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What about the missing \$3.5M on the City's financials?

Posted Saturday, January 11, 2025 2:10 pm

By Diane Buckshnis

Edmonds Resident, Former City Councilmember

My first Community of Truth column must deal with finance, despite other pressing issues to be discussed later, including:

- The City Council is making very bad environmental code appeal decisions;

- Late passage of the comprehensive plan and environmental impact statement (both inadequate and incomplete) allow uncontrollable zoning in sensitive critical areas; and
- The Regional Fire Authority vote this spring.

All are hugely pressing. But financial transparency is key to me and City administration. Councilmembers owe us a reconciliation and explanation.

As a former Treasury Department regulator who wrote reports for what was labeled as “white collar crimes” – relating to men managing institutions in the Savings and Loan industry after deregulation – I have seen it all.

If you want to hear about one of my old Wild West escapades, I have an NPR audio with radio host Dick Gordon. It was called “Soul of a Scandal” (tinyurl.com/yec37ara).

So, back to City of Edmonds finances. In 2010, council approved a fiscal policy written by former City Attorney Scott Snyder and me. It required complete financial disclosure and published reconciliations after amendment actions.

So, simply, it was like balancing your checkbook and publishing the results. The City’s ending fund balances always reconciled to beginning fund balance.

A simple analogy: With our own checkbooks and after reconciliation, we have an ending balance of \$100. But for some reason, the very next month, rather than starting with that \$100 balance, our balance reflects \$70, and there is no explanation or footnote at the bottom to explain the change.

Of course, we would be on the phone demanding an explanation, as that is our hard-earned money.

This issue was caught by me in 2010 when the finance director manipulated the published financial statements of the City and changed balances without council approval.

Long story short, Snyder wrote a memorandum identifying the City’s options, one being filing a misdemeanor against the offender and another being a specialized audit of the books.

The finance director was smart and corrected the error and restated the financials. Remember, councilmembers control taxpayers’ money, and it is their fiduciary responsibility that all numbers balance and reconcile.

Fast forward to where the 2022 published budget shows a blank (zero) balance, whereas previous published financial reports for interfund loans and service fees around \$3.5 million. More importantly, there is no footnote or explanation as to the offset or reason.

The 2025-2026 biennium clearly shows the blank (zero) value in the interfund and service fees category and no footnote. Obviously, when numbers get sloppy and don’t reconcile, it impacts other numbers and, in the last quarter of 2023, the ending fund balance was not the same, as the prior beginning fund balance and was off by about \$4.8 million, with no footnote.

Many of us asked the administration to explain. The response was, “It was previously given.”

Last year, I shared the Snyder memo and reconciliation work with Mayor Mike Rosen and asked him to have the City reconcile and add footnotes. His answer was like his State of the City Address, basically that the City is moving forward (tinyurl.com/4kc39px6).

My issue is, why? Everyone on council is aware of this issue, so where is their oversight? It's difficult to let this mystery go without City affirmation of drastic changes.

Don't worry folks, through audit reports and public record requests, we potentially have figured this issue out, but it creates new policy decisions. So are we just going to give the City Council a free pass? Also, the 2022 audit is still not complete, so it may reveal some answers. But, like radio broadcaster Paul Harvey and his "Rest of the Story" – Diane's Corner is asking what happened to the \$3.5 million.

Give us the rest of the story?

Documents that support this column can be found at diane buckshnis.com/dianes-corner (<http://www.diane buckshnis.com/dianes-corner>).

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