that remained delinquent through February 2023.

City policy and Lynnwood Municipal Code do not authorize this type of fee to be waived without a Council resolution. Not collecting past-due amounts could be considered an unallowable gifting of public funds under the Washington State Constitution, Article VIII, Section 7.

Our examination also determined 46 City-owned properties with utility accounts were past due more than 120 days. These accounts are a combination of past due accounts and accounts with balances requiring adjustments that were not made. As a result, we determined that the City lacks adequate controls over utility payments to ensure accounts remain current for City-owned properties.

We recommend the City:

- Ensure it assesses late fees for delinquent accounts following its policy and municipal code
- Strengthen controls over the payment of utility billings for City-owned properties to ensure utility accounts remain current

- Work with its legal counsel to determine its obligation to collect fees for accounts that were present during the interim period that were not assessed a fee