



LYNNWOOD FINANCE COMMITTEE Finance Committee
THURSDAY, JULY 22, 2021 3:00 PM

1. CALL TO ORDER
2. ROLL CALL
3. FINANCIAL REPORTS
 - A. 1st Quarter 2021 Financial Report
Michelle Meyer, Director of Finance
4. DISCUSSION ITEM
 - A. Financial Policy Update Overview
Michelle Meyer, Director of Finance
[Fin. Policies Attachment to Res 2019-10.pdf](#)
 - B. ARPA Stabilize and Recover/Short-term funding recommendations
Michelle Meyer, Director of Finance
[ARPA Presentation for 7.22 FC.pdf](#)
 - C. Financial Reporting Update Overview
Michelle Meyer, Director of Finance
5. ADJOURN

FINANCE COMMITTEE 3.A

CITY OF LYNNWOOD FINANCE COMMITTEE

TITLE: 1st Quarter 2021 Financial Report

DEPARTMENT CONTACT: Lisa Harrison, Finance

SUMMARY:

Review of year-to-date financial activity for the 1st quarter of 2021

PRESENTER:

Michelle Meyer, Director of Finance

ESTIMATED TIME:

20

BACKGROUND:

Staff will review actual year-to-date financial activity as compared to budget for the 1st quarter of 2021.

*Materials were not finalized by date of packet publication; will be added/emailed to Committee members prior to the meeting date.

SUGGESTED ACTION:

Discussion

DEPARTMENT ATTACHMENTS

Description:

FINANCE COMMITTEE 4.A

CITY OF LYNNWOOD FINANCE COMMITTEE

TITLE: Financial Policy Update Overview

DEPARTMENT CONTACT: Lisa Harrison, Finance

SUMMARY:

Review of Requirement and Timeline for Updating Financial Policies

PRESENTER:

Michelle Meyer, Director of Finance

ESTIMATED TIME:

10

BACKGROUND:

In accordance with the City of Lynnwood adopted Financial Policies, a full review of the policies will be completed in 2021. The most current version, last updated in 2019, is attached for reference and discussion. A redlined version will be presented at the September Finance Committee meeting.

SUGGESTED ACTION:

Discussion

DEPARTMENT ATTACHMENTS

Description:

[Fin. Policies Attachment to Res 2019-10.pdf](#)

ATTACHMENT A
RESOLUTION 2019-10

Financial Policies

Legislative History

Revised November 12, 2019, Resolution 2019-10

Rewrite April 10, 2017, Resolution 2017-07

Revised November 28, 2016, Resolution 2016-19

Reformatted 11/20/2015

Revised November 10, 2014, Resolution 2014-20

Revised May 9, 2011, Resolution 2011-06

Revised April 11, 2005, Resolution 2005-04

Revised April 15, 2003, Resolution 2003-06

Adopted August 14, 2000, Resolution 2000-12

Lynnwood's Community Vision articulates core values and norms that include fiscal sustainability, accountability, economic vibrancy, and transparency. The safekeeping, proper use and management of the City resources are essential to responsible and responsive public service and governance. Standards and best practices for the management of City resources are set forth by entities which include the Internal Revenue Service, State Legislature, State Auditor's Office (SAO), Department of Revenue, Government Financial Officers' Association (GFOA), Government Accounting Standards Board (GASB), and the Lynnwood Municipal Code (LMC). Lynnwood's Financial Policies (Policies) support and augment those provisions, so that all fiscal decisions and actions adhere to and implement each of these objectives.

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1
2 **1. Application and Administration**

- 3 A. It is the intent of the City Council to utilize and reference these policies in decisions and
4 other actions with financial ramifications for the City. Also, these policies shall be put
5 into effect by adherence to the Long Term Financial Plan. And, it is anticipated that
6 good financial management should include regular review, amendment, and adjustment
7 of the Long Term Financial Plan. This section outlines examples of when and how these
8 policies should be utilized.
- 9 B. The use of “shall” indicates the City’s intent to closely adhere to the stated policy. The
10 use of “should” or “may” indicates a preferred approach. These policies serve to guide
11 the City Council while enabling flexibility for the Council to respond to specific
12 circumstances.
- 13 C. Review of Financial Policies:
- 14 i. The Financial Policies should be reviewed with the review of the Second-Quarter
15 Financial Report. This review may include recommended changes to the Policies.
- 16 ii. This section should not preclude the review and amendment of the Financial Policies
17 at other times, as deemed necessary by the City Council.

18 **2. General Policies**

- 19 A. The City shall maintain the fiscal integrity of its operating, debt service, and capital
20 improvement budgets. It is the City’s intent to maintain fiscal integrity while providing a
21 level of public goods and services that is within the city’s fiscal capacity.

22 **3. Budgeting: General**

- 23 A. These Financial Policies shall be used to guide major policy initiatives and shall be
24 incorporated or summarized in the adopted biennial budget document.
- 25 B. The City of Lynnwood shall prepare and adopt a biennial budget in accordance with
26 Chapter 35A.34 RCW, Chapter 2.72 LMC, and these Policies. Fiscal years shall begin
27 on January 1st and conclude on December 31st.
- 28 C. For clarity, the budget document required by RCW 35A.34.070 and LMC 2.72.030 shall
29 be referred to as the “proposed preliminary budget”, and the budget document required
30 by RCW 35A.34.080-100 and LMC 2.72.040 shall be referred to the “Preliminary
31 Budget”.
- 32 D. Pursuant to the opinion of the Municipal Research and Services Center (MRSC)
33 published on October 30, 2015, the City shall conduct a minimum of two public hearings
34 on the Preliminary Budget, and a minimum of one public hearing fixing the final budget.
35 One of the two public hearings required for the Preliminary Budget may be the public
36 hearing required for the property tax levy.
- 37 E. The Preliminary Budget shall include reference to these Financial Policies, including:
- 38 i. An assessment of its conformance to the Financial Policies and an explanation if
39 there are areas of non-conformance.

- ii. References as to how the Financial Policies were used to develop recommendations for balancing the budget.

F. The proposed preliminary budget, Preliminary Budget, adopted budget, and the mid-biennial modification of the adopted budget shall be based upon, and consistent, with:

- i. The Community Vision.
- ii. Performance management/measurement techniques and principals set forth by the Mayor.
- iii. The method of Budgeting for Outcomes (BFO), also known as Priority-Based Budgeting, as indicated in Resolution 2015-05.

G. General Fund budget requests in the Preliminary Budget and the mid-biennial modification shall include a written assessment of:

- i. How the proposal is consistent with and furthers the Community Vision.
- ii. Whether the service or program is mandatory (required by law) or discretionary (optional), and whether the service or program can be achieved through other means.
- iii. The degree to which the service or program is fiscally sustainable.

H. The budget should provide for adequate maintenance of capital assets.

I. The budget process shall be consistent with and integrated with long-term forecasting and ongoing financial reporting.

J. It is the policy of the City of Lynnwood to adopt structurally-balanced budgets.

- i. A structurally-balanced budget shall mean:
 - a. Ongoing expenditures shall be provided for by anticipated ongoing revenue.
 - b. Ongoing expenditures do not include:
 - (1) "One-time" items such as capital outlay, projects or studies.
 - (2) Allocations to other funds dependent on general revenues sufficient to balance dependent budgets (i.e.: Street Fund, Solid Waste Fund).
- ii. Anticipated ongoing revenues may include:
 - a. Reoccurring revenue such as taxes, fees, etc.
 - b. A reasonable amount of resources remaining unspent from the previous year's budget based on historical experience and an assessment of the current budget.
 - c. A portion of the unencumbered fund balance above the minimum levels established by this policy.
 - d. Reoccurring transfers from other funds.

K. The Mayor shall submit a balanced Preliminary Budget.

- a. The Mayor's budget proposal shall balance all city funds.
 - b. The transfers between funds shall be clearly illustrated.
 - c. The use any proposed new revenues from proposed new fees or taxes should be clearly illustrated.
- L. The anticipated amounts of reserves should be clearly illustrated.
- a. The reserve estimates shall be provided for the beginning and the end of the Preliminary Budget period (beginning and ending fund balances).
- M. The budget shall be developed consistent with State law and in a manner which encourages early involvement with the public and City Council as provided for by Chapter 2.72 LMC.
- N. The budget shall integrate into Capital Facilities Plan (CFP) and Strategic Financial Plan (SFP). The budget shall be consistent with the current year of the CFP and SFP. Budget planning activities shall be based on the next year of the SFP.
- O. The budget shall provide an account for one-time expenditures associated with an employee's end of employment. The Finance Director may establish administrative procedures specifying the conditions under which such funds may be expended.

4. Financial Forecasts

- A. As a part of each biennial budget process, the City shall prepare six-year expenditure and revenue forecasts for the City's principal operating and capital funds.
- i. Revenue forecasts for major revenues (those which represent at least 10% of the General Fund) should include "conservative", "moderate", "optimistic" forecasts and the assumptions used for each. The forecasts shall be based on the best information available and should reference assumptions and data sources.
 - ii. Revenue forecasts should include all sources of revenue.
 - iii. Forecasts shall include alternative expenditure scenarios, based on different policy and economic assumptions.
- B. Financial Forecasts shall:
- i. Incorporate plans for reserves and specific fund balances.
 - ii. Include revenue streams as may be appropriate to support capital projects in accordance with the city's Capital Facilities Plan and Strategic Investment Plan Component.
 - iii. Serve as a basis for decision making that may affect long-term trends and financial needs.
- C. All financial decisions shall be within the context of the long-range planning forecast and other related long-range plans (Capital Facilities Plan / Strategic Financial Plan). Staff shall provide a review of the implications of budgetary and other fiscal proposals on these long-range forecasts and plans. Staff shall include a "fiscal note", in a format to be provided by the Finance Director and approved by the Council, with each action item on

1 the council agenda. If no note is deemed necessary, the agenda cover sheet shall so
2 state.

3 D. Assumptions used in the CFP and SFP shall be noted and defined.

4 E. Basis of long-range planning shall be outcome oriented. In accordance with Chapters
5 2.70 and 2.72 LMC, and Resolution 2000-03, the City shall strive to illustrate the output
6 from CFP and SFP expenditures.

7 F. The forecasts developed under these policies shall be incorporated into the adopted
8 Long-Term Financial Plan which shall be periodically updated and reviewed consistent
9 with the updating of the financial forecasts as set forth by these policies.

10 **5. Reserves**

11 **A. Reserves, General Fund**

12 i. Adequate reserve levels are a necessary component of the City's overall financial
13 management strategy and key factor in external agencies' measurement of the City's
14 financial strength. Collectively, the adopted budget should include General Fund
15 reserve balances equaling not less than 2.5 months of the operating expenditures of
16 the prior fiscal year. The reserves specified by this policy consist of the aggregate
17 total of the General Fund Unassigned Fund Balance and the Revenue Stabilization
18 Fund balance.

19 ii. The purpose of the General Fund Unassigned Fund Balance is to provide for
20 adequate operating cash and to cover receivables until they are collected. Achieving
21 and maintaining this unassigned fund balance is the highest priority over developing
22 and maintaining other general fund reserves.

23 iii. The purpose of the reserves of the Revenue Stabilization Fund is to help protect the
24 city from major economic downturns and other unanticipated, adverse financial
25 conditions.

26 iv. City Council authorization shall be required for expenditure of Unassigned Fund
27 Balance or Revenue Stabilization Fund Balance.

28 **B. Reserves, Enterprise Funds**

29 i. Adequate reserve levels are a necessary component of the overall financial
30 management strategy for enterprise funds such as utilities, and a key factor in
31 external agencies' measurement of the City's financial strength.

32 ii. City Council authorization shall be required for expenditure of Enterprise Fund
33 Reserves.

34 iii. Utility Operating Fund.

35 a. The purpose of Utility Operating Fund reserves is to provide for adequate
36 operating cash and to cover receivables until they are collected.

37 b. The reserve balance target for the Water Utility is the amount equivalent to 90
38 days of operating expenses.

1 c. The reserve balance target for the Sewer Utility (wastewater) is the amount
2 equivalent to 45 days of operating expenses.

3 d. The reserve balance target for the Storm Utility (stormwater) is the amount
4 equivalent to 30 days of operating expenses.

5 iv. Utility Capital Fund.

6 a. The purpose of Utility Capital Fund reserves is to provide funding for
7 emergency repairs, unanticipated capital expenses, and project cost
8 overruns.

9 b. The reserve balance target for the Water Utility is the amount equivalent to
10 1% of all Original Asset Values.

11 c. The reserve balance target for the Sewer Utility (wastewater) is the
12 amount equivalent to 2% of all Original Asset Values.

13 d. The reserve balance target for the Storm Utility (stormwater) is the amount
14 equivalent to 1% of all Original Asset Values.

15 v. Golf Fund.

16 a. The reserve balance target for the Golf Fund is the amount equivalent to 30 days
17 of operating expenses.

18 **6. Reporting: General**

19 A. The Administrative Services Department shall prepare financial reports that show and
20 monitor actual performance in various expenditures and revenues with the adopted
21 budget and planning forecasts.

22 i. The reporting system shall include a financial analysis of the overall financial status
23 of the City and of its key funds, including, but not limited to, an analysis of all
24 available financial resources.

25 ii. This analysis should discuss the current financial status, and the immediate and
26 longer-term future financial status.

27 iii. A complete analysis shall be prepared quarterly with monthly updates.

28 iv. Quarterly financial reports shall include a summary of Departments' progress
29 regarding the performance measures set forth in the adopted budget.

30 **7. Revenues: General**

31 A. To the extent possible, diversified and stable sources of revenue shall be maintained to
32 shelter public services from downward fluctuations in any one revenue source. Periodic
33 financial reports shall include trend analysis of the City's primary sources of revenue.

34 B. All potential grants shall be carefully examined for matching requirements. Some grants
35 may not be accepted if the local matching funds cannot be justified. Grants may also be
36 rejected if programs must be continued with local resources after grant funds are
37 exhausted.

8. Revenues: Fees and Charges

- A. The City shall develop and maintain a comprehensive schedule of fees and charges.
- i. The fees and charges should be reviewed in connection with each biennial budget.
- ii. Fees shall be reviewed by general type as described below:
- a. Development-related fees (land use, building and property, fire marshal's office and engineering fees) shall be established by ordinance; adjusted for inflation and periodically subjected to a comprehensive rate analysis. Development-related fees should be based on recovering costs of permitting and inspection services.
- b. Regulatory Fees (such as those related to Title 5 LMC) shall be established by ordinance. As may be permitted by law, these fees may be used for generating city revenues in addition to recovering costs of the regulatory services.
- c. Recreation and parks use fees shall be set by the Director of Parks, Recreation and Cultural Arts within ranges established by ordinance.
- d. General fees (such as rental rates, copy charges, and other miscellaneous fees) shall be established by ordinance. These services should charge fees to assist in making these services self-supporting.
- e. Enterprise Funds (Utilities and Golf Course) fees shall be set by ordinance, and set at a level necessary to support the costs of services in the fund and to maintain long-term financial stability. To insure that the enterprise funds remain self-supporting, fee and rate structures shall fully fund the direct and indirect costs of operations, capital plant maintenance, debt service, depreciation, and reasonable system extensions. See "Revenues: Utility Rates" below for additional provisions.

9. Revenues: Utility Rates

- A. Every three years, the City shall conduct a comprehensive, third-party, expert analysis of utility rates.
- B. Revenues generated by utilities should provide adequate resources to provide for proper operation of the related programs, servicing of related debt at prescribed levels, maintenance of the capital plant, and adequate reserves.
- C. Utility rates shall be set utilizing the following guidelines:
- i. The rate structure should encourage consumers to conserve natural resources while providing a stable and predictable revenue base for the proper management of the utility.
- ii. The rates shall strive to be equitable among the classes (general types) of ratepayers.
- iii. The revenue target of the utility rates should maintain a minimum debt service coverage ratio (DSCR) of 1.5. DSCR is a financial formula that equals net operating income divided by annual debt service.

- iv. Rates should be set using an assumption of 95% of the average water consumption for the five previous years.
- v. A complete rate analysis, when finished, shall be included with the proposed preliminary budget, if not already adopted by separate ordinance.

10. Expenditures: General

- A. The City shall authorize only those ongoing, operating expenditures that may be supported by ongoing operating revenues. Before the City undertakes any agreements that would create fixed, ongoing expenses, the cost implications of such agreements shall be fully determined for current and future years with the aid of strategic financial planning models as described in Financial Management/Strategic Forecasting Policies. Capital expenditures may be funded from one-time revenues, but the operating budget expenditure impacts of capital expenditures shall be reviewed for compliance with this policy provision.
- i. Operating revenues are those revenues that recur regularly on an annual basis, excluding revenues that may be available only on a one time basis such as revenues derived from land sales, bond proceeds, etc.
- B. Department heads are responsible for managing their budgets within the total appropriation for their department.
- C. The City shall maintain expenditure categories according to state statute and administrative regulation as described in the State Auditor's Budgetary, Accounting, and Reporting System (BARS).
- D. The City shall assess funds for services provided internally by other funds. The estimated direct and indirect costs of service shall be budgeted as an expense to the fund receiving or benefiting from the service, and the cost of the service shall be recognized as revenue to the providing fund. A review of the method for determining the amount of the interfund assessment shall be reviewed periodically.
- E. Emphasis shall be placed on improving productivity, workplace innovation, program evaluation, and alternative means of service delivery rather than adding to the work force. The City shall invest in technology and other efficiency tools to ensure high productivity. The City may hire additional staff only after the need of such positions has been demonstrated and documented, including assessment of alternative measures, such as contracting for professional services and partnering with other agencies/organizations.
- F. All compensation planning and collective bargaining shall focus on the total cost of compensation which includes direct salary, health care benefits, pension contributions, training allowance, and other benefits of a non-salary nature which are a cost to the City.
- G. Enterprise Funds expenditures shall be fully supported by their own rates, fees, and charges, and not subsidized by the General Fund. The Enterprise Funds shall pay their share of overhead costs and services provided by the General Fund.

11. Contingency Planning and Responding to Revenue Downturns

- A. Short-term (anticipated less than one year) economic downturns and temporary gaps in cash flow: Expenditure reductions or restrictions may be imposed. Expenditures from the General Fund Unassigned Fund Balance, the Revenue Stabilization Fund, or

1 interfund loans may be used with City Council approval to address short-term downturns
2 in City revenues. The City Council may authorize interfund loans to cover short-term
3 gaps in cash flow.

4 B. Long-term (greater than one year) revenue downturns: Revenue forecasts shall be
5 revised. When long-term revenue downturns are likely, the following guidelines for
6 addressing the revenue shortfall shall be considered.

7 i. Deficit financing (borrowing) should not be considered as an appropriate fiscal
8 response.

9 ii. Prior to increasing taxes and/or fees to achieve a balanced budget, the City should
10 evaluate opportunities to reduce one-time and/or ongoing expenses.

11 iii. Rather than instituting “across the board” reductions, Budgeting for Outcomes
12 principles and criteria should be utilized to reduce/discontinue certain levels of
13 service, or delay/discontinue certain projects.

14 C. Periodic financial reports prepared by the Administrative Services Department shall be
15 utilized to monitor forecasted, budgeted, and actual revenues and expenditures.

16 D. In instances when combined, actual sales and use tax revenue for the previous two
17 quarters is less than the revenue received during the same period of the previous year,
18 the Mayor shall put forth to the Finance Committee a proposed budget amendment that
19 responds to the under-performance of revenues.

20 i. The Mayor’s proposed budget amendment shall include an updated financial
21 forecast and a written description of the anticipated changes to performance
22 measures, program outcomes, and levels of service.

23 ii. This policy shall not preclude the Mayor from initiating corrective action pursuant to
24 his/her administrative authorities prior to action by the City Council.

25 iii. The recommendation(s) of the Mayor and Finance Committee shall be forwarded to
26 the City Council.

27 **12. Investments**

28 A. The City of Lynnwood shall invest its funds in a manner that:

29 i. Provide the highest investment return consistent with a high degree of security.

30 ii. Meet the daily cash flow demands of the City.

31 iii. Conform to all state statutes and local ordinances governing the investment of public
32 funds.

33 B. At the discretion of the Finance Director, cash may be invested separately by fund or be
34 commingled into a common investment portfolio and earnings from such portfolio
35 distributed monthly.

36 C. These policies supersede Resolution 2009-11 and apply to all financial assets of the
37 City, except: assets held in escrow in order to defease refunded debt; and retirement
38 funds managed by others such as the State or ICMA.

- 1 D. Investments shall be made with judgment and care, considering the probable safety of
2 the capital as well as the probable income to be derived.
- 3 E. The primary objectives, in priority order, of the City's investment activities shall be as
4 follows:
- 5 i. Legality: The City's investments shall be in compliance with all statutes governing
6 the investment of public funds and the provisions of all applicable bond ordinances.
- 7 ii. Safety: Investments of the City shall be undertaken in a manner that seeks to
8 ensure the preservation of capital in the overall portfolio. To attain this
9 objective, diversification is required in order that potential losses on individual
10 securities do not exceed the income generated from the remainder of the
11 portfolio.
- 12 iii. Liquidity: The City's investment portfolio shall remain sufficiently liquid to enable
13 the City to meet all operating requirements, which might be reasonably anticipated.
14 The City shall maintain adequate liquidity by maintaining a minimum balance in the
15 Local Government Investment Pool (LGIP). Any short-term borrowings require
16 Council approval regarding securities lending and reverse transactions.
- 17 iv. Return on Investment: The City's investment portfolio shall be designed with the
18 objective of attaining a market rate of return throughout budgetary and economic
19 cycles, taking into account the City's investment risk constraints and the cash
20 flow characteristics of the portfolio.
- 21 v. Local Institutions: Local institutions shall be given preference when they are, in
22 the judgment of the Finance Director, competitive with other institutions.
- 23 F. The Finance Director is authorized to undertake transactions regarding the investment of
24 City funds. By written memorandum, the Finance Director may delegate authority to a
25 single City employee.
- 26 G. The Finance Director shall establish and maintain procedures/internal controls to
27 implement this investment policy. Procedures shall cover topics such as: safekeeping,
28 Public Securities Association (PSA) repurchase agreements, wire transfer agreements,
29 collateral/depository agreements, conflict of interest, and banking service contracts.
- 30 H. The Finance Director shall maintain a list of financial institutions authorized to provide
31 investment services to the City of Lynnwood. In addition, a list shall also be maintained
32 of approved security broker/dealers selected by credit worthiness, who maintain an
33 office in the State of Washington. These may include "primary" dealers or regional
34 dealers that qualify under US Securities and Exchange Commission Rule 15c3-1
35 (uniform net capital rule). No public deposit shall be made except in a qualified public
36 depository as established by State law.
- 37 I. The City may invest in any of the securities identified as eligible investments as
38 defined by RCW 35A.40.050. In general, these consist of:
- 39 i. Investment deposits (certificates of deposits) with qualified public depositories as
40 defined in Chapter 39.58 RCW.
- 41 ii. Certificates, notes or bonds of the United States, or other obligations of the United
42 States or its agencies, or of any corporation wholly owned by the government of the
43 United States whose securities carry full faith and credit guarantees.

- iii. Obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System. (These include but are not limited to, Federal Home Loan Bank notes and bonds, Federal Farm Credit Bank consolidated notes and bonds, and Federal National Mortgage Association notes.)
 - iv. Prime bankers' acceptances purchased on the secondary market.
 - v. Repurchase agreements for securities above, provided that the transaction is structured so that the City obtains ownership and control over the underlying securities. A master repurchase agreement between the City and the bank or dealer must be on file prior to any repurchase agreement transaction.
 - vi. The Washington Local Government Investment Pool.
- J. Collateralization shall be on repurchase agreements to anticipate market changes and provide a level of security for all funds; the collateralization level shall be 102% of market value of principal and accrued interest.
- i. The City shall limit collateral to the obligations of the United States Government and its agencies.
 - ii. Collateral shall be held by an independent third party with whom the entity has a current custodial agreement (except certificates of deposits). A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained.
 - iii. Certificates of deposit shall be delivered to and held by the Finance Director.
- K. All securities transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis. Securities shall be held by a third-party custodian designated by the City Investment Committee and evidenced by safekeeping receipts listing the specific instrument, rate, maturity and other pertinent information.
- L. The City shall diversify its investments by security type and institution in manner that manages overall portfolio risk, attains market-average rates of return, and precludes current cash flow issues. To achieve these purposes, investment of City funds should not exceed the percentages specified below:

Investment Security Type	Max. Percent of City Portfolio
US Federal Agency Securities	50
Certificates of Deposits (within PDPC)	50
General Obligation Bonds of State and Local Government	20
Repurchase Agreements	10
Banker's Acceptance	10
US Treasury Securities	100
Washington State Local Government Investment Pool	100

- M. The City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City shall not directly invest in securities maturing more than five (5) years from the date of purchase.

- N. The City's reserve funds may be invested in securities not to exceed ten (10) years if the maturity of such investments is made to coincide as nearly as possible with the expected use of funds.
- O. The City's investment portfolio shall be designed to obtain a market-average rate of return, taking into account the City's investment risk constraints and cash flow needs.
- P. The City's investment strategy is dynamic. Securities shall be purchased and sold as appropriate to best meet the needs of the City. The Finance Director may trade securities before maturity if it is in the best interest of the City to do so.
- Q. The basis used by the City to determine whether market yields are being achieved shall be the Average US Treasury Note Rate that corresponds to the average life of the investments.
- R. The Finance Director shall report on investment activity and returns in quarterly financial reports and the CAFR. Monthly financial reports should denote changes in market value and investment income.

13. Debt and Debt Management

- A. The City may issue interfund loans consistent with Chapter 3.90 LMC.
- B. All professional service providers (underwriters, financial advisors, bond insurers, etc.) selected in connection with the City's debt issues shall be selected in accordance with the City's procurement policies.
- C. The term of long-term debt issued shall not exceed the life of the projects financed. Ongoing operational expenses shall not be financed with long-term debt.
- D. The City shall maintain an open line of communication with the rating agencies (Moody's and Standard and Poors), informing them of major financial events in the City as they occur. The Comprehensive Annual Report (CAFR) shall be distributed to the rating agencies and The National Recognized Municipal Information Repository Securities (NRMIRS) within 30 days of State Auditor's Office (SAO) approval of the CAFR. The CAFR shall include all secondary market disclosure required by the SEC.
 - i. The City shall strive to maintain or exceed favorable credit ratings as follows:
 - a. General Obligation: A1 with Moodys Investor's Service and A+ with Standard and Poors.
 - b. Revenue Bonds: A with Moodys Investor's Service and AA with Standard and Poors.
- E. As part of the debt policy, the City shall use debt ratios based on debt per assessed value, debt per capita, and debt per capita as a percentage of per capita income as guides. These ratios may assist in guiding amounts that the City may authorize in debt issuance.
- F. Assessment bonds shall be issued in place of general obligation bonds, where possible, to assure the greatest degree of public equity and flexibility for City finances.
- G. The City of Lynnwood debt shall not exceed an aggregated total of 7.5% of the assessed valuation of the taxable property within the City. Compliance with state law and this

1 policy shall be documented each year in the city's Comprehensive Annual Financial
2 Report (CAFR).

3 H. The following individual percentages (as defined in state law) shall not be exceeded in
4 any specific debt category:

5 i. General Debt: 2.5% of assessed valuation

6 ii. Utility Debt: 2.5% of assessed valuation

7 iii. Open Space and Park facilities: 2.5% of assessed valuation

8 I. No debt shall be issued for which the City is not confident that a sufficient, specifically
9 identified revenue source is available for repayment. The Finance Director shall prepare
10 an analytical review for this purpose prior to the issuance of any debt.

11 J. Credit enhancements shall be considered with a cost/benefit analysis for each long-term
12 bond issue.

13 K. Reserve accounts shall be maintained as required by bond ordinances and where
14 deemed advisable by the City Council. Debt service reserves shall conform to IRS
15 arbitrage regulations.

16 **14. Capital Funds: General**

17 A. The City shall maintain a Capital Development Fund #333 to provide funding for the six-
18 year Capital Facilities Plan, less proprietary fund projects as defined by Chapter 3.50
19 LMC. The use of any funds within the Capital Development Fund shall be as defined by
20 the Lynnwood Municipal Code. Once the policy target for General Fund reserves is
21 achieved [see Reserves above] the City shall set aside at least \$1.1 million per year for
22 capital development (an amount equivalent to the savings to the City generated by the
23 public vote annexing city into the Sno-Isle Library District).

24 B. Contributions to development funds shall be made from available funds as identified
25 during the biennial budget process or the mid-biennial budget modification. The Finance
26 Director shall make a recommendation to the Council with regard to transfers to reserve
27 funds as a part of that report. The Council, by motion (and amending the budget by
28 ordinance as necessary) shall authorize the transfers as the Council shall determine to
29 be appropriate at that time.

30 **15. Capital Planning and Asset Management**

31 A. The City shall annually develop a Capital Facilities Plan (CFP) as defined and required
32 by RCW 36.70A.070 which is consistent with the Capital Facilities Element of the City
33 Comprehensive Plan.

34 B. Such plan shall include all projects to maintain public capital facilities required to
35 maintain service levels at standards established by the City Council. The plan shall
36 include a complete inventory and analysis of building conditions including the extent and
37 estimated costs regarding maintenance, remodel and replacement of buildings. This
38 plan shall be reviewed in the mid-year financial review.

39 C. The proposed CFP may include for consideration such other projects as requested by
40 the City Council or Mayor.

- 1 D. Funding for capital projects shall be classified as to source (general government,
2 enterprise or other) within the plan.
- 3 i. The extent to which funds exist for each project shall be described in the plan.
- 4 ii. The plan shall integrate with the Proposed Preliminary Budget (LMC 2.72.110) in that
5 funds required for the projects recommended for the ensuing budget period shall be
6 identified in the Preliminary Budget.
- 7 iii. The CFP shall include a recommended level of funding from general revenues in
8 order to provide for “ongoing” projects (as defined in the CFP).
- 9 A. The plan shall be for a period of six years as required by state law (GMA).
- 10 B. With the exception of “ongoing projects”, each project shall be described such that
11 development phases are delineated as separate stages of the project. Examples
12 include land acquisition, design and construction. “Ongoing projects” represent annual
13 capital programs such as street overlay, sidewalk expansion or traffic signal rebuild.
- 14 C. An estimate for the operating budget impact of each proposed project shall be identified
15 and incorporated into the City Strategic Financial Plan.
- 16 D. The CFP shall be approved by ordinance annually. The approving ordinance shall
17 constitute a plan of action wherein no final approval to proceed with specific projects is
18 made, but requires specific authorization and appropriation (by ordinance in the form of
19 a budget amendment or financial plan for each project) by the Council in a manner as
20 the Council shall determine.
- 21 E. The adopted CFP shall constitute the City’s long-range financial plan for capital
22 expenditures and shall be consistent with the City Strategic Financial Plan.

23 **16. Other Funds**

- 24 A. The City shall maintain a Program Development Fund as defined in Chapter 3.51 LMC.
25 The use of any funds within the Program Development Fund shall be as defined by the
26 Lynnwood Municipal Code.
- 27 B. In accordance with RCW 41.16.050, the City shall maintain a Firemen’s Pension Fund to
28 record all monies received from taxes on fire insurance premiums received from the
29 state, contributions made by firefighters (before the inception of LEOFF I) and interest
30 earned on the investment of these funds. These funds are used to cover benefits
31 payable to members (or to their survivors) who retired prior to March 1, 1970 or who
32 were active on that date.



FINANCE COMMITTEE 4.B

CITY OF LYNNWOOD FINANCE COMMITTEE

TITLE: ARPA Stabilize and Recover/Short-term funding recommendations

DEPARTMENT CONTACT: Lisa Harrison, Finance

SUMMARY:

Review of the recommended ARPA funding uses for immediate recovery

PRESENTER:

Michelle Meyer, Director of Finance

ESTIMATED TIME:

30

BACKGROUND:

Staff will review the recommended short-term/immediate recovery uses of American Rescue Plan Act (ARPA) funding.

SUGGESTED ACTION:

Discussion

PREVIOUS COUNCIL ACTIONS:

June 24, 2021 Finance Committee meeting and July 19, 2021 Council meeting: Review of the City's allocation, program guidelines, best practices, strategies for implementation and next steps.

FUNDING:

The City of Lynnwood was allocated \$10,926,131 of State and Local Fiscal Recovery Funds through the American Rescue Plan Act.

DEPARTMENT ATTACHMENTS

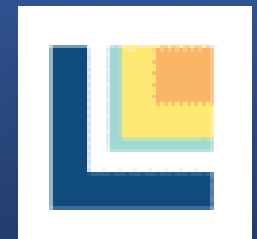
Description:

[ARPA Presentation for 7.22 FC.pdf](#)

American Rescue Plan Act Funding Overview

July 22, 2021

Finance Committee



American Rescue Plan Act Funding Overview

AGENDA

- Review from June 24 and July 19 meetings:
 - Allocations
 - Eligible Uses
 - Recommended Implementation
- New Information:
 - Stabilize and Recover: Short-term/Immediate funding requests
- Timeline
- Discussion/Feedback/Questions

American Rescue Plan Act Funding Allocations

\$350 Billion

State and Local Fiscal Recovery Funds

\$7.12 Billion

Washington State

\$292 Million

Snohomish County

\$10.9 Million

City of Lynnwood

Additional Funding Streams

- State Associate Economic Development Organizations
- State Small Business Grants, Equity and Credit Initiatives
- State Tourism Recovery
- State Industry Sectors
- Restaurant Relief
- Airports
- Farm and Food Supply
- Events and Theater
- Utility Assistance
- Rent/Homeowner Assistance

American Rescue Plan Eligible Uses

Respond to COVID-19 Public Health Emergency

Restore Public Sector Capacity to Pre-Pandemic Levels

Address Negative Economic Impacts

Replace Lost Revenues and Provide Expanded Services up to Amount of Revenue Loss

Water, Sewer and Broadband Infrastructure

American Rescue Plan Implementation

Stabilize and Recover: Short-term

Strategize and Enhance: Long-term

American Rescue Plan Immediate Requests

Stabilize and Recover: Short-term Immediate Funding Requests

Respond to COVID-19 Public Health Emergency

- Operational and Capital: Council Chamber IT Improvements

Restore Public Sector Capacity to Pre-Pandemic Levels (Goal of full City “reopening” in Fall of 2021)

- Identified previously eliminated/reduced positions needed to serve public for business recovery

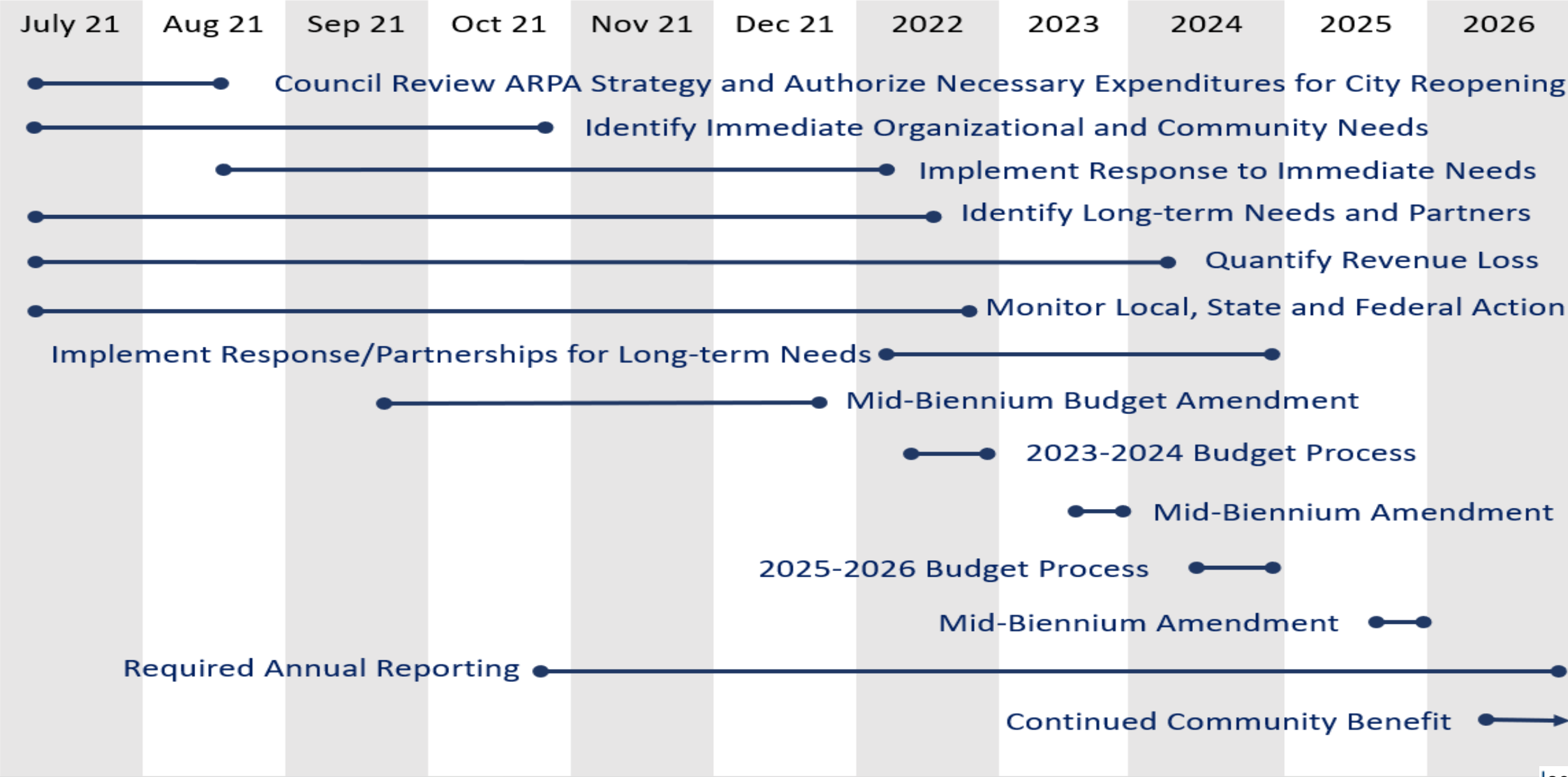
Provide Expanded Services up to Amount of Revenue Loss

- Purchase and implement an officer Body Camera program

American Rescue Plan Immediate Requests

Item	One Time / Ongoing	New Cost/Previously Budgeted	2021 Cost Estimate	2022 Cost Estimate	Total	Service Impacts
Respond to COVID-19 Capital or Operational Needs: \$100,000 for 2021						
<i>Council Chamber IT improvements</i>	One Time	New Cost	\$ 50,000		\$ 50,000	Make improvements in existing audio visual equipment to facilitate hybrid in-person and remote meetings on an ongoing basis to increase community member participation and enhance participant experience.
Restore Public Sector Capacity to Pre-Pandemic Levels: \$858,000 for 21-22 Budget to fill in September of 2021						
<i>Police Evidence Officer (1 FTE)</i>	Ongoing	Previously Budgeted	\$ 35,000	\$ 107,000	\$ 142,000	A detailed and effective intake process is vital for the provision of law enforcement services and the disposal process is complex to include managing gun, illegal drugs and money in a very precise and trackable manner. There are also functions that require two people to perform to serve as a check and balance. Evidence management is a highly scrutinized law enforcement function which requires exacting detail to be done correctly. This position will allow us to effectively intake and dispose of evidence.
<i>Court Legal Specialist 1 (1 FTE)</i>	Ongoing	Previously Budgeted	\$ 25,000	\$ 80,000	\$ 105,000	The court LS I position provides customer service in person at the court clerk's office. The court re-opened to the public in July after COVID-19 forced our closure. To provide adequate access to justice the court must remain open. Our public service hours have been reduced temporarily due to staffing challenges. Further reduction in public service hours is not an option at this time.
<i>Recreation Customer Service Lead Clerk (1 FTE)</i>	Ongoing	Previously Budgeted	\$ 30,000	\$ 95,000	\$ 125,000	Position needed to process increased registrations, administer RBF program and provide coverage of customer service desk.
<i>Recreation Aquatics Part-Time Staffing (2.1 non-benefitted FTE)</i>	Ongoing	Previously Budgeted	\$ 40,000	\$ 125,000	\$ 165,000	Restore afternoon hours and swim lessons.
<i>Recreation Coordinator - Senior Center (.75 FTE)</i>	Ongoing	Previously Budgeted	\$ 25,000	\$ 80,000	\$ 105,000	Restore programming and Saturday hours.
<i>Recreation Coordinator - Rec Programs (.25 FTE)</i>	Ongoing	Previously Budgeted	\$ 6,000	\$ 22,000	\$ 28,000	1 FTE was reduced to .75 FTE. Additional hours needed for Playfield operations supporting rentals and tournaments.
<i>Recreation Park Part-Time Staffing (2 PT non-benefitted)</i>	Ongoing	Previously Budgeted	\$ 6,000	\$ 22,000	\$ 28,000	Restore levels of service with expanded areas of responsibility including mowing, floral plantings, seasonal lighting, graffiti removal, watering and monitoring open space for illegal activity.
<i>Recreation Service Part-Time Staffing (1.1 non-benefitted FTE)</i>	Ongoing	Previously Budgeted	\$ 15,000	\$ 65,000	\$ 80,000	Restore supervision in weight room.
<i>Custodian Position (1 FTE)</i>	Ongoing	Previously Budgeted	\$ 20,000	\$ 60,000	\$ 80,000	With facilities reopening, this position will help ensure timely routine and enhanced cleaning in accordance with latest guidelines.
Replace Lost Revenues & Provide Expanded Services up to Amount of Revenue Loss: \$480,000 for 21-22 Budget						
<i>Body Camera Program Equipment and Staffing</i>	One Time/ Ongoing	New Cost	\$ 382,000	\$ 98,000	\$ 480,000	The body camera program is meant to further develop transparency with our community and to enhance public trust. New legislation regarding recording custodial interrogations in the field highlight the immediate need for this technology.
TOTAL			\$ 584,000	\$ 754,000	\$ 1,338,000	

American Rescue Plan Action Timeline



American Rescue Plan Next Steps

July - August 2021

8/2 Council Work Session

- Immediate Items Review

8/9 Council Business Meeting

- Immediate Items Approval

FINANCE COMMITTEE 4.C

CITY OF LYNNWOOD FINANCE COMMITTEE

TITLE: Financial Reporting Update Overview

DEPARTMENT CONTACT: Lisa Harrison, Finance

SUMMARY:

Discussion on updating the content of quarterly financial reports

PRESENTER:

Michelle Meyer, Director of Finance

ESTIMATED TIME:

10

BACKGROUND:

City staff prepare financial reports on a quarterly basis for presentation to the Finance Committee and submission to City Council. We are seeking feedback from the Finance Committee on the content/presentation of the reports to ensure they are comprehensive, transparent and provide relevant information to facilitate informed decision making. The item will be discussed again at the September meeting.

SUGGESTED ACTION:

Discussion

DEPARTMENT ATTACHMENTS

Description:
