

1 **MINUTES OF THE LYNNWOOD CITY COUNCIL FINANCE COMMITTEE**  
2 **THURSDAY, FEBRUARY 27, 2020, AT 3:00 P.M., LYNNWOOD CITY HALL, CONFERENCE ROOM #4**

3  
4 **Attendance:**

5 Council President Christine Frizzell, Chair  
6 Councilmember George Hurst  
7 Councilmember Julieta Altamirano-Crosby

8  
9 **Staff:**

10 Art Ceniza, City Administrator  
11 Sonja Springer, Finance Director  
12 Corbitt Loch, Strategic Planner  
13 Janella Lewis, Finance Supervisor  
14 Tom Davis, Police Chief  
15 Jim Nelson, Deputy Police Chief

16  
17 **Call to Order:** The meeting was called to order by Council President Christine Frizzell at 3:00 pm.

18  
19 **1) Review Funding Options for the Community Justice Center**

20 Police Chief Tom Davis provided background information regarding the history and need for an  
21 expanded Community Justice Center (CJC). It was mentioned that the project scope and budget is  
22 estimated to be \$63-66M. There are existing funds within the Criminal Justice Sales Tax Fund #105  
23 to cover \$4 million of these costs. The remaining \$60 million of the estimated project costs would  
24 need to be funded by a bond issue.

25  
26 Finance Director Sonja Springer addressed four considerations to issuing \$60 million in debt to  
27 finance the Community Justice Center:

- 28  
29 a) How does a \$60 million financing fit within the City's debt capacity?  
30 b) Is there adequate debt capacity for future debt plans for other capital projects?  
31 c) What are the viable repayment sources to pay the debt service payments?  
32 d) Could a \$60 million increase in the City's debt lead to negative action by the rating agency?

33  
34 a) How Does a \$60 Million Financing Fit Within the City's Debt Capacity?

35 Director Springer then explained how debt capacity for a City is calculated. The City currently has  
36 outstanding debt of \$21.275M for the Rec Center that will be paid off in 2037 and \$5.1M available  
37 as a line of credit that was established for housing homeless students of the Edmonds School  
38 District. There is also the Lynnwood Public Facilities District (PFD) debt of \$21M that counts against  
39 the City's debt capacity. The PFD debt will be paid off in 2034.

40  
41 b) Is There Adequate Debt Capacity for Future Debt Plans for Other Capital Projects?

42 Assuming a 2% growth in the City's assessed value, with non-voted or councilmanic debt, the City  
43 will have approximately \$40 million of available non-voted debt capacity for other capital projects  
44 by 2025 and \$54 million in 2027 after issuing \$60 million in debt in 2021 for the Community Justice  
45 Center. Voted debt capacity would be significantly higher than this.

46  
47 Assuming a 5% growth in the City's assessed value, with non-voted or councilmanic debt, the City  
48 will have approximately \$60 million of available non-voted debt capacity for other capital projects

49 by 2025 and \$83 million in 2027 after issuing \$60 million in debt in 2021 for the Community Justice  
50 Center. Voted debt capacity would be significantly higher than this.

51

52 c) What are the Viable Repayment Sources to Pay the Debt Service Payments?

53 Director Springer shared several scenarios for the estimation of annual debt service payments for  
54 the \$60M in new debt, which ranged from a total interest rate (including all bond issuance costs) of  
55 2.75% for a 25-year term and 3.6% for a 30-year term bond issuance. The estimated annual debt  
56 service payment ranged from \$3.08 million to \$3.62 million. Director Springer mentioned that after  
57 the City's financial advisors, (PFM), prepared these estimates, the interest rate has dropped  
58 significantly making the estimated annual debt service payment closer to \$3 million per year.

59

60 Deputy Police Chief Jim Nelson identified sources of debt repayment and revenue generation from  
61 going forward with the CJC project.

62

- 63 a) Fund 105 sales tax revenue and existing funds in the fund.
- 64 b) Expenditure reductions
- 65 c) Increased City jail bed revenue
- 66 d) Leased parking spaces, day reporting, electronic home detention, and community service  
67 application fee.

68

69 There are three main alternatives for funding the \$60 million Community Justice Center:

- 70 a) Issue Councilmanic bonds that do not require voter approval, applying items a-d above to  
71 the annual debt service. This option does not include any additional taxes to be levied.
- 72 b) A 0.10% voter approved public safety sales and use tax. This requires a 50%+ voter approval.
- 73 c) Voter approved special property tax levy of \$.045 per \$1000 AV. This option requires a 60%+  
74 voter approval and would represent an estimated increase of \$181 per year on a \$400,000  
75 home.

76

77 d) Could a \$60 Million Increase in the City's Debt Lead to a Negative Action by the Rating Agency?

78 Director Springer shared the analysis that PFM prepared that shows after the issuance of a \$60  
79 million bond issue for the CJC, the City's current S&P credit rating of AA+ is expected to remain  
80 within the AA+ category.

81

82 Next steps are to move forward to the full Council on March 16<sup>th</sup> and March 23<sup>rd</sup> for approval of the  
83 schematic design out of Fund 105.

84

85 **2) 2021-2022 Budget Process Update**

86 Mr. Loch said that this will be a placeholder on the agenda for future meetings for the budget  
87 season. Ms. Frizzell asked if salary projections were on target. Ms. Springer stated that the Budget  
88 Supervisor has forwarded the FTE position listing to departments for their input and for any changes  
89 that they see need to be implemented before the salary and benefit projections can be run.

90

91 **3) November 2019 Financial Report**

92 Ms. Springer summarized the November 2019 Financial Report. She stated that revenues and  
93 expenditures are typically lower during the first year of the biennial budget. Ms. Springer stated  
94 that staff will have the 4<sup>th</sup> Quarter 2019 report ready in April. Ms. Springer also asked if the Finance  
95 Committee would like every report on the new website or only the quarterlies. They stated that

96 they would like only the quarterly reports up there at this time. Table 5 was redone to show  
97 percentages.  
98

99 Ms. Springer also informed the Finance Committee that interest rates are falling and as investments  
100 are called or mature, we need to re-invest the proceeds at a much lower rate.  
101

102 **4) Closing Comments**

103 Ms. Springer asked what the Finance Committee would like to see on the next agenda. Mr. Hurst  
104 asked if they could see the six-year financial forecast at that time. Ms. Springer said that she would  
105 have it ready, but it will be a tentative forecast because numbers at yearend fluctuate as we close  
106 our financials. On March 10<sup>th</sup> staff anticipates presenting a preliminary forecast to the Mayor's  
107 Strategic Planning Committee.  
108

109 The next Finance Committee meeting will be held Thursday, March 26th at 3:00pm, Conference  
110 Room 4  
111

112 **Adjournment: The meeting was adjourned at 4:45 pm.**  
113

114 DocuSigned by:

115 *Sonja Springer*

116 3787F22E3BC44F2...  
Sonja Springer, Finance Director