



**LYNNWOOD FINANCE COMMITTEE - regular Finance Committee  
meeting  
THURSDAY, OCTOBER 28, 2021 3:00 PM**

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1. CALL TO ORDER
2. ROLL CALL
3. DISCUSSION ITEM
  - A. Mid-biennium Budget Modifications - *45 minutes*  
Michelle Meyer, Finance Director  
[Mid-Biennial Budget Modifications Review Memo to FC.pdf](#)
  - B. Fund Overview - *20 minutes*  
Michelle Meyer, Finance Director  
[Adopted Budget Funds.pdf](#)
  - C. 2022 Property Tax Levy - *20 minutes*  
Michelle Meyer, Finance Director  
[2022 Property Tax Levy.pdf](#)
  - D. Review of Delinquent Utility Accounts - *15 minutes*  
Michelle Meyer, Finance Director  
[Utility Aging Info.pdf](#)
  - E. Monthly Sales Tax Reports - *15 minutes*  
Michelle Meyer, Finance Director
4. ADJOURN

## FINANCE COMMITTEE 3.A

### CITY OF LYNNWOOD FINANCE COMMITTEE

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**TITLE:** Mid-biennium Budget Modifications

**DEPARTMENT CONTACT:** Lisa Harrison, City Council

**SUMMARY:**

Review of proposed mid-biennial budget modifications

**PRESENTER:**

Michelle Meyer, Finance Director

**ESTIMATED TIME:**

45

**BACKGROUND:**

On November 23, 2020, the City Council passed Ordinance #3378 that adopted the 2021-2022 biennial budget. A biennial budget results in the adoption of a two-year appropriation, with the requirement of a mid-biennium review. The mid-biennium review is done to modify the 2021-2022 budget for significant items that could not have been anticipated when the biennial budget was adopted at the end of 2020. Staff will review the proposed budget modifications identified to-date.

**SUGGESTED ACTION:**

Discussion

**DEPARTMENT ATTACHMENTS**

Description:

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[Mid-Biennial Budget Modifications Review Memo to FC.pdf](#)

Date: October 28, 2021

To: Council Finance Committee

From: Michelle Meyer, Finance Director

Subject: Review of 2021-2022 Mid-Biennial Budget Modifications

On November 23, 2020, the City Council passed Ordinance #3378 that adopted the 2021-2022 biennial budget. A biennial budget results in the adoption of a two-year appropriation, with the requirement of a mid-biennium review. The mid-biennium review is done to modify the 2021-2022 budget for significant items that could not have been anticipated when the biennial budget was adopted at the end of 2020. The following budget modifications are proposed:

### **All Funds**

Beginning Fund Balances: When the budget was adopted, an estimate was made for the beginning fund balance for each fund. Included in the proposed budget amendment ordinance will be adjustments to beginning fund balances for all funds to reflect the actual beginning fund balance on 1/1/2021.

### **General Fund 011**

Purchase Order Carry Forwards: There is a need to carryover budget from 2020 to the 2021 budget to complete and pay for contracts that were approved in 2020 but not completed by the end of the fiscal year. The amount to be carried over in the General Fund totals \$183,059. The expenditures will be covered by increased beginning fund balance for no net impact to the fund.

Historic Preservation Grant: The Parks, Recreation and Cultural Arts department received a grant from the Snohomish County Historic Preservation Commission for \$8,400 to develop a comic book that leads young readers through Lynnwood's history with engaging drawings and fun characters. Comic books will be available at Heritage Park and used in field trips and park visits. Revenue and expenditure authority will be added for no net impact to the fund.

Sales Tax Revenue: Year to date Sales Tax revenues have exceeded budget expectations. A proposed increase to the revenue budget of \$733,000 will cover the following expenditures:

- 1) On September 13, 2021, the City Council authorized funding 8.2 full time-equivalent positions in the Parks, Recreation and Cultural Arts, Police, Court and Public Works Department for 2022 totaling \$656,000; the positions were funded through the American Rescue Plan Act for 2021.
- 2) An increase of \$77,000 will be requested to make the City Clerk/Procurement pilot staffing permanent.

### **Hotel/Motel Lodging Tax Fund 101**

Public Facilities District Sales Tax: The Lynnwood Public Facilities District (LPFD) is funded through contributions from both the City of Lynnwood and Snohomish County. Since the formation of the LPFD, the city has served as the “middleman” for the County’s share of the LPFD funding by receiving the County’s contribution and then paying it to the LPFD. Included in the Hotel/Motel Lodging Tax Fund budget is both the revenue and expenditure authority for the County’s funding to LPFD, totaling \$1,719,189 for the biennium. Since these are not City revenues, the amount should not be shown in a budgeted fund, but rather received and paid through a fiduciary fund. This was confirmed with the State Auditor’s Office. A budget modification will reflect the reduction in both the revenue and expenditure authority for no net impact to the fund.

### **Criminal Justice Fund 105**

Law Enforcement Grant: The City received a one-time \$162,000 grant from the state to offset costs generated by law enforcement and criminal justice related legislation enacted between January 1, 2020 and June 30, 2021. Revenue and expenditure authority will be added for no net impact to the fund.

### **American Rescue Plan Fund 131**

American Rescue Plan Act Funding: During the 2021-2022 biennium, the city will receive a total of \$10,935,804 in American Rescue Plan Act funding. The City Council has appropriated \$882,000 to date. A new fund will be created, including the full amount of revenue and expenditure authority.

### **Facilities Capital Projects Fund 370**

Community Recovery Center: On September 13, 2021, Council passed Resolution 21-06 to build a Community Recovery Center (CRC) on the site of the Community Justice Center. Funding for the CRC is anticipated to come from a combination of state and local funding, including \$3 million from Snohomish County as recommended in the County Executive’s proposed 2022 budget. The Council has reviewed a proposed design contract in the amount of \$1,697,802. Both the proposed grant revenue from the County and the expenditure will be increased for no net impact to the fund.

### **Parks and Recreation Capital Fund 380**

National Recreation and Park Association Grant: The City of Lynnwood is receiving \$300,000 in grant funding from the National Recreation and Park Association (NRPA) to support equitable access to the city’s parks through the “ParksLove” Project. The funding provides an opportunity to complete a community-driven, comprehensive park and trail capital project plan and prioritization project centering equity in the city’s park system planning. Both the revenue and expenditure budget will be increased for no net impact to the fund.

### **Public Safety Capital Fund 390**

Community Justice Center Construction: On September 13, 2021, Council award a construction contract to build the Community Justice Center. The Community Justice Center project is primarily funded through the Limited Tax Obligation Bonds (LTGO) that were issued on June 24, 2021. Due to significant supply chain and material cost impacts the bids for construction were higher than anticipated. The City will issue \$5 Million in additional principal funding to cover the full cost of the project in conjunction with the upcoming scheduled refunding on the City's 2012 bonds in 2022. Both the revenue and expenditure budget will be increased for no net impact to the fund. Additional action will be required to adopt an ordinance authorizing the bond parameters.

### **Equipment Rental Reserve Fund 510**

Transfer to Operations Fund: The City maintains a reserve fund and an operating fund for equipment rental. Each year, a transfer is made from the reserve fund to the operating fund. A one-time transfer of \$975,000 from the reserve fund to the operating fund will eliminate the need for ongoing transfers.

### **Equipment Rental Operations Fund 511**

Transfer-in from Reserve Fund: The revenue budget will be increased by \$975,000 to reflect the one-time transfer-in from the reserve fund.

Fleet Maintenance Operations Staffing: The expenditure budget will be increased \$125,000 to cover the salary and benefits for one additional full time mechanic position to keep up with maintaining the City's vehicles while most of the mechanics focus on vehicles for the Regional Fire Authority. This position was reviewed with the Finance Committee on 9/23/21. Revenues for this fund come from charges for service, which are expected to offset the increase in expenditures. There will be no net impact to the fund.

### **Other Items for Discussion**

In addition to the necessary budget modifications listed, there are items to discuss during the review process including:

Property Tax: A regular property tax levy amount of \$4,500,000 for 2022 was included in the Adopted 2021-2022 Budget. This will require separate action and will be reviewed separately.

Budget Ordinance Requirements: Ordinance 3378 included a requirement that the mid-biennium review include a discussion to determine if additional transfers to the Revenue Stabilization Fund would be needed and/or if transfers to the Economic Development Infrastructure Fund (EDIF) could resume. Additional transfers to the Revenue Stabilization Fund will not be needed in excess of the budgeted amount. A discussion of restoring transfers to EDIF is required.

Budgeted Salaries by Department: Included in the adopted budget is a listing of the budgeted full-time salaries by department. This schedule will be updated during the mid-biennial process to reflect any changes in positions. Only the positions referenced above for the City Clerk/Procurement pilot and fleet mechanic will require an increase in budgeted appropriations.

It is important to note that multiple collective bargaining agreements are expiring at the end of 2021 and the budget impacts for 2022 are not quantified, so therefore not included in the mid-biennium amendment. If updated information is available as the review process continues, proposed budget modifications will be updated and reviewed with Council.

### **Next Steps**

At the November 1 Council Work Session, the Council will have an opportunity to review and discuss the proposed budget modifications and property tax levy. A public hearing on the property tax levy is scheduled for the November 8 Council meeting when a draft property tax ordinance will also be reviewed. The proposed property tax ordinance is scheduled for approval at the November 22 Council meeting along with a public hearing on the mid-biennial budget; the draft budget ordinance will be available at that time. Review of budget modifications will continue at the November 29 Work Session with adoption of the budget ordinance scheduled for the December 13 Council meeting.

## FINANCE COMMITTEE 3.B

### CITY OF LYNNWOOD FINANCE COMMITTEE

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**TITLE:** Fund Overview

**DEPARTMENT CONTACT:** Lisa Harrison, City Council

**SUMMARY:**

Review of Budgeted Funds

**PRESENTER:**

Michelle Meyer, Finance Director

**ESTIMATED TIME:**

20

**BACKGROUND:**

The City maintains 34 budgeted funds, all of which have different sources of revenue, purposes, and use restrictions. Staff will review the purpose and funding source for each fund along with any restrictions for funding uses.

**SUGGESTED ACTION:**

Review of the City's budgeted funds.

**DEPARTMENT ATTACHMENTS**

Description:

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[Adopted Budget Funds.pdf](#)

**2021-2022 BUDGET SUMMARY BY FUND**

<b>FUND</b>	<b>BEGINNING FUND BALANCE</b>	<b>REVENUES &amp; OTHER SOURCES</b>	<b>TOTAL BEGINNING FUND BALANCE &amp; REVENUES &amp; OTHER SOURCES</b>	<b>EXPENDITURES &amp; OTHER USES</b>	<b>ENDING FUND BALANCE</b>	<b>TOTAL EXPENDITURES &amp; ENDING FUND BALANCE</b>
<b>GENERAL GOVERNMENT</b>						
011 General Fund	\$ 3,519,143	\$ 110,657,067	\$ 114,176,210	\$ 110,711,866	\$ 3,464,344	\$ 114,176,210
020 Econ Dev Infrastructure	11,084,048	300,000	11,384,048	9,500,000	1,884,048	11,384,048
098 Revenue Stabilization	4,671,099	1,500,000	6,171,099	402,883	5,768,216	6,171,099
101 Lodging Tax	829,670	2,889,189	3,718,859	3,046,960	671,899	3,718,859
104 Drug Enforcement	251,255	302,000	553,255	200,000	353,255	553,255
105 Criminal Justice Fund	2,082,154	2,009,741	4,091,895	3,852,168	239,727	4,091,895
110 Transportation Impact Fee	2,344,714	1,040,000	3,384,714	2,370,000	1,014,714	3,384,714
111 Street Operating	357,021	4,992,188	5,349,209	5,209,042	140,167	5,349,209
114 Cumulative Pk Res & Dev	77,239	59,500	136,739	63,000	73,739	136,739
116 Cumulative Art Reserve	50,478	52,000	102,478	30,000	72,478	102,478
121 Tree Reserve	277,816	50,000	327,816	45,000	282,816	327,816
144 Solid Waste Management	84,482	77,276	161,758	77,276	84,482	161,758
146 Affordable Housing	250	401,200	401,450	-	401,450	401,450
150 Transportation Benefit Dist	4,188,817	5,365,000	9,553,817	9,026,464	527,353	9,553,817
180 Park Impact Fee Fund	2,450,353	5,023,800	7,474,153	5,900,000	1,574,153	7,474,153
203 General Govt Debt Service	-	4,000,000	4,000,000	3,997,354	2,646	4,000,000
223 Rec Center 2012 LTGO	111,901	3,313,026	3,424,927	3,313,625	111,302	3,424,927
510 Equipment Rental Reserve	6,271,016	3,176,291	9,447,307	3,034,124	6,413,183	9,447,307
511 Equipment Rental Oper	210,701	4,302,935	4,513,636	4,083,120	430,516	4,513,636
513 Lynnwood Shop Operations	134,937	243,000	377,937	283,300	94,637	377,937
515 Self Insurance Fund	331,489	1,610,310	1,941,799	1,710,310	231,489	1,941,799
520 Technology Reserve Fund	308	262,400	262,708	262,400	308	262,708
<b>Total General Govt. Funds</b>	<b>\$ 39,328,891</b>	<b>\$ 151,626,923</b>	<b>\$ 190,955,814</b>	<b>\$ 167,118,892</b>	<b>\$ 23,836,922</b>	<b>\$ 190,955,814</b>
<b>ENTERPRISE FUNDS</b>						
411 Utility Operations	20,120,867	54,356,413	74,477,280	57,569,311	16,907,969	74,477,280
412 Sewer/Water/Storm Capital	9,927,603	14,734,440	24,662,043	24,662,043	-	24,662,043
419 2010 Utility System Bonds	303,596	-	303,596	303,596	-	303,596
460 Golf Course	3,165,763	2,950,710	6,116,473	2,939,119	3,177,354	6,116,473
<b>Total Enterprise Funds</b>	<b>\$ 33,517,829</b>	<b>\$ 72,041,563</b>	<b>\$ 105,559,392</b>	<b>\$ 85,474,069</b>	<b>\$ 20,085,323</b>	<b>\$ 105,559,392</b>
<b>CAPITAL FUNDS</b>						
330 REET 2	3,575,598	1,670,000	5,245,598	5,233,495	12,103	5,245,598
331 REET 1	2,396,093	1,650,000	4,046,093	3,883,102	162,991	4,046,093
333 Capital Development	991,440	2,230,000	3,221,440	2,539,593	681,847	3,221,440
357 Other Gov Capital Improv	231,758	4,993,242	5,225,000	5,225,000	-	5,225,000
360 Transportation Capital Infr.	1,337,755	45,580,022	46,917,777	46,917,777	-	46,917,777
370 Facilities Capital Infr.	1,163,703	182,568	1,346,271	1,345,629	642	1,346,271
380 Parks & Recreation Capital	219,627	18,897,476	19,117,103	19,117,103	-	19,117,103
390 Public Safety Capital	-	61,908,000	61,908,000	60,000,000	1,908,000	61,908,000
<b>Total Capital Funds</b>	<b>9,915,974</b>	<b>137,111,308</b>	<b>147,027,282</b>	<b>144,261,699</b>	<b>2,765,583</b>	<b>147,027,282</b>
<b>TOTAL 2021-2022 PROPOSED BUDGET</b>	<b>\$ 82,762,694</b>	<b>\$ 360,779,794</b>	<b>\$ 443,542,488</b>	<b>\$ 396,854,660</b>	<b>\$ 46,687,828</b>	<b>\$ 443,542,488</b>

## FINANCE COMMITTEE 3.C

### CITY OF LYNNWOOD FINANCE COMMITTEE

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**TITLE:** 2022 Property Tax Levy

**DEPARTMENT CONTACT:** Lisa Harrison, City Council

**SUMMARY:**

Review of updated assessed valuation and property tax levy information for 2022

**PRESENTER:**

Michelle Meyer, Finance Director

**ESTIMATED TIME:**

20

**BACKGROUND:**

The City of Lynnwood has one regular property tax levy in place that is reflected in General Fund revenues. Lynnwood has the lowest regular property tax levy of any city in Snohomish County. Although we budget on a biennial basis, the property tax levy amount and rate must be certified to the Snohomish County Assessor's Office each year by November 30th. Staff will review updated Assessed Valuation information, property tax rate history and the budgeted levy amount for 2022.

**SUGGESTED ACTION:**

Review and Discussion

**DEPARTMENT ATTACHMENTS**

Description:

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[2022 Property Tax Levy.pdf](#)



# 2022 Property Tax Levy

# Assessed Valuation (AV)

## Total Valuation of all Real Property

2021 AV: \$7,953,751,038

2022 Preliminary AV: \$8,479,270,508

- 2022 New Construction: \$86,551,300

6.6% overall increase

5.5% less new construction

# Property Tax Levy

2021 Levied: \$4,300,000

\$0.54 per \$1,000 of Assessed Valuation

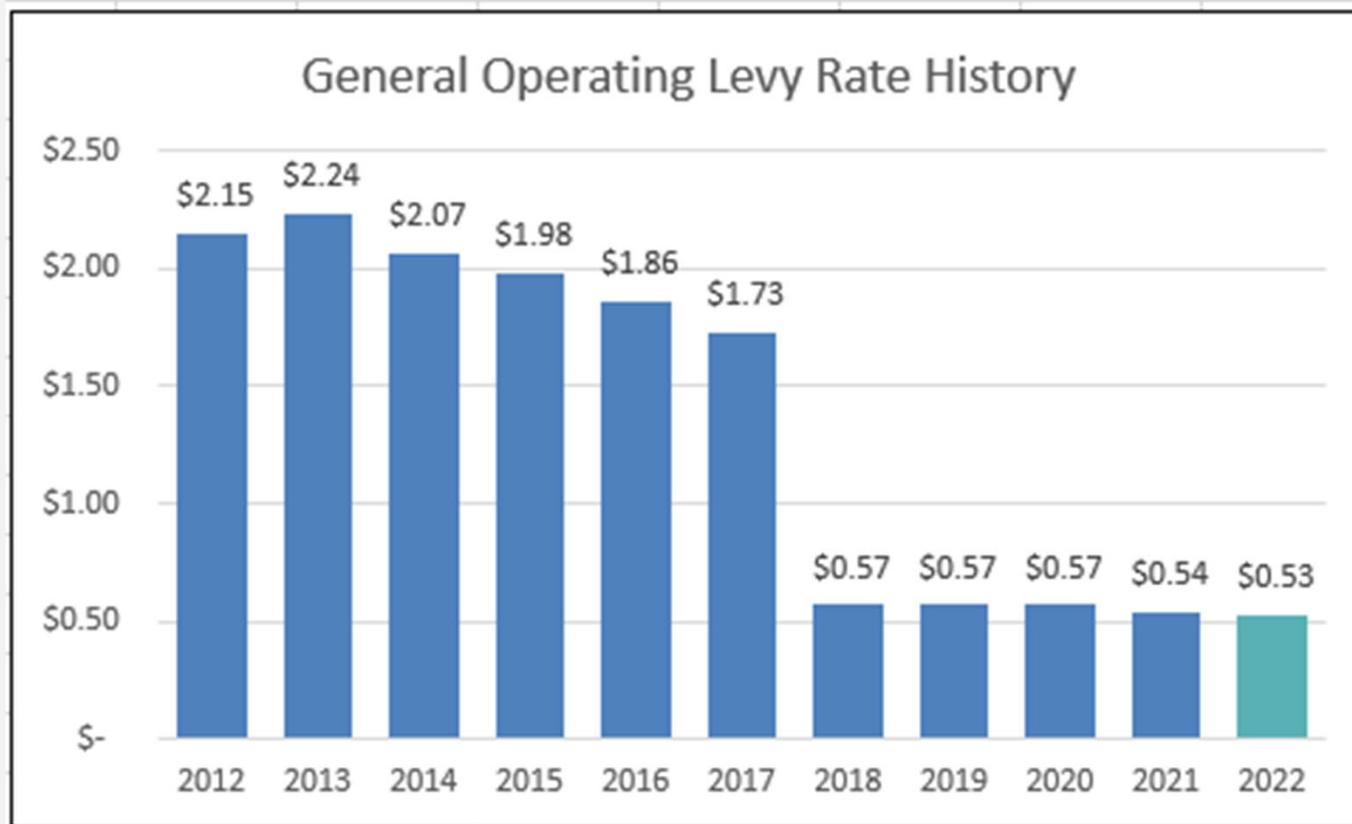
2022 Budgeted: \$4,500,000

\$0.53 per \$1,000 of Assessed Valuation

2022 Highest Lawful Levy: \$10,426,270

\$1.23 per \$1,000 of Assessed Valuation

# Property Tax History



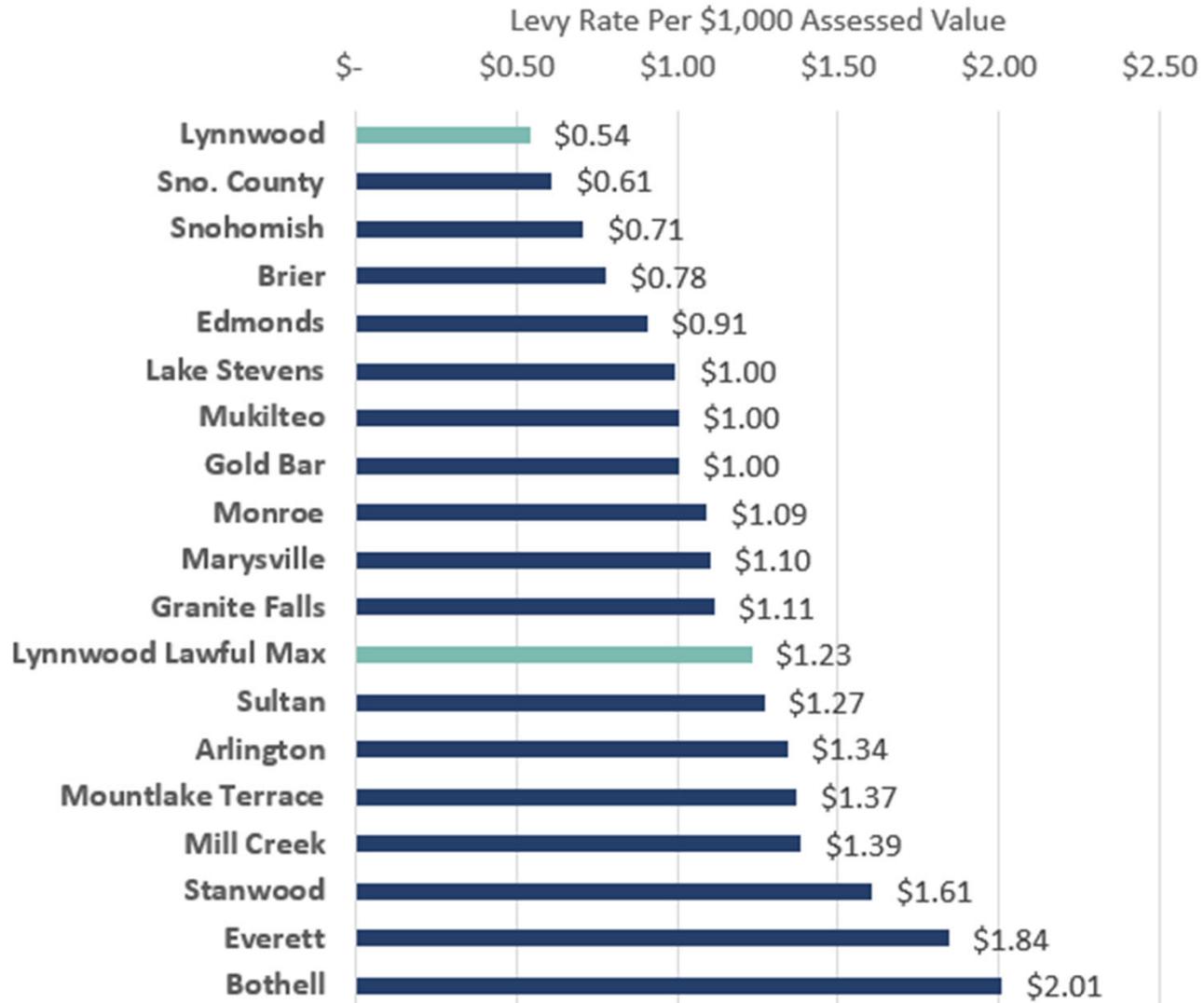
# Property Tax Impact

<u>City of Lynnwood Property Tax Calculator</u>		
	Average Property Value: 5.5% increase	
	\$ 450,100	\$ 474,850
	<b>2021 Levied</b>	<b>2022 Budgeted</b>
Annual City Tax	<u>\$ 243.34</u>	<u>\$ 252.01</u>
Annual Change		\$ 8.67

<u>City of Lynnwood Property Tax Calculator</u>		
	Average Property Value: no increase	
	\$ 450,100	\$ 450,100
	<b>2021 Levied</b>	<b>2022 Budgeted</b>
Annual City Tax	<u>\$ 243.34</u>	<u>\$ 238.87</u>
Annual Change		\$ (4.46)

## 2021 Property Tax Levy Rate Comparison

Fire Service Provided Either by City or by a separate District or Fire Authority (with its own levy). Does Not Include EMS Levies.



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# Property Tax Laws

Max 1% increase over highest lawful limit

“Bank” Capacity for non-levied amounts

Public Hearing Required

Certified to County Assessor by November 30

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## Next Steps

November 1      Work Session Discussion

November 8      Public Hearing

November 22     Ordinance Adoption

November 30     Certification Deadline

## FINANCE COMMITTEE 3.D

### CITY OF LYNNWOOD FINANCE COMMITTEE

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**TITLE:** Review of Delinquent Utility Accounts

**DEPARTMENT CONTACT:** Lisa Harrison, City Council

**SUMMARY:**

Review of updated information on delinquent utility accounts

**PRESENTER:**

Michelle Meyer, Finance Director

**ESTIMATED TIME:**

15

**BACKGROUND:**

At the April and September Finance Committee meetings, staff reviewed information on delinquent utility accounts. Updated information as of the end of September has been compiled for review and discussion.

**SUGGESTED ACTION:**

Review of updated information

**PREVIOUS COUNCIL ACTIONS:**

Review at April and September Finance Committee meetings.

**DEPARTMENT ATTACHMENTS**

Description:

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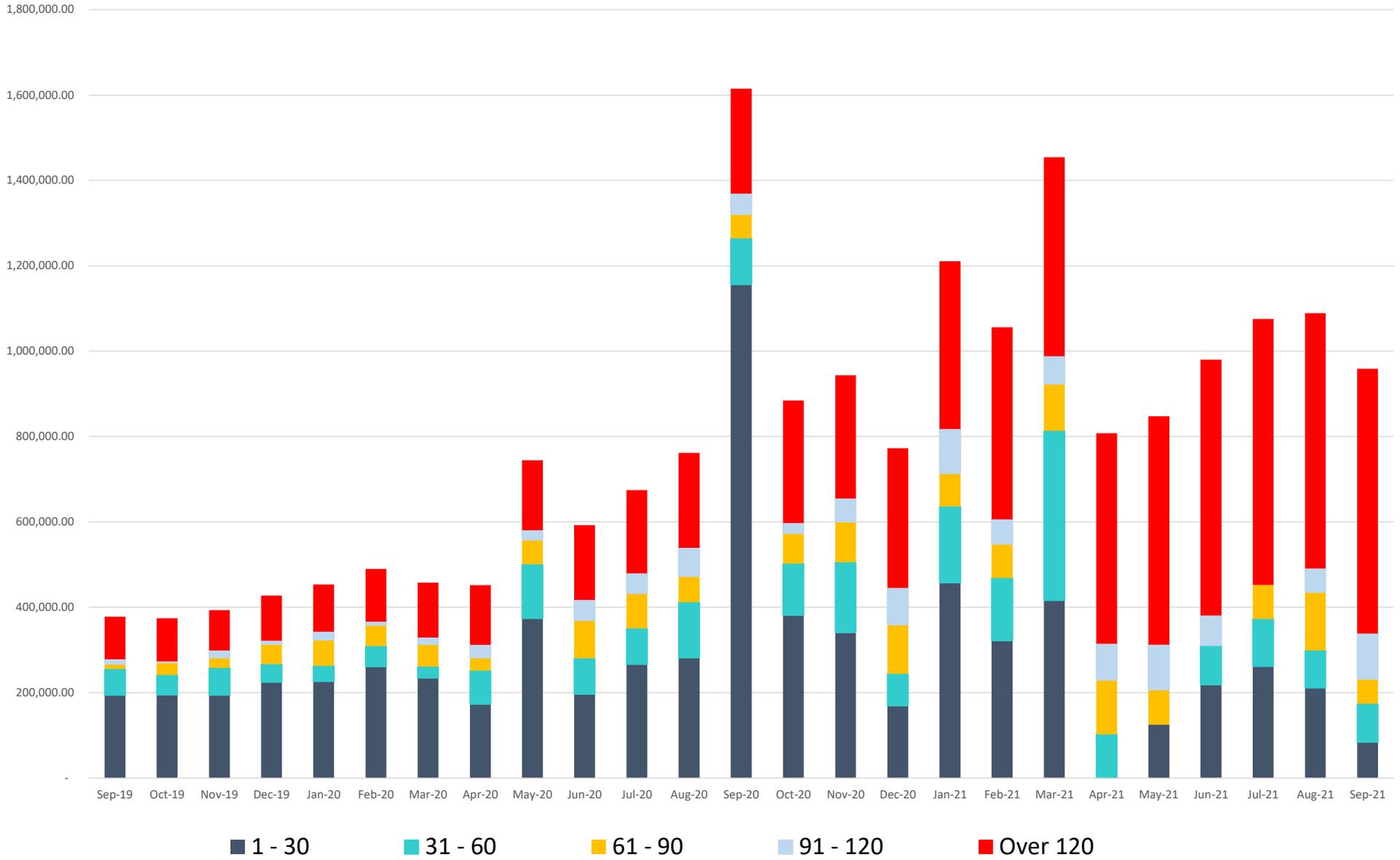
[Utility Aging Info.pdf](#)

**City of Lynnwood Utility Account Aging** September 30, 2021

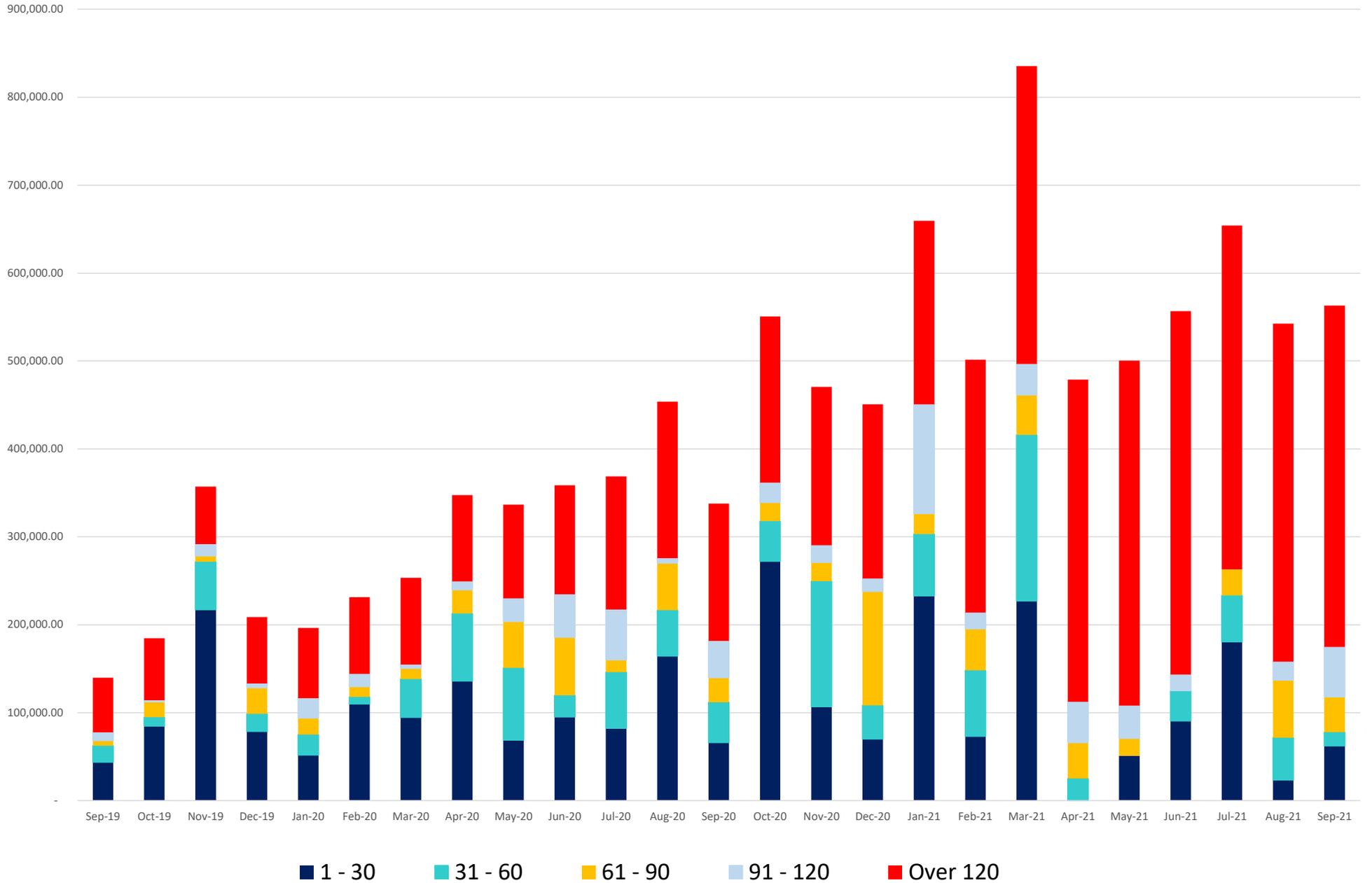
<b>Number of Accounts With Past-Due Balance By Time</b>	<b>Residential</b>	<b>Commercial</b>	<b>Total</b>
1-30 Days Past Due	400	74	474
31-60 Days Past Due	452	19	471
61-90 Days Past Due	216	65	281
91-120 Days Past Due	335	112	447
More Than 120 Days Past Due	599	160	759
<b>Total number of Past Due Accounts</b>	<b>2,002</b>	<b>430</b>	<b>2,432</b>
<b>Percent of Total Accounts with Past Due Balance</b>	<b>82%</b>	<b>18%</b>	<b>100%</b>

<b>Accounts With Past-Due Balance More than 120 Days</b>		<b># of</b>	<b>% of</b>	<b>\$</b>
<b>Account Type</b>		<b>Accounts</b>	<b>Accounts</b>	<b>Amount</b>
1 Single Family Residential		518	68.2%	\$ 333,282
2 Residential Special Rate A, Prop. Tax (40% rate, 60% discount)		8	1.1%	\$ 1,136
3 Residential Special Rate B (45%, rate, 55% discount)		1	0.1%	\$ 376
4 Residential Special Rate C (50% rate, 50% discount)		0	0.0%	\$ -
5 Residential Special Rate L, SNAP/Tanf (40% rate, 60% discount)		14	1.8%	\$ 9,101
6 Mutli-Unit Complex (2-8 multifamily homes on 1 meter)		19	2.5%	\$ 28,478
7 Multi-Unit Apartment (>8 multifamily homes on 1 meter)		39	5.1%	\$ 247,818
8 Multi-Unit Condo (>10 condominiums on 1 meter)		0	0.0%	\$ -
9 Multi-Unit MHP (mobile home park on 1 meter)		0	0.0%	\$ -
10 Multi-Unit SPR (multifamily homes with individual meters)		0	0.0%	\$ -
<b>Total Residential</b>		<b>599</b>	<b>78.92%</b>	<b>\$ 620,191</b>
11 Commercial Business (Single commercial property on 1 meter)		96	12.6%	\$ 258,074
12 Commercial Complex (>1 commercial businesses on 1 meter)		34	4.5%	\$ 70,558
13 Government (government property/land use)		1	0.1%	\$ 389
14 COL (City of Lynnwood property)		24	3.2%	\$ 8,170
15 School (public or private school or college)		5	0.7%	\$ 51,155
<b>Total Commercial</b>		<b>160</b>	<b>21.08%</b>	<b>\$ 388,345</b>
<b>Total Residential &amp; Commercial</b>		<b>759</b>	<b>100.00%</b>	<b>\$ 1,008,536</b>

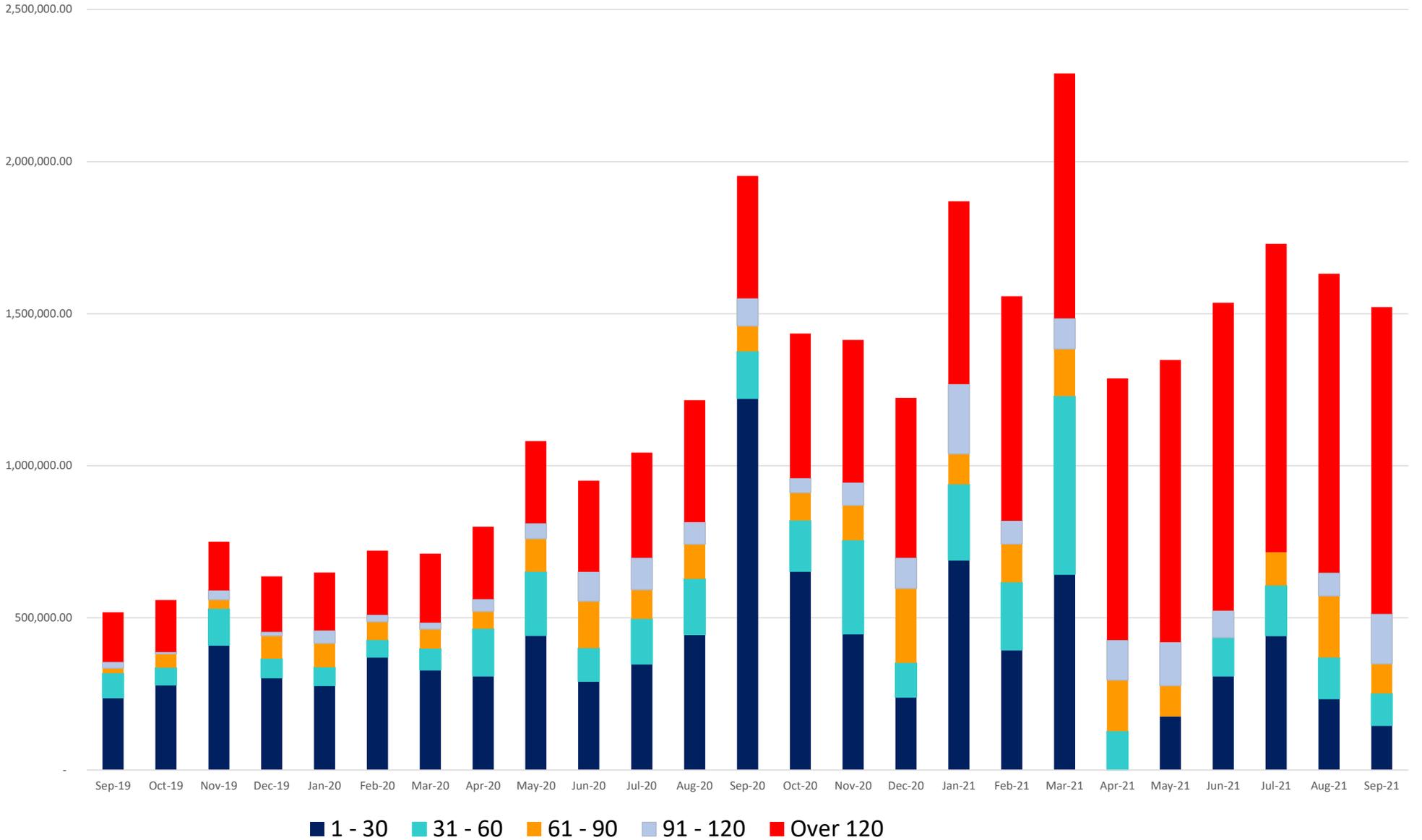
### Utility Accounts Receivable Aging-Residential



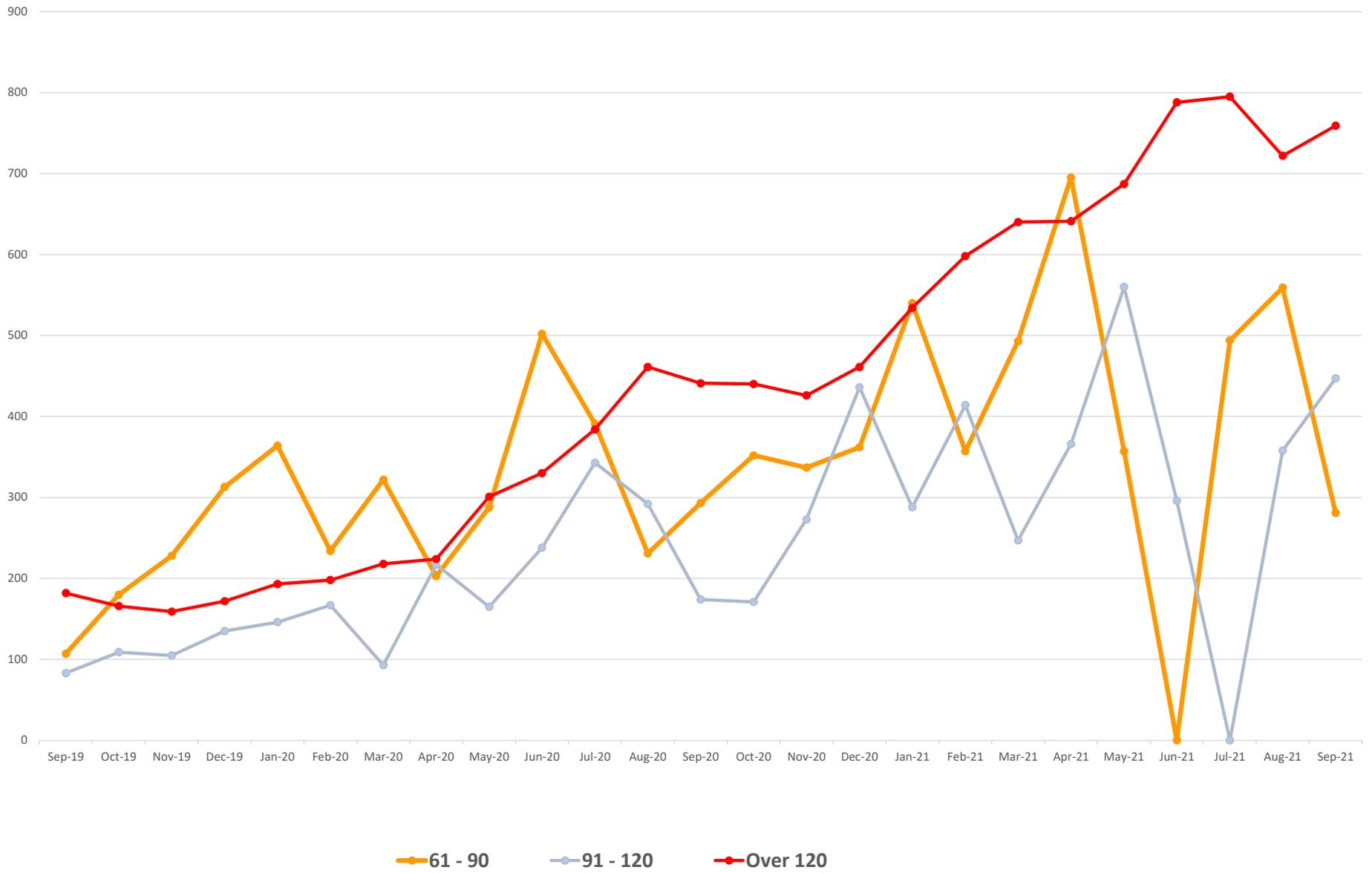
### Utility Accounts Receivable Aging-Commercial



## Utility Accounts Receivable Aging-Residential and Commercial



Number of Utility Past Due Accounts-Residential and Commercial, as of 09/30/2021



## FINANCE COMMITTEE 3.E

### CITY OF LYNNWOOD FINANCE COMMITTEE

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**TITLE:** Monthly Sales Tax Reports

**DEPARTMENT CONTACT:** Lisa Harrison, City Council

**SUMMARY:**

Review of Sales Tax Revenue Reports for July and August

**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. The detailed reports for July and August sales (revenues received in September and October) will be reviewed. The amount received for July sales is \$2,405,512.13. The detailed breakdown for July and information for August will be presented at the meeting.

**SUGGESTED ACTION:**

Review of Sales Tax detail

**DEPARTMENT ATTACHMENTS**

Description:

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