

FINANCE COMMITTEE MEETING MINUTES
November 12, 2013

Councilmembers Present

Councilmember Yamamoto, Chair
Councilmember Adrienne Fraley-Monillas
Councilmember Buckshnis

Staff Present

Roger Neumaier, Finance Director
Stephen Clifton, Comm. Serv./Econ. Dev. Dir.
Phil Williams, Public Works Director
Francis Chapin, Cultural Services Manager
Jeannie Dines, Recorder

Public Present

None

Councilmember Yamamoto called the meeting to order at 9:12 p.m.

A. Update for renewal of 2014 Executive Assistant to Council Employment Agreement

Action: Schedule on Consent Agenda

B. Authorization for Mayor to Sign Intergovernmental Cooperative Purchasing Agreement with Alderwood Water & Wastewater District (AWWD)

Mr. Williams reported this will allow the City to utilize AWWD's Supply and Delivery of Programmable Logic Controller (PLC) Equipment contract to replace the PLC at the City's treatment plant.

Action: Schedule on Consent Agenda

C. Authorization for the Mayor to Sign the SRF Loan from the State of Washington for WWTP Switchgear Project

Mr. Williams explained the original intent was to borrow \$1.3 million at 2.3% for 20 years with partners Mountlake Terrace, Ronald Sewer and Olympic Water and Sewer District. A question was raised whether the City could borrow funds for the benefit of all partners. The recommendation was to finance Edmonds' portion of the project, approximately \$650,000, and the others will identify their own financing.

Action: Schedule for short presentation at full Council

H. Authorization for Mayor to Sign HGAC Interlocal Contract for Cooperative Purchasing Agreement

Mr. Williams explained the City purchased a sweeper last year via the Houston-Galveston Area Council Interlocal Contract. The auditor found the Interlocal Contract was not presented to the Council in the form of a resolution as required by State law.

Action: Schedule on Consent Agenda

D. Discussion of Edmonds Public Facilities District Task Force Preliminary Report

Mr. Neumaier recalled in early September he presented a proposal to the Council. Council President Petso recommended the Task Force review the PFD's financial situation and provide the Council a report. Mr. Neumaier reviewed the PFD Task Force Preliminary Report including the value and impact of the organization to the community, the PFD's external debt, revenue sources, uncertainty of revenue sources, ownership, grant agreement approach, audit issues, funding analysis of comparable

entities, policy objectives of the City in regard to the PFD, and risk for the City. Discussion followed regarding the long term capital debt issue and ownership structure of other PFD facilities. Suggestions included trending the PFD's revenues and the PFD providing a five year operating history and projections.

Action: Discussion only

E. Discussion and Potential Action regarding Audited Financial Statement Issue and Council Oversight of Removing Receivables

Councilmember Buckshnis outlined the two issues in her detailed agenda packet regarding the removal of a \$4.95MM receivable from the City's balance sheet and an offsetting payable from the PFD's book. A transaction that has been on the books for 12 years with repayment following an ILA. She said rather than debate the transaction these two items need to be addressed: 1) should the administration be granted the power to perform the removal of receivables without Council consent, and 2) should the financial statements be restated to reflect the true nature of the accounting transaction. Mr. Neumaier supported the auditor's recommendation and suggested a third party expert provide an opinion regarding the ILA. He also suggested researching the standard in other cities which Buckshnis indicated she had done and that Edmonds did not fit into the same standards as being a debt issuing component unit as specified in GASB 48 (para 77,78,79). A lively discussion followed regarding the auditor's recommendation and whether administration should be permitted to remove receivables without Council authorization. Mr. Neumaier indicated he was supportive of a Council policy to authorize receivable write-offs. In addition, he is open to development of a prior period adjustment Council review policy that would have applied in this instance. Ms. Buckshnis indicated that note 77 and the balance sheet verified that the receivable had been removed and that basically a policy needs to be established.

It was suggested Mr. Neumaier provide his opinions and Councilmember Fraley Monillas asked how other cities handled these transactions and Ms. Buckshnis indicated that Tukwila and other cities require Council approval on removing receivables. Ms. Buckshnis stated that we needed to just end the debate. Mr Yamamoto and Ms. Fraley Monillas agreed further discussion should be postponed until the PFD's audit is finalized.

Action: When PFD audit finalized, determine if issue will return to Finance Committee for further discussion or go to full City Council. Ms. Buckshnis felt it should just go to full Council.

F. 2013 November Budget Amendment

Mr. Neumaier reviewed the November budget amendment. He distributed an amendment for the 76th Avenue project which the Council approved tonight. He responded to questions regarding the increase in TBD revenue and staff member who provides services to various funds.

Action: Schedule for full Council

G. 2013 September Budgetary Financial Report

Mr. Neumaier reviewed the report; as requested, several items have been added to the report. He highlighted:

- General Fund revenues are 6.8% over 2012 YTD
- Expenditures are anticipated to be 2% under budget
- Stormwater bond revenue is not yet reflected
- REET revenue is expected to exceed \$900,000 by yearend
- The economy looks good

Mr. Neumaier responded to Council questions regarding the risk management reserve and Human Resource expenses.

Action: Schedule quarterly report for full Council
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I. Public Comments - None

Adjournment – The meeting adjourned at 10:07 PM.