CITY COUNCIL WORKSHOP MEETING AGENDA

City of Lake Stevens Vision Statement

By 2030, we are a sustainable community around the lake with a vibrant economy, unsurpassed infrastructure and exceptional quality of life.

December 5, 2023 - 6:00 PM

WAYS TO PARTICIPATE IN THE MEETING:
In Person: The Mill, Sawyers Room, 1808 Main Street, Lake Stevens
OR Join Zoom Meeting: https://us02web.zoom.us/j/83622796036
OR call in at (253) 215-8782 Meeting ID 836 2279 6036

1.	**Call to Order**	
2.	**Discussion Items**	
	A. Audit Exit Conference	Barb Stevens, Matthew Heist
	B. FLOCK Safety Discussion	Jeffrey Beazizo
	C. Ogden Murphy Wallace Contract - 2024 Fee Amendment	Greg Rubstello
3.	**Adjourn**	

THE PUBLIC IS INVITED TO ATTEND

The City of Lake Stevens strives to provide accessible opportunities for individuals with disabilities. Please contact Human Resources, City of Lake Stevens ADA Coordinator, (425) 622-9400, at least five business days prior to any City meeting or event if any accommodations are needed. For TDD users, please use the state's toll-free relay service, (800) 833-6384, and ask the operator to dial the City of Lake Stevens City Hall number.

NOTICE: All proceedings of this meeting are audio recorded, except Executive Sessions.

Exit Conference: City of Lake Stevens

The Office of the Washington State Auditor's vision is increased trust in government. Our mission is to provide citizens with independent and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective.

The purpose of this meeting is to share the results of your audit and our draft reporting. We value and appreciate your participation.

Audit Reports

We will publish the following reports:

- Accountability audit for January 1, 2021 through December 31, 2022 – see draft report.
- Financial statement audit for January 1, 2022 through December 31, 2022 – see report.
- SLFRF compliance examination report for January 1, 2022 through December 31, 2022 – see report.

Audit Highlights

We appreciate the efforts of the City's finance team. In particular, we would like to thank Matthew Heist, Finance Manager. As the audit liaison, Matthew always made himself available throughout the audit and was dedicated to making the audit a priority by providing requested documents and information in a timely manner. This helped the audit run efficiently.

Recommendations not included in the Audit Reports

Management Letters

Management letters communicate control deficiencies, noncompliance, or abuse with a less-than-material effect on the financial statements or other items significant to our audit objectives. Management letters are referenced, but not included, in the audit report. We noted certain matters that we are communicating in a letter to management related to procurement and safeguarding of public assets- fuel usage.

Exit Items

We have provided exit recommendations for management's consideration. Exit items address control deficiencies or noncompliance with laws or regulation that have an insignificant or immaterial effect on the entity, or errors with an immaterial effect on the financial statements. Exit items are not referenced in the audit report.

Financial Statement Audit Communication

We would like to bring the following to your attention:

- We didn't identify any material misstatements during the audit.
- There were no uncorrected misstatements in the audited financial statements.

- The audit addressed the following risks, which required special consideration:
    - Due to the possibility that management may be able to circumvent certain controls, standards require the auditor to assess the risk of management override.

Finalizing Your Audit

Report Publication

Audit reports are published on our website and distributed via email in a .pdf file. We also offer a subscription service that notifies you by email when audit reports are released or posted to our website. You can sign up for this convenient service at https://portal.sao.wa.gov/SAOPortal.

Management Representation Letter

We have included a copy of representations received from management.

Audit Cost

At the entrance conference, we estimated the cost of the audit to be $53,000 and actual audit costs will be approximately $5,000 less than that amount due to travel savings from conducting a remote audit.

Your Next Scheduled Audit

Your next audit is scheduled to be conducted in fall 2024 and will cover the following general areas:

- Accountability for public resources
- Financial statement

The estimated cost for the next audit based on current rates is $39,000 inclusive of travel and other costs, if any. This preliminary estimate is provided as a budgeting tool and not a guarantee of final cost.

If expenditures of federal awards are $750,000 or more in any fiscal year, notify our Office so we can schedule your audit to meet federal Single Audit requirements. Federal awards can include grants, loans, and non-cash assistance like equipment and supplies.

Working Together to Improve Government

Audit Survey

When your report is released, you will receive an audit survey from us. We value your opinions on our audit services and hope you provide feedback.

Local Government Support Team

This team provides support services to local governments through technical assistance, comparative statistics, training, and tools to help prevent and detect a loss of public funds. Our website and client portal offers many resources, including a client Help Desk that answers auditing and accounting questions. Additionally, this team assists with the online filing of your financial statements.

The Center for Government Innovation

The Center for Government Innovation at the Office of the Washington State Auditor offers services specifically to help you help the residents you serve at no additional cost to your government. What does this mean? We provide expert advice in areas like Lean process improvement, peer-to-peer networking, and culture-building to help local governments find ways to be more efficient, effective and transparent. The Center can help you by providing assistance in financial management, cybersecurity and more. Check out our best practices and other resources that help local governments act on accounting standard changes, comply with regulations, and respond to recommendations in your audit. The Center understands that time is your most precious commodity as a public servant, and we are here to help you do more with the limited hours you have. If you are interested in learning how we can help you maximize your effect in government, call us at (564) 999-0818 or email us at Center@sao.wa.gov.

Questions?

Please contact us with any questions about information in this document or related audit reports.

Kelly Collins, CPA, CFE, Director of Local Audit, (564) 999-0807, Kelly.Collins@sao.wa.gov

Wendy Choy, Assistant Director of Local Audit, (425) 502-7067, Wendy.Choy@sao.wa.gov

Kristina Baylor, Program Manager, (425) 951-0290, Kristina.Baylor@sao.wa.gov

Erika Davies, Assistant Audit Manager, (425) 951-0867, Erika.Davies@sao.wa.gov

Lingyun Zhou, Audit Lead, (425) 510-0492, Lingyun.Zhou@sao.wa.gov

Accountability Audit Report

City of Lake Stevens

For the period January 1, 2021 through December 31, 2022

Published (Inserted by OS)

Report No. 1033682

Office of the Washington State Auditor
Pat McCarthy

Issue Date – (Inserted by OS)

Mayor and City Council
City of Lake Stevens
Lake Stevens, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for City operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the City's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

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AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In those selected areas, City operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

However, we noted certain matters related to safeguarding of public assets – fuel usage and procurement that we communicated to City management and the Mayor and City Council in a letter dated December 5, 2023. We appreciate the City's commitment to resolving those matters.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of the City of Lake Stevens from January 1, 2021 through December 31, 2022.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the City's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended December 31, 2022 and 2021, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Payroll – overtime, leave balances and accruals, and leave cash outs
- Accounts payable – fuel cards and electronic funds transfers
- Procurement – public works
- Self-insurance for unemployment compensation
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress

RELATED REPORTS

Financial

Our opinion on the City's financial statements is provided in a separate report, which includes the City's financial statements. That report is available on our website, http://portal.sao.wa.gov/ReportSearch.

Other Reports

We issued an examination report on the City's compliance with Coronavirus State and Local Fiscal Recovery Funds Program Requirements as part of the American Rescue Plan Act of 2021. That report is available on our website, http://portal.sao.wa.gov/ReportSearch.

INFORMATION ABOUT THE CITY

The City of Lake Stevens has a population of approximately 41,260 citizens and encompasses approximately nine square miles in Snohomish County. A council-mayor form of government administers the City with seven elected Council Members and a separately elected Mayor.

The City has 127 employees providing police, planning and zoning, park maintenance, street maintenance and general government services. The City's expenditures for 2022 and 2021 were $36.7 million and $38.1 million respectively.

Contact information related to this report	
Address:	City of Lake Stevens 1812 Main Street P.O. Box 257 Lake Stevens, WA 98258-0257
Contact:	Barbara Stevens, Finance Director
Telephone:	425-622-9410
Website:	https://www.lakestevenswa.gov/

Information current as of report publish date.

Audit history

You can find current and past audit reports for the City of Lake Stevens at http://portal.sao.wa.gov/ReportSearch.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

Stay connected at sao.wa.gov

- Find your audit team
- Request public records
- Search BARS Manuals (GAAP and cash), and find reporting templates
- Learn about our training workshops and on-demand videos
- Discover which governments serve you — enter an address on our map
- Explore public financial data with the Financial Intelligence Tool

Other ways to stay in touch

- Main telephone: (564) 999-0950
- Toll-free Citizen Hotline: (866) 902-3900
- Email: webmaster@sao.wa.gov

Office of the Washington State Auditor
Pat McCarthy

December 5, 2023

Mayor and City Council
City of Lake Stevens
Lake Stevens, Washington

Management Letter

This letter includes a summary of specific matters that we identified in planning and performing our accountability audit of the City of Lake Stevens from January 1, 2021, through December 31, 2022. We believe our recommendations will assist you in improving the City's internal controls and compliance in these areas.

We will review the status of these matters during our next audit. We have already discussed our comments with and made suggestions for improvements to City officials and personnel. If you have any further questions, please contact me at (425) 948-7401.

This letter is intended for the information and use of management and the governing body and is not suitable for any other purpose. However, this letter is a matter of public record and its distribution is not limited.

We would also like to take this opportunity to extend our appreciation to your staff for their cooperation and assistance during the audit.

Sincerely,

Kristina Baylor

Kristina Baylor, Program Manager

Attachment

Safeguarding of public assets – fuel usage

The City's Public Works Department maintains aboveground fuel tanks at the Public Works shop as its primary way to fuel City vehicles and equipment. From January 2021 through September 2023, the Department purchased a total of $437,932 in fuel to refill the tanks. The Department is responsible for establishing effective internal controls and procedures to safeguard and monitor fuel usage to ensure it is appropriate, authorized and only for business purposes. We reviewed the Department's internal controls over tracking and monitoring fuel usage, and we identified the following weaknesses:

- The City does not have documented policies and procedures for fuel tanks, including security, granting access to the fuel, tracking fuel purchases, monitoring fuel usage, managing and reconciling fuel tank inventory, and verifying the fuel statement before payment.
- All employees are issued a City identification badge that they can swipe to access the fuel tanks. The Department has a designated employee to update the active fuel users and vehicle list, but someone does not perform a secondary review to ensure the lists are accurate.
- The Department installed cameras around the station, but the cameras are not adequately reviewed to properly monitor fuel dispensing.
- The Department does not reconcile the fuel tank balance to ensure the calculated fuel balance (beginning inventory, plus deliveries, less usage records) reconciles to the actual measured fuel tank level. Additionally, while the City performs a high-level review of the monthly fuel report, it is insufficient for identifying misuse, loss or waste of fuel, if any.

We recommend the City:

- Adopt and enforce a fuel program policy
- Train employees on expected controls related to purchasing and managing bulk fuel for fuel tanks, protecting fueling stations, granting access to fuel pumps, collecting fuel data, reviewing access to dispense fuel, and monitoring fuel consumption
- Properly restrict access to those employees with job specifications necessary to use the fuel tank, and perform a secondary review of the active fuel users and vehicle lists to ensure they are updated correctly when changes occur
- Adequately review security camera footage to identify unusual activities, if any
- Reconcile fuel tank balances monthly by maintaining perpetual fuel inventory records and periodically comparing them to the actual amount on hand

Procurement

Procurement laws are intended to promote openness in government and prevent fraud, collusion and favoritism in awarding public contracts. Competitive procurement ensures vendors have the opportunity to participate in public purchases and that the City receives the best possible price for goods and services. The City is responsible for establishing bid limits and competitive processes in policy along with effective internal controls to ensure compliance with procurement and bid law requirements.

For public works projects, state law (RCW 35.23.352) allows cities to use a small public works roster if the estimated project cost is more than $75,500 (single craft) or $116,155 (multiple craft) but less than $350,000. A formal competitive bidding process is required when a project's cost is anticipated to be more than $350,000. For public works projects procured through a small works roster, the City should make available a list at least once a year that identifies all contracts it has awarded through the small works roster and where the bid quotations may be obtained for public inspection (RCW 39.04.200).

In addition, the City must use formal competitive bidding for purchases exceeding $250,000. Before awarding the contract, City policy requires the City Administrator or Mayor to approve these purchases.

We reviewed the City's procurement activity for the audit period and identified the following issues:

- The 2022 Annual Pavement Overlay project was procured through the City's small works roster. The original cost estimate for the project was $338,568, but due to change orders, it ended up being $468,301. The City added $90,285 in costs for ADA-compliant curb ramps, thermoplastic crosswalks, and striping that was not included in the scope of the original bid. This resulted in noncompliance with state law and City policy because the total exceeded the threshold for competitive bidding.
- The City awarded a combined total 35 public work projects through its small work roster in fiscal years 2021 and 2022. However, it did not make the list of projects publicly available by indicating where or how the list could be obtained for public inspection, as required by state law.
- The City purchased fuel from one vendor over a three-year period with purchases totaling $437,932 from January 2021 through September 2023. The vendor was selected through direct negotiations without any type of competitive procurement, which is noncompliant with City policy and may not be in compliance with state law.

We recommend the City strengthen its internal control process to ensure it complies with applicable procurement requirements and its own policies. We also recommend the City ensure employees responsible for procurement activities receive sufficient training on the requirements for the various types of procurement processes.

Financial Statements Audit Report

City of Lake Stevens

For the period January 1, 2022 through December 31, 2022

Published September 28, 2023

Report No. 1033352

Office of the Washington State Auditor
Pat McCarthy

September 28, 2023

Council
City of Lake Stevens
Lake Stevens, Washington

Report on Financial Statements

Please find attached our report on the City of Lake Stevens financial statements.

We are issuing this report in order to provide information on the City's financial activities and condition.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

Insurance Building, P.O. Box 40021 • Olympia, Washington 98504-0021 • (564) 999-0950 • Pat.McCarthy@sao.wa.gov

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INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

City of Lake Stevens
January 1, 2022 through December 31, 2022

Council
City of Lake Stevens
Lake Stevens, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the City of Lake Stevens, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 28, 2023.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy, State Auditor

Olympia, WA

September 28, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Lake Stevens
January 1, 2022 through December 31, 2022

Council
City of Lake Stevens
Lake Stevens, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Lake Stevens, as of and for the year ended December 31, 2022, and the related notes to the financial statements, as listed in the financial section of our report.

Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City has prepared these financial statements to meet the financial reporting requirements of state law and accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Lake Stevens, and its changes in cash and investments, for the year ended December 31, 2022, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Lake Stevens, as of December 31, 2022, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

Matter Giving Rise to Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the financial statements are prepared by the City in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the BARS Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and

Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS Manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United

States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2023 on our consideration of the City's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

September 28, 2023

FINANCIAL SECTION

City of Lake Stevens
January 1, 2022 through December 31, 2022

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2022
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2022
Notes to Financial Statements – 2022

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ABOUT THE STATE AUDITOR'S OFFICE

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- Toll-free Citizen Hotline:
  (866) 902-3900
- Email:
  webmaster@sao.wa.gov

Report on Compliance with Coronavirus State and Local Fiscal Recovery Funds Program Requirements

City of Lake Stevens

For the period January 1, 2022 through December 31, 2022

Published September 28, 2023

Report No. 1033317

Office of the Washington State Auditor
Pat McCarthy

September 28, 2023

Mayor and City Council
City of Lake Stevens
Lake Stevens, Washington

Report on Compliance with Coronavirus State and Local Fiscal Recovery Funds Program Requirements

As part of the American Rescue Plan Act of 2021, the U.S. Department of Treasury provided Coronavirus State and Local Fiscal Recovery Funds (Assistance Listing Number 21.027) to the State and all cities and counties in Washington to provide aid for various purposes in response to the public health emergency.

These funds are federal assistance, subject to audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. In order to provide for more timely and focused audits, the Office of Management and Budget, in the 2021 Compliance Supplement, authorized entities meeting specific criteria to receive a compliance examination engagement in lieu of a regular federal grant audit. Accordingly, the City has elected to demonstrate accountability for these funds through a compliance examination.

Please find attached our report on the City's compliance with federal requirements.

Sincerely,

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

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INDEPENDENT ACCOUNTANT'S REPORT

City of Lake Stevens
January 1, 2022 through December 31, 2022

Mayor and City Council
City of Lake Stevens
Lake Stevens, Washington

We have examined the City of Lake Stevens compliance with the compliance requirements "activities allowed or unallowed" and "allowable cost/cost principles" (the specified requirements) as described in Part IV "Requirements for an Alternative Compliance Examination Engagement for Recipients that would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds" of the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) section of the 2021 OMB *Compliance Supplement* (referred to herein as "Requirements for an Alternative CSLFRF Compliance Examination Engagement") during the year ended December 31, 2022.

Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in the "Requirements for an Alternative CSLFRF Compliance Examination Engagement." Those standards and requirements require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above.

An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our engagement.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Lake Stevens complied, in all material respects, with the aforementioned requirements during the period January 1, 2022 to December 31, 2022.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; and fraud or noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on compliance with the specified requirements. We are also required to obtain and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on compliance with the specified requirements and not for the purpose of expressing an opinion on the internal control over compliance and other matters; accordingly, we express no such opinions.

Our examination disclosed no issues that are required to be reported under *Government Auditing Standards*.

Pat McCarthy, State Auditor

Olympia, WA

September 28, 2023

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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- Search BARS Manuals (GAAP and cash), and find reporting templates
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- Explore public financial data with the Financial Intelligence Tool

Other ways to stay in touch

- Main telephone: (564) 999-0950
- Toll-free Citizen Hotline: (866) 902-3900
- Email: webmaster@sao.wa.gov

September 28, 2023

Office of the Washington State Auditor
3200 Capitol Blvd
P.O. Box 40031
Olympia, WA 98504-0031

To the Office of the Washington State Auditor:

We are providing this letter in connection with your audit of the City of Lake Stevens for the period from January 1, 2022 through December 31, 2022. Representations are in relation to matters existing during or subsequent to the audit period up to the date of this letter.

Certain representations in this letter are described as being limited to matters that are significant or material. Information is considered significant or material if it is probable that it would change or influence the judgment of a reasonable person.

We confirm, to the best of our knowledge and belief, having made appropriate inquires to be able to provide our representations, the following representations made to you during your audit. If we subsequently discover information that would change our representations related to this period, we will notify you in a timely manner.

General Representations:

1. We have provided you with unrestricted access to people you wished to speak with and made available all relevant and requested information of which we are aware, including:
   a. Financial records and related data.
   b. Minutes of the meetings of the governing body or summaries of actions of recent meetings for which minutes have not yet been prepared.
   c. Other internal or external audits, examinations, investigations or studies that might concern the objectives of the audit and the corrective action taken to address significant findings and recommendations.
   d. Communications from regulatory agencies, government representatives or others concerning possible noncompliance, deficiencies in internal control or other matters that might concern the objectives of the audit.
   e. Related party relationships and transactions.
   f. Results of our internal assessment of business risks and risks related to financial reporting, compliance and fraud.

2. We acknowledge our responsibility for compliance with requirements related to confidentiality of certain information, and have notified you whenever records or data containing information subject to any confidentiality requirements were made available.

3. We acknowledge our responsibility for compliance with applicable laws, regulations, contracts and grant agreements.

4. We have identified and disclosed all laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

5. We have complied with all material aspects of laws, regulations, contracts and grant agreements.

6. We acknowledge our responsibility for establishing and maintaining effective internal controls over compliance with applicable laws and regulations and safeguarding of public resources, including controls to prevent and detect fraud.

7. We have established adequate procedures and controls to provide reasonable assurance of safeguarding public resources and compliance with applicable laws and regulations.

8. Except as reported to you in accordance with RCW 43.09.185, we have no knowledge of any loss of public funds or assets or other illegal activity, or any allegations of fraud or suspected fraud involving management or employees.

9. In accordance with RCW 43.09.200, all transactions have been properly recorded in the financial records.

<u>Additional representations related to the financial statements:</u>

10. We acknowledge our responsibility for fair presentation of the financial statements and believe financial statements are fairly presented in accordance with the *Budgeting, Accounting and Reporting Standards Manual* (BARS Manual), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

11. We acknowledge our responsibility for establishing and maintaining effective internal control over financial reporting.

12. The financial statements properly classify all funds and activities.

13. Revenues are appropriately classified by fund and account in accordance with the BARS Manual.

14. Expenses are appropriately classified by fund and account, and allocations have been made on a reasonable basis.

15. Ending cash and investments are properly classified as nonspendable, restricted, committed, assigned, and unassigned.

16. Significant assumptions we used in making accounting estimates are reasonable.

17. The following have been properly classified, reported and disclosed in the financial statements. as applicable:
    a. Interfund, internal, and intra-entity activity and balances.
    b. Related-party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
    c. Joint ventures and other related organizations.
    d. Guarantees under which the government is contingently liable.
    e. All events occurring subsequent to the fiscal year end through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
    f. Effects of all known actual or possible litigation, claims, assessments, violations of laws, regulations, contracts or grant agreements and other loss contingencies.

18. We have accurately disclosed to you all known actual or possible pending or threatened litigation, claims or assessments whose effects should be considered when preparing the financial statements. We have also accurately disclosed to you the nature and extent of our consultation with outside attorneys concerning litigation, claims and assessments.

19. We acknowledge our responsibility to include all necessary and applicable disclosures required by the BARS Manual, including:
    a. Description of the basis of accounting, summary of significant accounting policies and how this differs from Generally Accepted Accounting Principles (GAAP).
    b. Disclosures similar to those required by GAAP to the extent they are applicable to items reported in the financial statements.
    c. Any additional disclosures beyond those specifically required by the BARS Manual that may be necessary for the statements to be fairly presented.

20. We acknowledge our responsibility for reporting supplementary information such as the Schedule of Liabilities in accordance with applicable requirements and believe

supplementary information is fairly presented, in both form and content in accordance with those requirements.

21. We have disclosed to you all significant changes to the methods of measurement and presentation of supplementary information, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation.

22. We believe there are no uncorrected misstatements that would be material individually and in the aggregate to the financial statements taken as a whole.

23. We acknowledge our responsibility not to publish any document containing the audit report with any change in the financial statements, supplementary and other information referenced in the auditor's report. We will contact the auditor if we have any needs for publishing the audit report with different content included.

Brett Gailey (Sep 14, 2023 12:45 PDT)

Brett Gailey, Mayor

Barbara Stevens, Finance Director

Rep Letter - BARS Cash(updated by auditor)

Final Audit Report 2023-09-14

Created:	2023-09-14
By:	Kelly Chelin (kchelin@lakestevenswa.gov)
Status:	Signed
Transaction ID:	CBJCHBCAABAA2ILPDA_JpJhrdLJb9BBO3TK4FFJoPwpQ

"Rep Letter - BARS Cash(updated by auditor)" History

Document created by Kelly Chelin (kchelin@lakestevenswa.gov)
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Document emailed to Barbara Stevens (bstevens@lakestevenswa.gov) for signature
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Document e-signed by Brett Gailey (bgailey@lakestevenswa.gov)
Signature Date: 2023-09-14 - 7:45:34 PM GMT - Time Source: server- IP address: 206.208.65.226

Agreement completed.
2023-09-14 - 7:45:34 PM GMT

December 5, 2023

Office of the Washington State Auditor
3200 Capitol Blvd
P.O. Box 40031
Olympia, WA 98504-0031

To the Office of the Washington State Auditor:

We are providing this letter in connection with your audit of the City of Lake Stevens for the period from January 1, 2021 through December 31, 2022. Representations are in relation to matters existing during or subsequent to the audit period up to the date of this letter.

Certain representations in this letter are described as being limited to matters that are significant or material. Information is considered significant or material if it is probable that it would change or influence the judgment of a reasonable person.

We confirm, to the best of our knowledge and belief, having made appropriate inquires to be able to provide our representations, the following representations made to you during your audit. If we subsequently discover information that would change our representations related to this period, we will notify you in a timely manner.

General Representations:

1. We have provided you with unrestricted access to people you wished to speak with and made available all relevant and requested information of which we are aware, including:
   a. Financial records and related data.
   b. Minutes of the meetings of the governing body or summaries of actions of recent meetings for which minutes have not yet been prepared.
   c. Other internal or external audits, examinations, investigations or studies that might concern the objectives of the audit and the corrective action taken to address significant findings and recommendations.
   d. Communications from regulatory agencies, government representatives or others concerning possible noncompliance, deficiencies in internal control or other matters that might concern the objectives of the audit.
   e. Related party relationships and transactions.

f. Results of our internal assessment of business risks and risks related to financial reporting, compliance and fraud.

2. We acknowledge our responsibility for compliance with requirements related to confidentiality of certain information, and have notified you whenever records or data containing information subject to any confidentiality requirements were made available.

3. We acknowledge our responsibility for compliance with applicable laws, regulations, contracts and grant agreements.

4. We have identified and disclosed all laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

5. Except as reported by the audit, we have complied with all material aspects of laws, regulations, contracts and grant agreements.

6. We acknowledge our responsibility for establishing and maintaining effective internal controls over compliance with applicable laws and regulations and safeguarding of public resources, including controls to prevent and detect fraud.

7. Except as reported by the audit, we have established adequate procedures and controls to provide reasonable assurance of safeguarding public resources and compliance with applicable laws and regulations.

8. Except as reported to you in accordance with RCW 43.09.185, we have no knowledge of any loss of public funds or assets or other illegal activity, or any allegations of fraud or suspected fraud involving management or employees.

9. In accordance with RCW 43.09.200, all transactions have been properly recorded in the financial records.

Brett Gailey (Nov 9, 2023 16:45 PST)

Brett Gailey, Mayor

Barbara Stevens, Finance Director

12.5.23 - Management Representation Letter

Final Audit Report 2023-11-10

Created:	2023-11-09
By:	Barbara Stevens (bstevens@lakestevenswa.gov)
Status:	Signed
Transaction ID:	CBJCHBCAABAAtphPqXzQFOejuXHrJt7-82udi6wpl2mc

"12.5.23 - Management Representation Letter" History

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Agreement completed.
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September 28, 2023

Office of the Washington State Auditor
3200 Capitol Blvd
P.O. Box 40031
Olympia, WA 98504-0031

To the Office of the Washington State Auditor:

We are providing this letter in connection with your examination of City of Lake Stevens's compliance with allowable activities and cost principles requirements for expenditures of Coronavirus State and Local Fiscal Recovery Funds (SLFRF, ALN 21.027) federal financial assistance for the period January 1, 2022 through December 31, 2022. Representations are in relation to matters existing during or subsequent to the examination period up to the date of this letter.

Certain representations in this letter are described as being limited to matters that are significant or material. Information is considered significant or material if it is probable that it would change or influence the judgment of a reasonable person.

We confirm, to the best of our knowledge and belief, having made appropriate inquires to be able to provide our representations, the following representations made to you during your examination. If we subsequently discover information that would change our representations related to this period, we will notify you in a timely manner.

1. We have provided you with unrestricted access to people you wished to speak with and made available all relevant and requested information of which we are aware, including:
   a. Financial records and related data.
   b. Other internal or external audits, examinations, investigations or studies that might concern the objectives of the examination and the corrective action taken to address significant findings and recommendations.
   c. Communications from regulatory agencies, government representatives or others concerning possible material noncompliance, deficiencies in internal control or other matters that might concern the objectives of the examination, including communications received between the end of the period examined and the date of your report.

2. We acknowledge our responsibility for compliance with requirements related to confidentiality of certain information, and have notified you whenever records or data containing information subject to any confidentiality requirements were made available.

3. We acknowledge and understand our responsibility for complying with applicable laws, regulations, contracts and grant agreements.

4. We have identified and disclosed all laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of our compliance with the SLFRF federal financial assistance program.

5. We have complied with all material aspects of laws, regulations, contracts and grant agreements.

6. We have established adequate procedures and controls to provide reasonable assurance of safeguarding public resources and compliance with applicable laws and regulations.

7. We acknowledge and understand our responsibility for establishing and maintaining effective internal control over compliance with allowable activities and cost principles requirements for expenditures of SLFRF federal financial assistance.

8. We have performed an evaluation of our compliance with the allowable activities and cost principles requirements for expenditures of SLFRF federal financial assistance; and except as discussed with you, have not identified any known noncompliance during or subsequent to the period examined.

9. We have not identified any compliance requirements that have varying interpretations.

10. We have no known deficiencies in internal control relevant to the City's compliance and any events subsequent to the compliance period that would have a material effect on the City's compliance.

11. We have no knowledge of any fraud, allegations of fraud or suspected fraud involving management, employees or others related to compliance with the allowable activities and cost principles requirements for expenditures of SLFRF federal financial assistance.

12. We acknowledge our responsibility for compliance with allowable activities and cost principles requirements for expenditures of Coronavirus State and Local Fiscal Recovery Funds (SLFRF, ALN 21.027) federal financial assistance.

13. Except as discussed with you, we have complied with allowable activities and cost principles requirements for expenditures of Coronavirus State and Local Fiscal Recovery Funds (SLFRF, ALN 21.027) federal financial assistance for the period January 1, 2022 through December 31, 2022.

Brett Gailey (Sep 14, 2023 12:05 PDT)
Brett Gailey, Mayor

Barbara Stevens, Finance Director

Rep Letter (updated by auditor) - SLFRF Compliance Examination

Final Audit Report 2023-09-14

Created:	2023-09-14
By:	Kelly Chelin (kchelin@lakestevenswa.gov)
Status:	Signed
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"Rep Letter (updated by auditor) - SLFRF Compliance Examinati on" History

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2023-09-14 - 7:04:22 PM GMT- IP address: 104.47.64.254

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Signature Date: 2023-09-14 - 7:05:32 PM GMT - Time Source: server- IP address: 206.208.65.226

Agreement completed.
2023-09-14 - 7:05:32 PM GMT

CITY COUNCIL STAFF REPORT

Agenda Date: 12/5/2023

Subject: Ogden Murphy Wallace Contract - 2024 Fee Amendment

Contact Person/Department: Greg Rubstello, Administration

Budget Impact:

Legal Review: No

RECOMMENDATION(S)/ACTION REQUESTED:
Discuss 2024 Rates. Amendment will come back for approval at the December 12, 2023 Council Meeting.

SUMMARY/BACKGROUND:
City Attorney Greg Rubstello and OMW have proposed that the Fee Schedule attached to the Professional Services Agreement between the City and OMW be amended. The rate schedule has not been adjusted since it became effective in January 2019. Although the agreement contained a provision allowing for the annual adjustment of the rates based upon the annual changes in the CPI, those adjustments were not made in consideration of the COVID years uncertainties and tight city budgets. The new proposed rates were arrived at in consideration of OMW's 2024 rates for Mukilteo and Monroe and reflect a compromise rate between the rates approved for those Snohomish County clients of OMW. The annual CPI adjustment remains although modified to clarify that the June-to-June Seattle – Tacoma – Bellevue Index is to be used in determining the adjustment.
It is requested that there is council consensus to place the amendment on the consent agenda for approval on December 12^{th}.

APPLICABLE CITY POLICIES:

ATTACHMENTS:

1. Current Agreement
2. 2024 Fee Agreement Amendment

AGREEMENT FOR PROFESSIONAL SERVICES
BETWEEN THE CITY OF LAKE STEVENS AND OGDEN MURPHY WALLACE, P.L.LC

THIS AGREEMENT, is made this 11th day of December, 2018, by and between the City of Lake Stevens (hereinafter referred to as "City"), a Washington Municipal Corporation, and Ogden Murphy Wallace, P.L.L.C (hereinafter referred to as "Service Provider"), doing business at 901 Fifth Avenue, Suite 3500, Seattle, WA .

WHEREAS, Service Provider is in the business of providing certain services specified herein; and

WHEREAS, the City desires to contract with Service Provider for the provision of such services for legal representation as City Attorney, and Service Provider agrees to contract with the City for same;

NOW, THEREFORE, in consideration of the mutual promises set forth herein, it is agreed by and between the parties as follows:

a. TERMS

1. **Description of Work**. Service Provider shall perform work as described in Exhibit A, Scope of Services, which is attached hereto and incorporated herein by this reference, according to the existing standard of care for such services. Service Provider shall not perform any additional services without the expressed permission of the City.

2. **Payment**.

A. The City shall pay Service Provider for its services at the hourly rates set forth in Exhibit B. Terms of expense reimbursement are set forth in Exhibit B. Modification of the terms of payment and/or expense reimbursement may be made from time to time by mutual written agreement.

B. Service Provider shall submit monthly payment invoices to the City after such services have been performed, and the City shall make payment within four (4) weeks after the submittal of each approved invoice. Such invoice shall detail the hours worked, a description of the tasks performed, and shall separate all charges for reimbursable expenses.

C. If the City objects to all or any portion of any invoice, it shall so notify Service Provider of the same within five (5) days from the date of receipt and shall pay that portion of the invoice not in dispute. The parties shall immediately make every effort to settle the disputed portion.

3. **Relationship of Parties**. The parties intend that an independent contractor - client relationship will be created by this Agreement. As Service Provider is customarily engaged

in an independently established trade which encompasses the specific service provided to the City hereunder, no agent, employee, representative or subcontractor of Service Provider shall be or shall be deemed to be the employee, agent, representative or subcontractor of the City. None of the benefits provided by the City to its employees, including, but not limited to, compensation, insurance and unemployment insurance, are available from the City to the Service Provider or his employees, agents, representatives or subcontractors. Service Provider will be solely and entirely responsible for his acts and for the acts of Service Provider's agents, employees, representatives and subcontractors during the performance of this Agreement. The City may, during the term of this Agreement, engage other independent contractors to perform the same or similar work that Service Provider performs hereunder.

4. **Project Name**. City Attorney services.

5. **Duration of Work**. Service Provider shall complete the work described in Exhibit A as requested by the City in accordance with a performance schedule mutually agreed upon by the parties. This Agreement shall commence on January 1, 2019 and shall continue until terminated.

6. **Termination**.

   A. *Termination Upon the City's Option*. The City shall have the option to terminate this Agreement at any time. Termination shall be effective upon ten (10) days written notice to the Service Provider unless a different date is mutually agreed otherwise in writing.

   B. *Termination Upon the Service Provider's Option*. The Service Provider shall have the option to terminate this Agreement at any time. Termination shall be effective upon ten (10) days written notice to the Service Provider unless a different date is mutually agreed otherwise in writing.

   C. *Rights upon Termination*. In the event of termination, the City shall only be responsible to pay for all services satisfactorily performed by Service Provider to the effective date of termination, as described in the final invoice to the City. The Mayor shall make the final determination about what services have been satisfactorily performed.

7. **Nondiscrimination**. In the hiring of employees for the performance of work under this Agreement or any subcontract hereunder, Service Provider, its subcontractors or any person acting on behalf of Service Provider shall not, by reason of race, religion, color, sex, marital status, national origin or the presence of any sensory, mental, or physical disability, discriminate against any person who is qualified and available to perform the work to which the employment relates.

8. **Indemnification / Hold Harmless**. Service Provider shall fully protect, defend, indemnify and hold the City, its officers, officials, employees and volunteers harmless from all claims, injuries, damages, losses or suits, including attorney fees, arising out of or in connection with the performance of this Agreement, by the Service Provider, excepting such claims or loses

resulting from the negligence or willful misconduct of the City or its officers, officials, employees or volunteers. The Service Provider's obligations under this section shall specifically include, but are not limited to, responsibility for claims, injuries, damages, losses and suits arising out of or in connection with the acts and omissions of Service Provider's employees, contractors, consultants and agents.

Should a court of competent jurisdiction determine that this Agreement is subject to RCW 4.24.115, then, in the event of liability for damages arising out of bodily injury to persons or damages to property caused by or resulting from the concurrent negligence of the Service Provider and the City, its officers, officials, employees, and volunteers, the Service Provider's liability hereunder shall be only to the extent of the Service Provider's negligence.

It is further specifically and expressly understood that the indemnification provided herein constitutes the Service Provider's waiver of immunity under Industrial Insurance, Title 51 RCW, solely for the purposes of this indemnification. This waiver has been mutually negotiated by the parties.

The provisions of this section shall survive the expiration or termination of this Agreement.

9. **Insurance**. The Service Provider shall procure and maintain for the duration of the Agreement, insurance against claims for injuries to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Service Provider, their agents, representatives, employees or subcontractors.

1. A. Minimum Scope of Insurance. Service Provider shall obtain insurance of the types described below:

1. *Automobile Liability* insurance covering all owned, non-owned, hired and leased vehicles. Coverage shall be written on Insurance Services Office (ISO) form CA 00 01 or a substitute form providing equivalent liability coverage. If necessary, the policy shall be endorsed to provide contractual liability coverage.

2. *Commercial General Liability* insurance shall be written on ISO occurrence form CG 00 01 and shall cover liability arising from premises, operations, independent contractors, products-completed operations, personal injury and advertising injury, and liability assumed under an insured contract. The City shall be named as an insured under the Service Provider's Commercial General Liability insurance policy with respect to the work performed for the City using ISO additional insured endorsement GC 20 10 10 01 and GC 20 37 10 01 or substitute endorsements providing equivalent coverage.

3. *Workers' Compensation* coverage as required by the Industrial Insurance laws of the State of Washington.

4. *Professional Liability* insurance appropriate to the Service Provider's profession.

a) **B. Minimum Amounts of Insurance. Service Provider shall maintain the following insurance limits:**

1. *Automobile Liability* insurance with a minimum combined single limit for bodily injury and property damage of $1,000,000 per accident.

2. *Commercial General Liability* insurance shall be written with limits no less than $1,000,000 each occurrence, $2,000,000 general aggregate and $2,000,000 products-completed operations aggregate limit.

3. *Professional Liability* insurance shall be written with limits no less than $1,000,000 per claim and $1,000,000 policy aggregate limit.

b) **C. Other Insurance Provisions. The insurance policies are to contain, or be endorsed to contain, the following provisions for Automobile Liability and Commercial General Liability insurance:**

1. The Service Provider's insurance coverage shall be primary insurance as respect to the City. Any insurance, self-insurance, or insurance pool coverage maintained by the City shall be excess of the Service Provider's insurance and shall not contribute with it.

2. The Service Provider's insurance shall be endorsed to state that coverage shall not be cancelled by either party, except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the City.

D. **Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best rating of not less than A:VII.**

E. **Verification of Coverage. Service Provider shall furnish the City with original certificates and a copy of the amendatory endorsements, including but not necessarily limited to the additional insured endorsement, evidencing the insurance requirements of the Service Provider before commencement of the work.**

F. **Subcontractors. Service Provider shall include each subcontractor as insured under its policies or shall furnish separate certifications and endorsements for each subcontractor. All coverage shall be subject to all of the same insurance requirements as stated herein for the Service Provider.**

10. **Entire Agreement**. The written provisions and terms of this Agreement, together with all documents attached hereto, shall supersede all prior verbal statements of any officer or other representative of the City, and such statements shall not be effective or be construed as entering into or forming a part of, or altering in any manner whatsoever, this Agreement.

11. **City's Right of Supervision, Limitation of Work Performed by Service Provider**. Even though Service Provider works as an independent contractor in the performance of his duties under this Agreement, the work must meet the approval of the City and be subject to the City's general right of inspection and supervision to secure the satisfactory completion thereof. In the performance of work under this Agreement, Service Provider shall comply with all federal, state and municipal laws, ordinances, rules and regulations that are applicable to Service Provider's business, equipment, and personnel engaged in operations covered by this Agreement or accruing out of the performance of such operations.

12. **Work Performed at Service Provider's Risk**. Service Provider shall be responsible for the safety of its employees, agents and subcontractors in the performance of the work hereunder and shall take all protections reasonably necessary for that purpose. All work shall be done at Service Provider's own risk, and Service Provider shall be responsible for any loss of or damage to materials, tools, or other articles used or held for use in connection with the work.

13. **Ownership of Products and Premises Security**.

    A. All memorandum, pleadings, work product and other documents produced by the Service Provider in the performance of services under this Agreement, whether in draft or final form and whether written, computerized, or in other form, shall be the property of the City.

    B. While working on the City's premises, the Service Provider agrees to observe and support the City's rules and policies relating to maintaining physical security of the City's premises.

14. **Modification**. No waiver, alteration or modification of any of the provisions of this Agreement shall be binding unless in writing and signed by a duly authorized representative of the City and Service Provider.

15. **Assignment**. Any assignment of this Agreement by Service Provider without the written consent of the City shall be void.

16. **Written Notice**. All communications regarding this Agreement shall be sent to the parties at the addresses listed below, unless notified to the contrary. Any written notice hereunder shall become effective as of the date of mailing by registered or certified mail and shall be deemed sufficiently given if sent to the addressee at the address stated in this Agreement or such other address as may be hereafter specified in writing.

17. **Non-Waiver of Breach**. The failure of the City to insist upon strict performance of any of the covenants and agreements contained herein, or to exercise any option herein conferred in

one or more instances shall not be construed to be a waiver or relinquishment of said covenants, agreements or options, and the same shall be and remain in full force and effect.

18. **Resolution of Disputes, Governing Law**. Should any dispute, misunderstanding or conflict arise as to the terms and conditions contained in this Agreement, the matter shall be referred to the Mayor, whose decision shall be the final decision of the City. In the event of any litigation arising out of this Agreement, the prevailing party shall be reimbursed for its reasonable attorney fees from the other party. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington.

19. **Public Records Disclosure.** Service Provider shall fully cooperate with and assist the City with respect to any request for public records received by the City and related to any public records generated, produced, created and/or possessed by Service Provider and related to the services performed under this Agreement. Upon written demand by the City, the Service Provider shall furnish the City with full and complete copies of any such records within five business days.

Service Provider's failure to timely provide such records upon demand shall be deemed a breach of this Agreement. To the extent that the City incurs any monetary penalties, attorneys' fees, and/or any other expenses as a result of such breach, Service Provider shall fully indemnify and hold harmless the City as set forth in Section 8.

For purposes of this section, the term "public records" shall have the same meaning as defined by Chapter 42.17 RCW and Chapter 42.56 RCW, as said chapters have been construed by Washington courts.

The provisions of this section shall survive the expiration or termination of this Agreement.

IN WITNESS WHEREOF, **the parties have executed this Agreement on the day and year above written.**

CITY OF LAKE STEVENS	**SERVICE PROVIDER**
	Ogden Murphy Wallace, P.L.L.C
By: John Spencer	By:
John Spencer, Mayor	Title: Member
	Taxpayer ID #: 910344327

CITY CONTACT

Gene Brazel, City Administrator

City of Lake Stevens

1812 Main Street

Lake Stevens, WA 98258

Phone: 425-377-3230

SERVICE PROVIDER CONTACT

Greg A. Rubstello, Member Attorney

Ogden Murphy Wallace, PLLC

901 Fifth Avenue, Ste. 3500

Seattle, WA. 98164-2008

Phone: 206-447-7206

ATTEST/AUTHENTICATED

By: ______________________

Kathy Pugh, City Clerk

Exhibit A

Scope of Services

Greg A. Rubstello shall be the responsible attorney with J. Zachary Lell providing backup. Other attorneys of Service Provider's law firm may from time to time also perform legal services under this Agreement.

Services to be performed include:

SCOPE OF WORK

The City will need a full array of Municipal City Attorney services. General legal counsel for the Mayor, City Council and staff including but not limited to:

- Attending meetings with Mayor, City Administrator and staff when requested.
- Being available for phone consultations with the Mayor, Councilmembers, City Administrator and staff.
- Bringing to the attention of the Mayor, City Council, City Administrator or staff matters of relevance as a result of new legislation or recent court decisions.
- Maintaining a liaison with other associated special counsel.
- Attending and actively participating in management meetings as needed.
- Attendance at all regular City Council meetings. The City Council regularly meets the second and fourth Tuesday evening of each month.
- Availability for special sessions of the City Council.
- Attendance at agenda setting meetings held the first and third Tuesday of each month at 9:00 am. This can be by phone or other telecommunication application software such as Skype.
- Participate in a phone conference with City Administrator the second and fourth Tuesday of each month to talk through that night's agenda of the regularly scheduled City Council meeting.
- Review and original preparation of ordinance, resolutions and contracts when requested.
- Litigation services – representing the City either as a plaintiff or defendant. Representing the City before Administrative proceedings before other governmental units or agencies.

- Services related to the formation of Local Improvement Districts and the collection of assessments.

- Contract law including such subjects as personal services, equipment and real estate leases and purchases.

- Eminent Domain

- Right of Way acquisition

- Utilities

Areas of particular need are real estate and land use law, public records act compliance, zoning and development regulations, platting, Growth Management Act compliance, annexations and Shoreline Management Act compliance.

Exhibit B

Fee Schedule

A. Rate Schedule.

General legal services

Billing Category	**Rate**
Member	$275/hour
Associates	$210/hour

Project/site-specific land use/real estate legal services, including administrative/judicial appeals

Billing Category	**Rate**
Member	$345/hour
Associates	$245/hour

Paralegal services for all matters will be billed at $125/hour.

The rates above will include travel time for City-related business and will be adjusted annually effective January 1st by the highest Seattle-Tacoma-Bremerton CPI. Multi-jurisdiction consortium-based legal services and franchise-related work will be negotiated on a project-specific basis.

B. Miscellaneous Expenses. The City will not be charged for normal clerical or secretarial work, the expense of which has been calculated into OMW's hourly rates for attorneys. Reimbursement will be made by the City for expenditures related to court costs and fees, copying, postage, computer-aided research when conducted on behalf of the City, and mileage (excepting regularly scheduled meetings at Lake Stevens) and parking. (Travel time to and from the City is included in time billed.) Other expenses shall be reimbursed when authorized in advance by the City.

FIRST AMENDMENT TO
AGREEMENT FOR PROFESIONAL SERVICES
BETWEEEN THE CITY OF LAKE STEVENS AND OGDEN MURPHY WALLACE, P.L.L.C

RECITALS:

Whereas, the Agreement for Professional Services between the City of Lake Stevens ("City") and Ogden Murphy Wallace, P.L.L.C (OMW") was made on December 11th, 2018 ("Agreement") and the initial ratees in the Fee Schedule (Exhibit B to the Agreement) have not been adjusted during the past five years; and

Whereas, the City and OMW mutually agree to the adjustment of the fee schedule to more align with OMW's 2024 billing rates for similarly sized and situated cities in Snohomish County (Monroe and Mukilteo) is appropriate to account for the increased costs of doing business and the provision of legal services to the City by OMW,

Now, therefore, the City and OMW mutually agree that Exhibit B to the Agreement is hereby amended as shown below, effective January 1, 2024:

Exhibit B

Fee Schedule

A. Rate Schedule

General legal services

Billing Category	**Rate**
Members	$325/hour
Associates	$270/hour

Project/site-specific land use/real estate legal services, including administrative/judicial appeals, and litigation and other non-routine services.

Billing Category	**Rate**
Member	$400/hour
Associates	$300/hour

Law clerk and Paralegal services for all matters will be billed at $160 per hour.

The rates above will include travel time for City-related business and will be adjusted annually effective January 1st of each year beginning January 1, 2025, by the highest BLS Seattle-Tacoma-Bellevue CPI (June to June). Multi jurisdiction consortium-based legal services and franchise-related work will be negotiated on a project-specific basis.

B. **Miscellaneous Expenses**. The City will not be charged for normal clerical or secretarial work, the expense of which has been calculated into OMW's hourly rates for attorneys. Reimbursement will be made by the City for expenditures related to court costs and fees, copying, postage, computer-aided research when conducted on behalf of the City, milage and parking. Travel time to and from the City is included in the time billed. Other expenses shall be reimbursed when authorized in advance by the City.

Other than the amendment of Schedule B., all other provisions of the Agreement remain the same and in full force and effect.

DATED THIS 12TH DAY OF DECEMBER 2023.

CITY OF LAKE STEVENS	**OGDEN MURPHY WALLACE, P.L.L.C.**
____________________	______________________________
Brett Gailey, Mayor	Greg A. Rubstello, Member

ATTEST:

____
City Clerk