



# CITY OF EDMONDS

CITY HALL • FIRST FLOOR  
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**MIKE COOPER**  
MAYOR  
**LORENZO HINES JR.**  
DIRECTOR

## FINANCE AND INFORMATION SYSTEMS DEPARTMENT

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DATE: September 9, 2010  
TO: Mike Cooper, Mayor  
FROM: Lorenzo Hines Jr., Finance Director  
SUBJECT: Council Questions regarding the General Fund

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Mayor,

At a recent Council meeting, a member of the Council indicated that roughly \$2M is missing from the city's books. This issue was also raised and settled last year. Since that Council member did not bring his concerns directly to me, I can only surmise that there is confusion between the residual GF balance and the GF working capital.

Please read through the following and review the attachments and they will explain the relationship between the two. Additionally, I presented this issue to the Council on October 6, 2009. I have attached the Comparison of General Fund v. Working Capital, and the related citizen request that I presented at that meeting. I have also attached an excerpt from the official minutes of that meeting; the relevant passages have been highlighted.

### **Working Capital Approach**

The City of Edmonds historically uses a working capital approach in developing and managing its budget. Working Capital represents our current available cash less current liabilities, allowing us to budget with wholly uncommitted funds.

### **Why Working Capital Needs To Be Updated?**

The beginning fund balances for adopted 2009-2010 budget represent the City's best estimates for beginning working capital for the 2009 and 2010 fiscal years. As the 2009 fiscal year closes, the working capital for 2010 is updated to reflect 2009 year-end actuals.

More specifically, the 2010 General Fund beginning fund balance of \$1,273,265 represents our original estimate of the 2010 GF beginning working capital. This estimate was made during the preparation of the 2009-2010 budget, summer/fall 2008. However, due to actual activity through December 31, 2009, the year-end financials show working capital at \$2,167,156 (see attached document for calculations). If you add the carry over for unspent grant funds totaling \$8,514, working capital is \$2,175,670 for the beginning of FY 2010, which is the amount, reported in the latest budget amendment.

The attached packet includes:

- Balance Sheet – Governmental Funds from the 2009 CAFR
- Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget v. Actual – General Fund
- Updated Comparison of General Fund v. Working Capital Calculations
- Calculation of 2010 GF Working Capital
- Comparison of General Fund v. Working Capital and the citizen request for which it was intended to respond from the October 6, 2009 Council meeting.
- Excerpt from the October 6, 2009 meeting minutes

Please feel free to contact me if you have any questions.

Sincerely,

Lorenzo Hines Jr.

Comparison of GF Fund Balance and GF Working Capital  
As of December 31, 2009

Fund Balance Summary

The General Fund Balance/Reserve is composed of

General Fund	
Reserved for Animal Benefits:	\$ 3,729
Reserved for Council Contingencies:	78,779
Unrestricted/Undisbursed Fund Balance:	<u>4,056,298</u>
Total General Fund	4,138,806
Criminal Investigation Rv Fund	2,500
Emergency Reserve	
Unrestricted/Undisbursed Fund Balance	<u>1,927,600</u>
General Fund Balance Per CAFR	<u><u>\$ 6,068,906</u></u>

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Working Capital Summary

Beginning GF Working Capital (Fund Balance) 2010	\$ 1,273,265
Mid-Year Adjustment #1	893,891
Mid-Year Adjustment #2	8,514
Beginning GF Working Capital 2010 - Per Schedule A	<u><u>\$ 2,175,670</u></u>

The figure of \$1,273,265 represents our original estimate of the 2010 GF beginning working capital. This estimate was made during the preparation of the 2009-2010 budget, summer/fall 2008.

Due to actual activity through December 31, 2010, the YE financials show working capital at \$2,167,156. If you add the carry over for unspent grant funds totaling \$8,514, working capital is 2,175,670.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>GENERAL FUND</b>	<b>OTHER GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>REVENUES</b>			
Taxes	\$25,140,965	\$1,144,156	\$26,285,121
Licenses and permits	1,480,633	28,375	1,509,008
Intergovernmental revenues	2,247,501	2,922,187	5,169,688
Charges for services	3,677,458	257,283	3,934,741
Fines and forfeits	674,634	0	674,634
Other revenues	425,291	772,762	1,198,053
<b>Total revenues</b>	<b>33,646,482</b>	<b>5,124,763</b>	<b>38,771,245</b>
<b>EXPENDITURES</b>			
Current:			
General government services	6,567,263	616,830	7,184,093
Security of persons and property	18,460,033	63,035	18,523,068
Physical environment	1,029,293	128,877	1,158,170
Transportation	22,787	1,777,748	1,800,535
Economic environment	1,064,685	16,696	1,081,381
Mental and physical health	12,147	0	12,147
Culture and recreation	3,036,037	426,151	3,462,188
Capital outlay	24,976	4,991,643	5,016,619
Debt service:			
Principal	1,015,934	797,679	1,813,613
Interest	400,220	502,745	902,965
Other debt service costs	0	0	0
<b>Total Expenditures</b>	<b>31,633,375</b>	<b>9,321,404</b>	<b>40,954,779</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,013,107	(4,196,641)	(2,183,534)
<b>OTHER FINANCING SOURCES (USES)</b>			
Disposition of capital assets	2,862	52,008	54,870
Transfers in	103,737	1,391,786	1,495,523
Transfers out	(1,239,320)	(302,826)	(1,542,146)
<b>Total other financing sources (uses)</b>	<b>(1,132,721)</b>	<b>1,140,968</b>	<b>8,247</b>
Net change in fund balances	880,386	(3,055,673)	(2,175,287)
Fund balances - beginning	5,188,520	8,412,568	13,601,088
<b>FUND BALANCES - ENDING</b>	<b>\$6,068,906</b>	<b>\$5,356,895</b>	<b>\$11,425,801</b>

*The accompanying notes are an integral part of this statement.*

**BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2009**

	<b>GENERAL FUND</b>	<b>OTHER GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$5,384,502	\$5,310,676	\$10,695,178
Deposits with trustee	13,430	0	13,430
Receivables, net			
Taxes	370,148	0	370,148
Customer accounts	419,759	0	419,759
Assessments	0	33,766	33,766
Due from other funds	141,905	0	141,905
Interfund loans receivable	124,300	0	124,300
Due from other governmental units	6,814,780	445,954	7,260,734
Inventory	639	0	639
Total Current Assets	<u>13,269,463</u>	<u>5,790,396</u>	<u>19,059,859</u>
<b>RESTRICTED ASSETS</b>			
Special assessments - deferred	0	267,726	267,726
Total Restricted Assets	<u>0</u>	<u>267,726</u>	<u>267,726</u>
<b>TOTAL ASSETS</b>	<b><u>\$13,269,463</u></b>	<b><u>\$6,058,122</u></b>	<b><u>\$19,327,585</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>CURRENT LIABILITIES</b>			
Wages payable	\$975,034	\$26,446	\$1,001,480
Accounts payable	274,901	214,822	489,723
Interfund loans payable	0	124,300	124,300
Due to other governmental units	545	0	545
Custodial accounts	24,031	(537)	23,494
Other current liabilities	12,735	34,588	47,323
Total Current Liabilities	<u>1,287,246</u>	<u>399,619</u>	<u>1,686,865</u>
<b>NONCURRENT LIABILITIES</b>			
Deferred revenues	5,913,311	301,608	6,214,919
Total Noncurrent Liabilities	<u>5,913,311</u>	<u>301,608</u>	<u>6,214,919</u>
<b>TOTAL LIABILITIES</b>	<u>7,200,557</u>	<u>701,227</u>	<u>7,901,784</u>
<b>FUND BALANCES</b>			
Reserved for:			
Debt service	0	56,570	56,570
Unreserved, reported in:			
General fund	6,068,906	0	6,068,906
Special revenue funds	0	5,300,325	5,300,325
<b>TOTAL FUND BALANCES</b>	<b><u>6,068,906</u></b>	<b><u>5,356,895</u></b>	<b><u>11,425,801</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$13,269,463</u></b>	<b><u>\$6,058,122</u></b>	<b><u>\$19,327,585</u></b>

*The accompanying notes are an integral part of this statement.*

City of Edmonds  
Calculation of GF Beginning 2010 Working Capital

CITY OF EDMONDS GENERAL FUND BALANCE SHEET AS OF DECEMBER 31, 2009	2010 BEGINNING FUND BALANCE WORKING CAPITAL	2010 BEGINNING FUND BALANCE
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$5,384,502	
General Fund	3,454,402	3,454,402
Emergency Reserve	1,927,600	
Other	2,500	
Change and imprest funds	0	
Deposits with trustee	13,430	
Investments	0	
Receivables, net		
Taxes	370,148	
Customer accounts	419,759	
Assessments	0	
Interest	0	
Due from other funds	141,905	
Interfund loans receivable	124,300	
Due from other governmental units	6,814,780	
Prepayments	0	
Inventory	639	
Total Current Assets	13,269,463	
<b>RESTRICTED ASSETS</b>		
Restricted Cash and Cash Equivalents	0	
Deposits with Trustee	0	
Restricted Investments	0	
Special assessments - deferred	0	
Total Restricted Assets	0	
<b>NONCURRENT ASSETS</b>		
Intangible Assets	0	
Notes/contracts receivable	0	
Advances to other funds	0	
Total Noncurrent Assets	0	
<b>TOTAL ASSETS</b>	<b>\$13,269,463</b>	\$13,269,463
<b>LIABILITIES AND FUND BALANCES</b>		
<b>CURRENT LIABILITIES</b>		
Wages payable	\$975,034	
Accounts payable	274,901	
Due to other funds	0	
Interfund loans payable	0	
Due to other governmental units	545	
Accrued Taxes Payable	0	
Custodial accounts	24,031	
Deferred revenues	0	
Other current liabilities	12,735	
Total Current Liabilities	1,287,246	(1,287,246)
<b>NONCURRENT LIABILITIES</b>		
Advances from other funds	0	
Deferred revenues	5,913,311	
Total Noncurrent Liabilities	5,913,311	
<b>TOTAL LIABILITIES</b>	<b>7,200,557</b>	(7,200,557)
<b>FUND BALANCES</b>		
Reserved for:		
Encumbrances	0	
Loans receivable	0	
Drug enforcement	0	
Advances from Other Funds	0	
Capital projects	0	
Debt service	0	
Unreserved, reported in:		
General fund	6,068,906	
Special revenue funds	0	
Debt Service Funds	0	
Capital projects funds	0	
Permanent fund	0	
<b>TOTAL FUND BALANCES</b>	<b>6,068,906</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$13,269,463</b>	<b>\$6,068,906</b>

-----Original Message-----

From: Diane Buckshnis [mailto:d.buckshnis@comcast.net]  
Sent: Wednesday, September 09, 2009 9:55 AM  
To: Hines Jr., Lorenzo  
Subject: Reconciliation between 2008 CAFR and Budget Summary

Hi Lorenzo,

It was great meeting you last night and I looked up your information on LinkedIn and am quite impressed with your background. I know you are pretty busy, but here is the issue that I described last night.

2008 Comprehensive Financial Report has general fund ending balance at \$5,118,520 if we take out the emergency reserve of \$1,927,600 we should have an ending general fund balance of \$3,260,920.

5,118,520  
1,927,600  
3,260,920

Your starting cash balance per your exhibit A was \$987,951, so it appears we are off by \$2,272,969.

Also I found I could not reconcile the Executive Summary Current Forecast as the 2008 actual was dated 1/28/09 as opposed to a general closing date of 12/31/08. Keep up the good work, your Exhibit C was most helpful.

Thanks,  
Diane Buckshnis

Citizen Response  
D. Buckshnis

The General Fund Balance/Reserve is composed of  
General Fund

Reserved for Animal Benefits:	\$	3,729
Reserved for Council Contingencies:		93,136
Unrestricted/Undisbursed Fund Balance:		3,161,558
Other Adjustment		2,497
Emergency Reserve		
Unrestricted/Undisbursed Fund Balance		1,927,600
General Fund Balance Per CAFR	\$	<u>5,188,520</u>
Beginning GF Working Capital (Fund Balance) 2009	\$	977,951
Mid-Year Adjustment		10,000
Beginning GF Working Capital 2009 - Per Schedule A	\$	<u>987,951</u>

**The figure of \$987,951 represents our estimate of the 2009 GF beginning working capital. The 2009-2010 reflects \$977,951 of this figure (another \$10K is a proposed adjustment).**

**Due to actual activity through January 28, 2009, the forecast for beginning working capital increased to \$1,341,971, as shown on our Current Forecast. As of the completion of the financials, in March of 2009, the YE financials show working capital at \$1,497,860. However, given the accrual basis of the YE financials, the Finance department prefers to use the \$1,341,971 for the forecast outlook figure.**

# EDMONDS CITY COUNCIL APPROVED MINUTES

## October 6, 2009

The Edmonds City Council meeting was called to order at 7:00 p.m. by Mayor Haakenson in the Council Chambers, 250 5<sup>th</sup> Avenue North, Edmonds. The meeting was opened with the flag salute.

### ELECTED OFFICIALS PRESENT

Gary Haakenson, Mayor  
D. J. Wilson, Council President  
Michael Plunkett, Councilmember  
Peggy Pritchard Olson, Councilmember  
Dave Orvis, Councilmember  
Ron Wambolt, Councilmember  
Strom Peterson, Councilmember

### ELECTED OFFICIALS ABSENT

Steve Bernheim, Councilmember

### STAFF PRESENT

Tom Tomberg, Fire Chief  
Mark Correira, Assistant Fire Chief  
Gerry Gannon, Assistant Police Chief  
Stephen Clifton, Community Services/Economic  
Development Director  
Brian McIntosh, Parks & Recreation Director  
Noel Miller, Public Works Director  
Lorenzo Hines, Interim Finance Director  
Rob Chave, Planning Manager  
Debi Humann, Human Resources Director  
Carl Nelson, CIO  
Stephen Koho, Treatment Plant Manager  
Rob English, City Engineer  
Gina Coccia, Associate Planner  
Kernen Lien, Associate Planner  
Jennifer Machuga, Planner  
Scott Snyder, City Attorney  
Sandy Chase, City Clerk  
Jana Spellman, Senior Executive Council Asst.  
Jeannie Dines, Recorder

### 1. APPROVAL OF AGENDA

Council President Wilson requested the addition of a Council Work Session on the Fire District 1 Contract as Item 4A and also to postpone Item 11, City of Edmonds Website - City Council Web Pages, to a future meeting. He inquired whether Item 12, Discussion and Potential Action on Ordinance Amending the 2009 Budget, could be delayed to a future agenda. Interim Finance Director Lorenzo Hines explained it was important to pass the ordinance amending the 2009 budget so it could be included in the final ordinance amending the 2009 budget. It was his understanding the amendments were codification of discussions that occurred this year; the only difference between the presentation to the Finance Committee and the agenda item was the elimination of the police buy-back and a decision regarding whether to include the Council contingency fund. He anticipated it would be a brief discussion. Council President Wilson agreed to retain Item 12 and Council consideration would be determined by the lateness of the hour when the Council reached that item.

**COUNCIL PRESIDENT WILSON MOVED, SECONDED BY COUNCILMEMBER PLUNKETT, TO APPROVE THE AGENDA IN CONTENT AND ORDER AS AMENDED, ADDING A COUNCIL WORK SESSION ON THE FIRE DISTRICT 1 CONTRACT AS ITEM 4A AND POSTPONING ITEM 11, CITY OF EDMONDS WEBSITE - CITY COUNCIL WEB PAGES, TO A FUTURE MEETING. MOTION CARRIED UNANIMOUSLY.**

Councilmember Orvis advised he would not support this action due to his concern with the conversion of a Neighborhood Business Zone, specifically allowing a 52-foot tall building within 20 feet of a residential boundary. He understood the economic development opportunity but questioned the need to allow over three stories. He preferred to require the LEED standards. He was willing to go slightly above 30 feet for multi family but not as high as 52 feet.

Council President Wilson commented there was a great deal of support for redevelopment of Firdale Village. The question was the vision for the site and how to integrate it into the community. If development occurs based on this zoning, it would be one of the more innovative developments in the area. He advised the development would be three stories unless the developer used innovative design and development techniques to develop a project everyone could be proud of. This was an opportunity to make good on promises for redevelopment and interest in providing smart, innovative development, managing stormwater, and fostering transit oriented development.

Councilmember Wambolt acknowledged Councilmember Orvis' concern with the 52-foot tall building adjacent to residential property, pointing out the property owners have offered to retain the existing stand of trees via a development agreement to mitigate the building height.

**MOTION CARRIED (5-1), COUNCILMEMBER ORVIS OPPOSED.**

8. **PUBLIC HEARING ON THE PLANNING BOARD'S RECOMMENDATION TO ADOPT AN ORDINANCE ADDING A NEW SECTION TO EDMONDS COMMUNITY DEVELOPMENT CODE 17.40 TO ESTABLISH A QUALIFIED BUILDING SETBACK EXEMPTION FOR RESIDENTIAL PROJECTS WITH EXPIRED COUNTY BUILDING PERMITS (FILE NO. AMD20090011).**

Planner Jennifer Machuga explained following annexation from Snohomish County into the City, the County did not transfer all records of pending building permit applications for approval as required by the Annexation Agreement. As a result, there is at least one project that received approval by the County based on the setbacks in effect prior to annexation. The permit expired prior to final approval. Per the Annexation Agreement all vesting is lost and the applicant must obtain permits based on current City code. In this example, the project does not comply with current City setback requirements.

The proposed ordinance strives to remedy this situation by allowing a building setback exemption for projects that had County approval for property annexed since 1994. The Planning Board recommends approval of the proposed ordinance.

Mayor Haakenson opened the public participation portion of the public hearing. There were no members of the public present who wished to address the Council. Mayor Haakenson closed the public testimony portion of the public hearing.

**COUNCILMEMBER WAMBOLT MOVED, SECONDED BY COUNCILMEMBER ORVIS, TO APPROVE THE ORDINANCE RECOMMENDED BY THE PLANNING BOARD (ORDINANCE NO. 3756). MOTION CARRIED UNANIMOUSLY.**

9. **AUDIENCE COMMENTS**

**Diane Buckshnis, Edmonds, encouraged the Council not to take action on Agenda Item 12 which would adopt an amended 2009 budget. She recalled informing the Council she was unable to balance the General Fund beginning balance for 2009 to the ending balance December 31, 2008. She emailed Interim**

Finance Director Lorenzo Hines who responded by reconciling the net worth but not the cash portion of the net worth.

Mayor Haakenson asked Ms. Buckshnis if she was a CPA or accredited in any way in governmental accounting in the State of Washington. Mr. Buckshnis answered she was not.

**Joan Bloom, Edmonds**, referred to her earlier questions regarding the public process for ESC Associates' application for a contract rezone. She relayed the property owner determined they had missed their notification deadline by one day for the surrounding property owners and two days for the site posting. She was uncertain whether the property owner had reapplied but was told if they reapply, everyone who submitted comment would be notified. She advised the SEPA comment period had not yet begun and public comments would be taken until the public hearing at the Planning Board. She asked Mayor Haakenson if he planned to write an article to address questions.

Mayor Haakenson advised the applicant has not decided whether to reapply; he planned to delay his article until they reapplied.

Next, Ms. Bloom recommended the Comprehensive Plan be included on the City's website in an easy to find location. She also suggested the old Chapter 20 and the new Chapter 20 be easily accessible on the City's website to allow citizens to compare them.

**Lora Petso, Edmonds**, recommended the Council reconsider the parking issue to ensure it was a business district and not another multi family project. With regard to Item 13, she relayed the agenda language stated it was related to playfield maintenance. It was actually a hearing required by the Comprehensive Plan when the City abandons a park. The Growth Management Hearings Board ordered the City to hold the hearing; tonight the Council would be considering appropriate notice for that hearing. She requested the Council include mailed notice to property owners within 300 feet of the property. The only notice requirement is publication in the legal section of the Everett Herald, posted in the City and on the website, and posting on an adjacent property. She also requested the notice state this is an abandoned park and not that it is related to playfield maintenance contracts.

**George Murray, Edmonds**, thanked the Council for reviewing the numbers related to Fire District 1. He asked how taxes were impacted by the proposed contract with Fire District 1. With regard to comment from residents at 523 Alder whose views were impacted by a building constructed next door, he pointed out Chapter 16 of the Edmonds Community Development Code listed the purpose of zoning to protect the character and the social and economic stability of the residential areas and to do this by regulating the use of individual parcels of land to prevent unreasonable, detrimental effects on nearby users. He questioned why the application of the code differed from the intent. Next he referred to application R20090042, the 4-acre parcel on the waterfront, advising of the 128 people that have been notified, 80 are companies. He recommended the Planning Department expand the notification process to include full page ads in the *Edmonds Beacon*.

Mayor Haakenson advised there was no change to citizens' taxes if the City contracted for fire service with Fire District 1.

**COUNCILMEMBER ORVIS MOVED, SECONDED BY COUNCILMEMBER PETERSON, TO EXTEND THE MEETING FOR ONE HOUR. MOTION CARRIED UNANIMOUSLY.**

**Ray Martin, Edmonds**, was disappointed the Council had again delayed discussion regarding the Council web pages. He recalled the Council changed their web pages a few days prior to the primary election and some of the information included on the pages created confusion and consternation. He

Mayor Haakenson invited residents of the area to speak regarding annexation.

**Lewis Soraich**, a resident of the area to be annexed, thanked Lynn and Mike Treseler for initiating the process of gathering signatures. He recalled 92% of the residents in the area supported annexation into Edmonds. He asked how many more times petitions would need to be circulated. Mr. Snyder answered this was the last time. The first petition required only 10%; the second petition must contain information regarding the simultaneous adoption of zoning and assumption of all bonded indebtedness.

**COUNCILMEMBER PLUNKETT MOVED, SECONDED BY COUNCILMEMBER WAMBOLT, TO ACCEPT THE PROPOSED ANNEXATION AND, A) DIRECT STAFF TO INITIATE THE PROCESS FOR THE SIMULTANEOUS ADOPTION OF RS-8 ZONING OR SUCH OTHER ZONING CATEGORY AS IS CONSISTENT WITH THE EDMONDS COMPREHENSIVE PLAN AND AS NEAR TO THE CURRENT SNOHOMISH COUNTY ZONING AS PRACTICABLE; AND B) PROVIDE FOR THE ASSUMPTION OF ALL OF THE BONDED INDEBTEDNESS OF THE CITY. MOTION CARRIED UNANIMOUSLY.**

**11. CITY OF EDMONDS WEBSITE - CITY COUNCIL WEB PAGES.**

This item was removed from the agenda by motion on Agenda Item 1.

**12. DISCUSSION AND POTENTIAL ACTION ON ORDINANCE AMENDING THE 2009 BUDGET.**

Mayor Haakenson asked Interim Finance Director Lorenzo Hines to address Ms. Buckshnis' request that the Council not approve the ordinance amending the 2009 budget. Mr. Hines responded he met with Ms. Buckshnis within days of her raising the issue regarding the "missing" \$2.2 million. He described to her the role of the annual financial statement versus the role of the current forecast, the City's cashflow statement. At the end of the meeting he asked her three times if he had answered her questions and she responded he had. That evening he received an email with more questions to which he had not had an opportunity to respond.

He referred to Ms. Buckshnis' original email that questioned the \$5.188 million less the emergency reserve that leaves \$3.3 million which she felt should be the beginning balance reflected on the current forecast. He explained the \$5.188 million was fund balance that was part of the income statement and balance sheet in the Comprehensive Annual Financial Report (CAFR). The formula is assets = liabilities + equity. The \$5.2 million is equity; it is the overage of assets over liabilities as of December 31, 2008. That \$5.2 million consists of five reserves in the General Ledger. In the private sector that is shareholders equity or owners' equity but in government it is fund balance. Ms. Buckshnis is attempting to reconcile the \$5.2 million to the beginning balance in the current forecast of \$977,000. The difference is the \$5.2 million is the fund balance per the CAFR, the \$977,000 is working capital; cash minus current liabilities. The working capital figure was estimated by former Finance Director Junglov in August 2008 and was included in the 2009 budget. As 2009 progressed, the \$977,000 figure was revised in the outlook column to \$1.341 million. Budget amendments must begin with the \$977,000 figure because that was the number included in the budget. He will be refining the \$1.341 million figure to determine the final beginning working capital. He summarized \$5.188 million is fund balance per the balance sheet in the CAFR versus working capital of \$977,000. It is a comparison of equity to a subset of assets and they will never match.

Council President Wilson asked whether the audit determined the December 31, 2008 number. Mr. Hines responded the City's financial statements are on an accrual basis. When the books are closed as of December 31, accounts receivable and payable are estimated. As amounts are paid and received the working capital for January 1 is adjusted. Council President Wilson recalled the ending balance has usually been established by April. Mr. Hines answered this is the first budget amendment; had a prior

Mr. Hines advised he inadvertently left the Police buy-back in the 2009 furlough savings in Exhibit C. In addition, the next amendment will include unanticipated legal costs from Ogden Murphy Wallace. Mr. Snyder clarified they were not unanticipated; they were unbudgeted litigation costs that he has reported to the Council several times in Executive Session.

13. **RESOLUTION ESTABLISHING NOTICE PROVISIONS FOR A HEARING BEFORE THE HEARING EXAMINER REGARDING THE TERMINATION OF AN INTERLOCAL AGREEMENT RELATING TO THE MAINTENANCE OF PLAYFIELDS AT A SITE FORMERLY OWNED BY THE EDMONDS SCHOOL DISTRICT AND ADJACENT TO HICKMAN PARK.**

City Attorney Scott Snyder explained the Growth Management Hearings Board (GMHB) upheld the Council's substantive determinations regarding the Parks Plan. The GMHB remanded to the City for two hearings. The issue is termination by the City of an Interlocal Agreement between the City, Snohomish County and Edmonds School District regarding maintenance of playfields on property that is no longer owned by the School District and via a contract that has been terminated by the School District and Snohomish County. Therefore the description of the agenda item is accurate. The GMHB pointed out the City's Comprehensive Plan requires abandonment of any park or other facility to have a Hearing Examiner hearing and recommendation which due to the nature of the contract was not done. The notice is as provided for in the code for a Comprehensive Plan amendment. If the Council wants mailings to properties within 300 feet, that could be done.

**COUNCILMEMBER WAMBOLT MOVED, SECONDED BY COUNCILMEMBER PLUNKETT, TO ADOPT RESOLUTION NO. 1209.**

Councilmember Plunkett asked about the notice requirement. Mr. Snyder advised it was as required by the City's code for Comprehensive Plan amendments.

**MOTION CARRIED UNANIMOUSLY.**

14. **MAYOR'S COMMENTS**

Mayor Haakenson advised he had been interviewing Finance Director applicants and has narrowed candidates to three. He planned to introduce the three to the Council prior to the October 20 Council meeting.

Mayor Haakenson expressed his appreciation to Ms. Buckshnis for her efforts and her concern with the City's financial figures. He did not appreciate her insinuation at a candidate forum that there was \$2 million missing from the City's coffers and that the balance sheets and financial statement could not be reconciled. He referred to Mr. Hines' explanation which unfortunately was not adequate for Ms. Buckshnis. Mayor Haakenson recalled he invited Ms. Buckshnis to sit in on the meeting with the State Auditor. He asked the State Auditor whether the citizens of Edmonds should be happy about the audit to which the Auditor responded they should be ecstatic; this is a very good audit, the City is in good hands. He urged Ms. Buckshnis to stop making insinuations that there was \$2 million missing.

15. **COUNCIL COMMENTS**

In response to Mr. Martin's comment that the City need not worry about I-1033 because the recourse was to ask the voters to approve a levy, Councilmember Wambolt agreed that could be done; however, the cost of an election was \$70,000 - \$80,000.