CITY COUNCIL MEETING AGENDA

City of Lake Stevens Vision Statement

We are a thriving community that promotes a vibrant economy, preserves natural beauty, and supports an exceptional quality of life for all.

February 3, 2026 - 6:00 PM
City Council Special Meeting
In person: The Mill, Sawyers Room, 1808 Main Street, Lake Stevens
or Join Zoom Meeting: Link
or call in at (253) 215-8782
Meeting ID: 84032620195 Passcode: 212113

1. Call to Order

2. Discussion Items

A.	Introduction to the Lake Stevens Finance Department	Barb Stevens, Matthew Heist
B.	Introduction to Local Government Budgeting	Barb Stevens

3. Executive Session - Confidential Session of the Council

A. Discussion of Litigation and/or Potential Litigation and Property Acquisition per RCW 42.30.110. Action is expected to follow.

4. 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, 48 hours prior to this council meeting 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.

CITY DEPARTMENT REPORT

A Summary created by Microsoft CoPilot and reviewed by staff can be found on page 6 of this report.

Agenda Date: 02/03/2026

Department: Finance Department

Personnel: Barb Stevens, Finance Director
Matthew Heist, CPA, Finance Manager
Adri Crim, Accountant – Accounts Payable
Jessica Skaglund, MBA, Accountant – Grants and Capital Projects
Mary Wells, MBA, Accountant – Payroll
Senior Budget and Financial Analyst - Vacant

Department Overview

Under Lake Stevens Municipal Code 2.24, the Finance Department manages the City's financial and treasury operations. Core responsibilities include:

- Cash and treasury management
- Financial reporting and audits
- Budget development and monitoring
- Payroll administration
- Accounts payable and receivable
- Grant and capital project accounting
- Procurement oversight
- Asset management

Key Functions

Cash & Treasury Management – The City receives payments through the following channels:

Cash
Davies Beach & North Cove Boat Launches
Ping Pong ball dispenser at the Mill

Checks
Processed at City Hall and Park & Recreation Department

Credit/Debit Cards
Online Web Portals
- CivicRec - Park & Recreation
- PermitTrax - Permitting
- Next Request - PRA

Credit/Debit Cards
In Person
- City Hall
- Police Station
- Boat Launches

The Finance department manages payment processing and reviews the work of those handling payments. This includes reconciling and matching payments with documentation and reports. Card payments are processed by a Merchant Processor, which charges the City per transaction. To cover these costs, the City introduced a 3% service fee for card payments starting in 2026.

Finance performs monthly bank reconciliations by matching payments received to cash receipts and verifying outgoing payments with supporting documents. This process serves to ensure financial accountability, detect potential fraud, and maintain transparency in the City's financial operations. It includes recording property tax, sales tax, and State grant revenues.

According to State law, the City must invest unused funds, which are currently placed in the Local Investment Government Pool (LGIP) for short-term availability. LGIP interest rates follow “fed” rates. A revised investment policy and plan will be presented to the council for review and approval with the intent of diversifying the City’s portfolio to leverage longer investment periods and stabilized rates.

The City maintains one checking account with Wells Fargo bank. Finance monitors the account balances and manages transfers between Wells Fargo and the LGIP investment account to ensure funds are available for obligations and to optimize interest earnings.

The Finance department also oversees debt issuance and payment management, with debt issued for projects or purchases authorized by City Council.

Financial Reporting – The Finance Department prepares the City’s annual financial statements, which must be submitted to the Washington State Auditor’s Office within 150 days of year-end (typically by May 30). Washington State permits cities to report under Generally Accepted Accounting Principles (GAAP) or on a cash basis following the Budget, Accounting, and Reporting System (BARS) manual. The City reports on a cash basis in accordance with BARS, recording revenues when received and expenditures when paid. The City is required to keep the books open until January 20th, 20 days after year-end, to account for any prior year’s goods or services received.

The Washington State Auditor’s Office performs annual audits, including financial, accountability, and federal audits when applicable. The Finance Department coordinates with auditors, prepares all necessary documentation and records, addresses auditor inquiries, and manages the implementation of audit recommendations. This ensures accurate financial statements and maintains transparency and compliance in financial practices.

The Finance Department also prepares monthly and quarterly reports for the Council's review, typically highlighting actual versus budget figures with accompanying analysis notes. Financial reports are uploaded to the City’s website for additional access.

Budget - The Finance Department is responsible for compiling and coordinating the preparation of the annual budget, ensuring adherence to the timeline and requirements mandated by the state. This process involves gathering input from various departments, projecting revenues and expenditures, and aligning the budget with the City’s strategic goals and priorities.
Throughout the year, the department continuously monitors the budget and proposes amendments as necessary to address any unforeseen changes in revenue or expenditures. This

includes tracking budget performance, ensuring compliance with financial regulations, and providing regular updates to the City Council.

The budget management process typically intensifies during the summer months, as departments submit their budget requests and the Finance Department conducts detailed reviews and negotiations to finalize the budget. Workshops and public hearings are held to ensure transparency and public participation in the budgeting process.

Once the budget is adopted, the Finance Department is responsible for its implementation and oversight, ensuring that all expenditures are within approved limits and that any necessary budget adjustments are made promptly. The department also provides support to other departments to ensure proper budget management practices are followed.

Payroll Administration – The Finance Department administers payroll bi-monthly (Council is paid monthly), ensuring payment to all employees by the 10th and 25th (or the preceding business day if these dates fall on a weekend or holiday). The City currently has 149 permanent positions, exclusive of Council members and temporary positions. This workforce includes three bargaining units as well as non-represented employees. Payroll must process payments in accordance with the respective collective bargaining agreements or the employee handbook. Additionally, Payroll is responsible for paying benefit vendors, submitting regular reports to the IRS, Department of Retirement Services, and other relevant agencies, and distributing W-2 forms to employees annually.

Accounts Payable and Receivables – Invoices billed to the City are typically received at the front counter of City Hall and disbursed to the appropriate departments. Departments are responsible for reviewing and approving purchases before forwarding them to Finance for processing. Finance reviews invoices and processes payments through Springbrook, the City's financial software. Additionally, Finance oversees the process to ensure timely review and approval of invoices and checks for compliance requirements, such as prevailing wage requirements or contractual obligations.

The City regularly bills customers for services, including rental payments, police services, and miscellaneous billings. The City is currently transitioning from QuickBooks to the receivables module within Springbrook to bill and track these transactions.

We also report and pay sales tax and business occupation taxes to the Department of Revenue monthly. Quarterly, we report and pay leasehold excise taxes linked to our rental properties.

Grant and Capital Project Accounting – The City receives local, state, and federal grant funding. These grants are typically applied for and managed by the respective receiving departments. The Finance Department assists in tracking the funds and ensures compliance with grant requirements, including alignment of expenditures with those specified requirements. Finance will occasionally take the lead on grant administration, processing payment requests, and reporting to the granting agency.

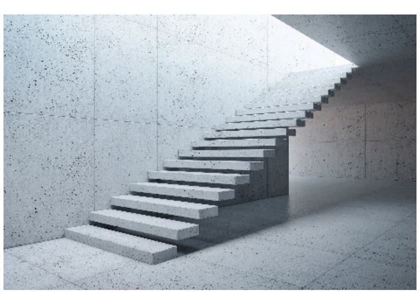
Similarly, departments are responsible for managing their own capital projects and procuring contractors. The finance department provides guidance throughout the process and tracks expenditures to ensure they are appropriate, and the budget is properly monitored.

Procurement – Procurement involves the process of acquiring goods and services. State law mandates that we establish policies and procedures governing our procurement practices. The objectives of procurement requirements are to (1) prevent fraud, collusion, and favoritism, (2) reduce carelessness, promote transparency, and enable governments to secure the best quality work or supplies at the most reasonable prices, and (3) provide vendors with opportunities to participate in public purchases. As the City is classified as a code city with over 20,000 citizens, state law grants us flexibility in structuring our policies. The Finance Department manages the Procurement policy, while individual departments are responsible for adhering to it. Finance will guide on the appropriate implementation of the policy and review departmental documentation to ensure compliance. Procurement encompasses a wide range of aspects, including bidding requirements, bonding requirements, and ethical practices.

Asset Management – The Finance Department oversees the safeguarding of City assets in compliance with federal, state, and local regulations. This encompasses ensuring accountability and security for all City assets, including “small and attractive assets” which are items that, while not meeting the thresholds of an asset, are valuable enough to be tracked. We conduct a comprehensive audit inventory of all movable assets, including these smaller items, on a biennial basis. The City utilizes Asset Tiger to log all movable assets. Our audit process involves physical verification to ensure the asset remains under our control, the information is accurately recorded, and its location information is current.

Accomplishments

In 2025, the Finance Department accomplished a series of significant goals. We continued our success with clean financial and accountability audits from the State Auditor and successfully coordinated and administered the City's largest federal grant. Additionally, we have developed new contract templates, updated policies, and delivered procurement training to other departments. The transition of Accounts Payable to nearly 100% electronic processing was a significant highlight. The department's expertise was also showcased through Excel training courses provided at state finance conferences, local regional meetings, and to another local government by request.



Upcoming Projects

The Finance Department is gearing up for several upcoming projects. They are preparing for a federal grant audit, which will be the first in three years, and planning the biennial asset inventory. As mentioned previously, the department is working on an updated strategy to improve diversification of the City’s investment portfolio. Additionally, we aim to launch a new Purchase Card program and update both the travel and procurement policies. Efforts to streamline the budget process and update long-term financial policies are also on the agenda. These initiatives highlight the department's commitment to improving financial management and enhancing overall efficiency.

Challenges

Resources

Since 2020, staffing citywide has risen by 54%, increasing payroll administration pressures. Managing state and federal compliance requirements like WA Cares and PFML adds to this complexity, demanding detailed record-keeping and further straining Finance Department resources.

Budget Constraints and Fiscal Sustainability

The Finance Department faces significant challenges in maintaining budget constraints and ensuring fiscal sustainability. Reduced revenues in the general fund have necessitated the reallocation of funds from other sources to cover essential operations. Alongside this, operating costs have continued to rise, driven by inflation and increased service demands. As a result, the city has seen a decrease in reserve balances, which highlights the importance of long-term financial planning.

Technological Challenges

Outdated software has been a challenge, limiting the department's ability to efficiently analyze data and generate scenarios for budgeting. The reliance on manual calculations and extensive use of Excel spreadsheets creates significant inefficiencies and increases the potential for errors.

Upgraded technology is necessary to work more efficiently, provide requested data, and better serve the community. Investing in advanced financial budgeting software will streamline processes, reduce errors, and enhance data analysis capabilities. This will allow the department to focus on strategic financial management and improve overall operational efficiency, saving time and resources in the future.

This document was enhanced with the assistance of Microsoft CoPilot

Finance Department Summary

Department Overview

The Finance Department of Lake Stevens manages various financial operations, including cash management, financial reporting, budget development, payroll administration, accounts payable and receivable, grant and capital project accounting, procurement oversight, and asset management.

Key Functions

- Cash & Treasury Management: Processes payments, performs monthly bank reconciliations, manages investments, and oversees debt issuance.
- Financial Reporting: Prepares annual financial statements, coordinates state audits, and provides monthly and quarterly reports for the Council.
- Budget: Compiles and monitors the annual budget, ensures compliance with financial regulations, and provides regular updates to the City Council.
- Payroll Administration: Administers payroll bi-monthly, processes payments, and maintains compliance with state and federal requirements.
- Accounts Payable and Receivable: Manages invoice processing, ensures compliance with contractual obligations, and oversees the transition to electronic systems.
- Grant and Capital Project Accounting: Assists in tracking and managing grant funds and ensures compliance with grant requirements.
- Procurement: Manages procurement policy, ensures compliance, and provides guidance on ethical practices and bidding requirements.
- Asset Management: Oversees the safeguarding of city assets, conducts biennial audits, and maintains asset records.

Accomplishments

In 2025, the department achieved clean audits, administered the largest federal grant, developed contract templates, updated policies, trained other departments on procurement, and transitioned to nearly 100% electronic processing for Accounts Payable.

Upcoming Projects

The department is preparing for a federal grant audit, planning a biennial asset inventory, updating investment strategies, launching a Purchase Card program, and streamlining the budget process.

Challenges

- Resources: Staffing increases and compliance requirements have strained departmental resources.
- Budget Constraints: Reduced revenues and rising costs have decreased reserve balances, highlighting the need for long-term financial planning.
- Technological Challenges: Outdated software hinders efficient data analysis and budgeting, necessitating an upgrade to advanced budgeting software.

CITY DEPARTMENT REPORT

This report was created by staff and enhanced using Microsoft CoPilot.

Agenda Date: 02/03/2026

Department: Finance Department

Personnel: Barb Stevens, Finance Director

A city budget is essential for aligning its resources with its goals and responsibilities. It requires strategic planning, careful allocation, and ongoing oversight.

What is a Budget?

A budget is a legal document that forecasts the financial resources of a government and authorizes the spending of those resources for a fiscal period.

Simply, a budget is a process to develop, implement, monitor and evaluate the plan for payment of services and assets. It is a way to utilize resources to accomplish results.

The budget acts as a policy guide, aligning financial decisions with the city's strategy. It projects revenues and expenses and outlines department funding, project priorities, and expected outcomes. The budget also communicates the city's financial strategy and performance to stakeholders.

Accountability vs. Profitability

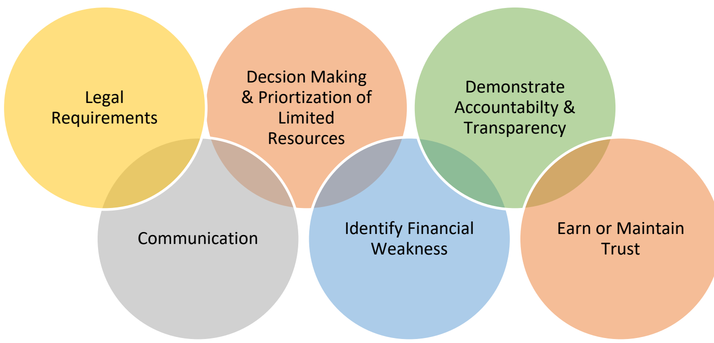
Municipal finance and budgeting are unique due to their public service mission, which contrasts sharply with the profit motive found in private enterprises. While businesses operate to generate profit for owners and shareholders, municipalities focus on providing services that benefit the community. This fundamental difference requires a distinct approach to financial management.

Public Service Mission vs. Profit Motive
Municipalities provide services with the primary goal of community benefit rather than profit generation. This mission influences every aspect of budgeting and financial planning, ensuring that resources are allocated to maximize public welfare without creating a profit.

Legal and Transparency Requirements
Municipal finance must adhere to stringent legal requirements and transparency rules. These regulations are designed to promote accountability and ensure that public funds are managed responsibly. Compliance with laws and open reporting standards is essential for maintaining public trust.

Multiple Revenue Restrictions
Municipalities often face restrictions on how they can use certain funds. Many revenue sources are earmarked for specific purposes, limiting the flexibility of budget allocations. This requires careful planning and prioritization to ensure that all financial resources are used effectively and in accordance with legal mandates.

Why do we Budget?



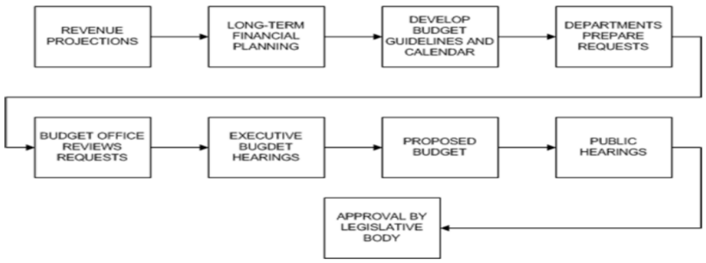
Legal requirements compel cities to create, approve, and implement budgets, ensuring transparency and accountability in public fund usage. Requirements include which funds must be budgeted, how many public hearings are required, and when specific steps in the process must be completed.

Cities operate with **limited resources**. Budgeting enables decision-makers to prioritize investment, ensuring that limited financial resources are utilized most effectively to meet the needs of the community. A well-designed budget enables informed **decision-making** by empowering city officials to establish priorities, make trade-offs, and concentrate on areas necessitating immediate attention or long-term investment. By addressing **competing priorities**, the budget helps to balance various needs and allocate resources effectively.

Effective **communication** and trust are key to successful governance. A budget can act as a communication tool, conveying the city's financial strategy, priorities, and performance to stakeholders, thereby promoting **transparency** and **trust**. A well-managed budget provides **accountability**, demonstrating the responsible use of public funds, and reinforcing the city's commitment to the community.

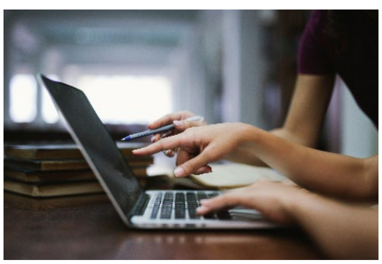
The budgeting process enables cities to **identify financial weaknesses** or inefficiencies and take corrective measures. This cycle of continuous improvement is crucial for sustaining fiscal health. By identifying and addressing these matters, municipalities can strengthen their financial base and secure long-term stability.

Key Phases in the Budget Process



The budget process consists of four key phases: planning, development, adoption, and monitoring.

- The planning phase involves setting priorities, reviewing strategic plans, and estimating and forecasting revenues and costs.
- During the development phase, departments submit their requests to finance who compiles and balances them against possible resources. The mayor then recommends a proposed budget to the City Council.
- The adoption phase encompasses more than just the approval of the budget. It includes City Council review, recommendations, public hearings, and collaboration.
- The monitoring and adjustment phase occurs throughout the remainder of the year or budget period. This phase includes tracking the performance of revenues and expenses, evaluating projects and programs, adjusting expectations based on changing conditions, and recommending amendments to the budget.



Roles in the Budget Process

Departments determine needs, propose funding and program requests, and manage budgets.

Finance department creates the framework, ensures compliance, and offers guidance and analysis throughout.

The City Administrator and Mayor suggest budgets that align with strategic plans and policy goals, coordinate departmental priorities and resources, and convert council directions into actionable budget proposals.

Community stakeholders provide feedback on budget proposals, bring diverse perspectives, and help build trust and transparency in the process.

Elected officials approve the budget, set policy direction, and represent community interests.

City of Lake Stevens Budget Process and Schedule

- Annual budgeting cycle – A budget is adopted for each year
- Development of the budget is guided by the Strategic Plan and annual budget priorities
- Public input includes annual budget survey and public hearings

- Departmental engagement – Each department director submits requests based on operational and program needs
- The Mayor proposes the preliminary budget to the City Council for consideration

Schedule

The budget schedule for the city involves a structured timeline that begins in January with project dashboard reviews, asset inventories, and prebudget roundtables, followed by a financial review. By early August, the Finance Department will create a base budget and a forecast of the current year's estimates and provide instructions to department heads. In mid-to-late August, these budget requests are compiled and presented to the Mayor and City Administrator, with subsequent discussions held during additional executive staff roundtables. September is dedicated to budget presentations and Council review. In October, the proposed budget is finalized and made available to the public, with public hearings conducted to gather feedback. Finally, November sees the last public hearing and the adoption of the finalized budget. The budget ordinance is most often approved in November but must be adopted by December 31st.

Example: 2026 Budget Calendar

City of Lake Stevens Schedule	Budget Process Step	2025 City Deadline Per RCW
July 1-31 2025	Mid-year Financial Update & Base Budget Preparations	
August 4, 2025	Executive Staff Budget Roundtable – Pre-Request	
August 4,2025	Budget Request Module Made Available	
August 8, 2025	Budget Instructions to Department Heads	9/8/2025
August 4 – August 22, 2025	DH Budget Prep & Discussions with HR, Finance, City Administrator & Mayor	9/22/2025
August 22, 2025	Department Budgets Filed with Finance Director	9/22/2025
August 27-28, 2025	Budget Review with City Administrator & Mayor	10/1/2025
September 4, 2025	Executive Staff Budget Roundtable	
September 9, 2025	Estimated Revenues & Base Budget	10/6/2025
September 13, 2025	Council Retreat – New Revenues, Preliminary Budget & Strategic Staffing	10/30/25
September 23, 2025	Council Budget Presentation – Compensation Market Study Update	
September 30, 2025	Council Budget Session – Open Discussion & Capital Budget Introduction	
~~October 14, 2025~~	~~Council Budget Presentation – Compensation Market Study~~	
November 5, 2025	1st Notice of Public Hearing	11/7/2025
November 12, 2025	2nd Notice of Public Hearing	11/14/2025
October 21, 2025	Council Budget Session – Budget & Compensation Market Study	
~~October 28, 2025~~	~~Council Budget Session~~	
October 30, 2025	Proposed Budget & Budget Message Filed	10/30/2025
November 6, 2025	Council Budget Session	
November 11, 2025	Proposed Budget Made Available to the Public	11/19/2025
November 18, 2025	Public Hearing – Setting of Levies (Property Tax Levy – Filed by November 26)	11/26/2025
November 18, 2025	Public Hearing - Proposed Budget Hearing	11/30/2025
November 25, 2025	Final Public Hearing	12/2/2025
December 2, 2025	Final Public Hearing (continuation – if needed)	12/7/2025