



CITY OF
TUMWATER

**BUDGET & FINANCE COMMITTEE
MEETING AGENDA**

**Online via Zoom and In Person at
Tumwater City Hall, Council Chambers,
555 Israel Rd. SW, Tumwater, WA 98501**

**Wednesday, August 21, 2024
3:00 PM**

1. Call to Order
2. Roll Call
- [3.](#) Approval of Minutes: Budget & Finance Committee, April 23, 2024
- [4.](#) Debt Financing – Applicant Presentations (Finance Department)
- [5.](#) Audit Engagement Letter (Finance Department)
- [6.](#) Executive Department FTE Adjustments and New Position: Economic Development Coordinator (Executive Department)
7. Additional Items
8. Adjourn

Meeting Information

The public are welcome to attend in person, by telephone or online via Zoom.

Watch Online

<https://us02web.zoom.us/j/89423372800?pwd=Z3fJgtDwSjxPICyf0VgADWli8hERiv.1>

Listen by Telephone

Call (253) 215-8782, listen for the prompts and enter the Webinar ID 894 2337 2800 and Passcode 188422.

Public Comment

The public may submit comments by sending an email to council@ci.tumwater.wa.us, no later than 5:00 p.m. the day before the meeting. Comments are submitted directly to the Committee members and will not be read individually into the record of the meeting.

Post Meeting

Audio of the meeting will be recorded and later available by request, please email CityClerk@ci.tumwater.wa.us

Accommodations

The City of Tumwater takes pride in ensuring that people with disabilities are able to take part in, and benefit from, the range of public programs, services, and activities offered by the City. To request an accommodation or alternate format of communication, please contact the City Clerk by calling (360)

252-5488 or email CityClerk@ci.tumwater.wa.us. For vision or hearing impaired services, please contact the Washington State Relay Services at 7-1-1 or 1-(800)-833-6384. To contact the City's ADA Coordinator directly, call (360) 754-4129 or email ADACoordinator@ci.tumwater.wa.us.

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CONVENE: 10:04 a.m.

PRESENT: Mayor Debbie Sullivan and Councilmembers Michael Althausen, Peter Agabi, and Eileen Swarthout.

Staff: City Administrator Lisa Parks, City Attorney Karen Kirkpatrick, Finance Director Troy Niemeyer, Community Development Department Director Michael Matlock, Fire Chief Brian Hurley, Planning Manager Brad Medrud, and Executive Assistant Brittany McClanahan.

Others: Alex Persse, Affordable Housing Program Manager, and Sharif Hocine, Affordable Housing Program Specialist, Thurston County Public Health & Social Services

**APPROVAL OF
 MINUTES: BUDGET
 & FINANCE
 COMMITTEE,
 OCTOBER 23, 2023 &
 NOVEMBER 7, 2023:**

MOTION: Councilmember Swarthout moved, seconded by Councilmember Agabi, to approve the minutes of October 13, 2023 and November 7, 2023 as published. A voice vote approved the motion.

**2024 COMMUNITY
 DEVELOPMENT
 BLOCK GRANT
 (CDBG) FUNDING
 INTERVIEWS:** Manager Medrud reported that of the 10 interviews for the 2024 Community Development Block Grant (CDBG), four interviews are for Housing Capital Projects and six interviews are for Public Services Projects.

HOMES FIRST: Trudy Soucoup, Executive Director, Homes First, reported the organization is a 34-year old non-profit housing provider. The organization purchases and rehabilitates pre-existing homes and rents the homes to low-income individuals with most of the tenants living at 30% or less of area median income. The process has been an effective and environmentally friendly way to provide more housing throughout local communities with homes in the cities of Lacey, Olympia, Tumwater, and Shelton. The application is seeking support to complete rehabilitation of an Oxford House purchased by the organization in 2023. Oxford House International is a clean and sober program. The project is the organization's sixth Oxford home. The program supports individuals who have completed rehab to move forward. The house is located off Cleveland Avenue in Tumwater. The five bedroom, two bath home was purchased for \$300,000. In 2023, the organization also purchased a five-bedroom, two-bathroom house at a cost of \$725,000 in Lacey. That house

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was ready for immediate occupancy. The house in Tumwater will be rehabilitated to bring it to a better standard. The house also requires some roof work. Eleven Homes First homes in Thurston County have solar panels. The intent is to add solar panels to the home as well. The home will be shared by eight men and solar panels will help reduce their costs while making the home more environmentally friendly.

**SOUTH SOUND
HABITAT FOR
HUMANITY
(CRITICAL HOME
REPAIRS):**

Greg Laura, COO, South Sound Habitat for Humanity, presented the funding request for its Critical Home Repairs program. During the last funding round, the organization helped seniors and veterans with critical home repairs. The program was established in 2020. Last year, the program completed 23 projects. This year, eight projects have been completed to date. The organizations received funds from Thurston County, City of Olympia, and the City of Lacey. Projects range in cost from \$657 to over \$45,000. The projects complete a range of repairs from new roofs, remediating mold, and rehabilitation of bathrooms and kitchens for ADA accessibility. The organization has recently formed a partnership with Lewis Mason Thurston County Area Agency on Aging to provide support to seniors for critical home repairs.

Councilmember Swarthout inquired about the link between the organization and Rebuilding Together Thurston County. Mr. Laura advised that the two organizations work together on mutual referrals. The organizations receive funds at different times during the year. Some of the larger jobs were referred to the organization by Rebuilding Together because the agency lacked the funds. Programming is different between the organizations with much of the funds received by the organization having different requirements, such as seeking approval of a project prior to initiating work on the project. Rebuilding Together is able to move quickly with its volunteer team and is capable of working quickly on smaller projects, such as installation of grab bars. The average repair cost incurred by the organization is approximately \$6,800 while Rebuilding Together repair costs are less for ramps and other small improvements. Both organizations serve the same population but provide services to meet different needs. Mr. Laura shared information on communications to the public to advertise the program. The relationship with the Area Agency on Aging will assist in identifying residents within the cities that could benefit from the program. The agency also performs critical home repairs on manufactured homes. The program has income requirements and applicants must own their home. The program also receives funds for veterans. The funds are combined with other sources of funds to include funding from the City to complete projects for veterans.

**SOUTH PUGET
SOUND HABITAT
FOR HUMANITY**

Mr. Laura reported the funding request is for \$560,000 for down payment assistance for Phase 1 of 14 Tâlcñ Townhomes. Other funds are available to construct the homes; however, there is a significant gap

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**(TÂLÍCN
TOWNHOMES BUY
DOWN):**

between the cost of construction, appraised value of the homes, and affordability of mortgages by the clients. The funds would provide down payment assistance to close the gap for the purchase of 14 homes. The down payment assistance would be \$40,000 for each home. The funding enables the organization to use other funding capital to construct the homes quickly.

Councilmember Swarthout asked whether the project could meet the timeframe required for expending the funds. Mr. Laura responded that some timelines for the funds are extendable. Currently, Phase 1 of 14 homes includes four homes that have been framed with roofs scheduled for installation. Following final plat approval, the remaining 10 homes will be completed in Phase 1. The first four homes should have a closing date by September/October 2024 with the remaining homes staggered every three months. All funds should be spent by January/February 2025.

Councilmember Agabi inquired as to whether the organization would not approve requests for home repairs if the funding amount was less than the funding request. Mr. Laura explained that the organization's critical home repair program is dependent upon funding. If funds were not available, applicants would be placed on a waiting list.

**CATHOLIC
COMMUNITY
SERVICES (THE
COMMUNITY
KITCHEN):**

Erin York, Director of Operations, Catholic Community Services, reported the organization provides services throughout Western Washington to the most vulnerable people in communities by providing emergency shelters, permanent supportive housing, substance abuse treatment, and meal programs. The funding request is for the Community Kitchen, a low-barrier, easy to access meal program located in downtown Olympia. It is one of the largest meal programs in the area. During 2022/2023, the kitchen served 110,639 meals to go. Meals are provided to anyone who needs a meal from Monday through Saturday for both lunch and dinner. Staffing includes 2.5 FTEs with support from volunteers. The South Sound Foursquare Church in Tumwater provides volunteers for dinner service on the fourth Tuesday of each month. The low barrier program is easy to access. The only data point tracked is where individuals report they slept the night before. The information is used to forecast how many people will be served from Tumwater. The cost of a meal is \$2.65. The funding request is for \$3,169.40 to support efforts to serve people who live in Tumwater.

Ms. York and the committee discussed how the COVID pandemic affected meal service requiring the organization to serve to-go meals. Additionally, the facility lacks restroom access for people. For those reasons, the program continues to offer only meals to-go at this time as conversations continue on resuming congregate-style meals. However, the staffing structure poses additional challenges. The kitchen area is also

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used as a staging area to prepare meals delivered to other programs in the area.

**BOYS AND GIRLS
 CLUBS OF
 THURSTON
 COUNTY
 (TUMWATER BOYS
 & GIRLS CLUB
 SCHOLARSHIPS
 FOR LMI YOUTH):**

Felicia Maae, Area Director, and Shellica Trevino, Chief Operating Officer, presented the funding request. The request is for support of club members who are low to moderate income qualified (LMI). The scholarships are a significant part of the organization's mission to ensure children and teens have access to programs in a low barrier process. The fees are nominal for all youths; however low or moderate-income households often have trouble in paying the fees. The organization offers 100% scholarships for families who are unhoused as well as to families who are at the lower end of the income guideline. The application will support 70 youths at the Tumwater club or 27% of the total membership in Tumwater. Thirty-eight percent of youths in Tumwater qualify for a scholarship and receive scholarships on an annual basis. The Tumwater School District serves approximately 34% of students who qualify for the free and reduced lunch program. Youths living outside the LMI category also have access to many enrichment activities.

Ms. Trevino shared information about a parent who was struggling with paying the monthly fee of \$30. After a review of the scholarship application, the organization approved the parent for a full scholarship for her daughter. By extending a 100% scholarship, it often prevents some families from losing housing.

Councilmember Agabi spoke highly of the program and the activities offered at the club. His children participated in the club when they were younger.

Ms. Maae reported the organization relies on fundraising for 75% of its operational budget. Funding for scholarships is important to ensure those youths with the most need are able to participate or receive mentoring. The club increased by 450 youths last year with growth anticipated to continue.

Councilmember Agabi asked about transportation options for youths from schools to the club. Ms. Maae said transportation in Tumwater through the school district has not fully recovered since the pandemic, with fewer seats on buses. The club is reliant on the school district because of its location. The club continues to work with the school district to serve youths. Transportation is provided from all elementary schools in Tumwater.

**FAMILY
 EDUCATION AND
 SUPPORT SERVICES**

Shelly Willis and Karin Ocegüera, Family Education and Support Services, presented the proposal for funding to sustain a Peer Recovery Specialist position located in Tumwater at the Family Resource Center.

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**(PEER RECOVERY
SPECIALIST):**

The program offers peer recovery support for low, moderate, or no income parents impacted by substance abuse/mental health challenges. The program has had a substantial impact on the vulnerable population by providing a peer recovery specialist to case manage those who are struggling. The program works closely with local police departments. Often, retailers contact the organization about assisting homeless families. In those instances, the peer recovery specialist is sent to assist them in contacting different service providers. The program provides the service within the region with a goal to stabilize and ensure parents who have needs are in the best place possible to raise children. The funding request would serve 50 families in the next year. The successful program was initially funded under the Treatment Sales Tax initiative for several years. Funding priorities have since shifted. Peers are employed by the agency. Peers have experienced the dependency process and the removal of their children and were able to reunify and have participated in intense training before serving as a Peer Recovery Specialist. The peers meet with parents at Family Court who are entering into a dependency and help them navigate out of the system. Peers have lived experiences and understand living on the street and the constant changing landscape.

Last year, legislation (1227) shifted how families enter the system. Fallout from the legislation is far more voluntary placements than dependency, which for families means less wraparound support. As a result, the organization's peer counselors are encountering much more need because the families are not receiving the same support they would have traditionally received from Washington State Department of Children, Youth & Families (DCYF).

**SENIOR SERVICES
FOR SOUTH SOUND
(HOME SHARE
PROGRAM):**

Brian Windrope, Executive Director, and Rebecca Hutchinson, Program Manager, presented information on the Home Share Program. As a senior serving organization, there are concerns surrounding their inability to change their respective living situations. Most have worked all their lives and have reached retirement age. Most seniors are not able to seek employment when rents increase in mobile home parks, which are considered some of the most affordable housing available in the community. The Home Share Program offers one solution, as well as addressing isolation and loneliness of seniors and subsequent health impacts. All clients (tenants) in the Home Share Program are vetted through a Washington State background check, sex offender registry, and a requirement for three personal references. The program ensures that the participants are connected and compatible to prevent conflicts before they occur through a lengthy interview process with both parties of at least an hour with each individual to discuss their life, personality, lifestyle choices, and the kinds of people they like. Both parties are encouraged to spend time getting to know each other and confirming whether they are compatible through conversation compatibility guides. Both participants

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receive the compatibility documents to work through together. The intent is to ensure compatibility before entering into a living arrangement. The program creates and helps people maintain housing. Providers in the program are in need of assistance in order to continue living in the home independently and safely. The program is a good way to support people while also creating safe and affordable housing for others who need housing. The average home share arrangement is approximately \$500 a month, which is one of the most affordable options for housing in the community.

Ms. Hutchinson shared information on some successful Home Share matches.

Mr. Windrope reported the program was launched in 2021/2022. He added that it is important that the program is not a “Craig’s List” online forum. The program is administered by Ms. Hutchinson through an intensive matchmaking process. The program offers an option for the community with the organization maintaining a long list of individuals seeking housing and a list of providers.

**REBUILDING
TOGETHER
THURSTON
COUNTY (RTTC):**

Cathy Johnson reported the application is for \$75,000 for funding of projects. The funds would enable more assistance to individuals in the City of Tumwater for ADA modifications, roof repairs/replacements, and replacing water damaged floors. The main need last year was repairing water-damaged floors and plumbing. Over \$40,000 was spent last year on plumbing repairs throughout the county. Another need is safe and healthy homes (wheelchair ramps and grab bars). The organization has begun modifying bathtubs by converting them to a walk-in unit. Approximately 80% of all repairs are completed by volunteers with skilled contractors providing discounts for larger repairs for electrical and plumbing. Funds from the City would be a life changer for many residents.

Councilmember Althausen referred to a recent local TV feature story about a recent project, which referenced donation of materials to assist in completing the project. He asked how the organization leverages or utilizes economies of scale when funds are awarded. Ms. Johnson said the project was completed in coordination with Home Depot. Home Depot provided approximately \$15,000 in gift cards to complete the project, as well as contributing more products with the organization providing skilled labor and project management. Overall, the organization has credit accounts with Bayview Lumber, which provides discounts, as well as with Lowe’s. Most suppliers provide the organization discounts ranging from 5% to 15%. As volunteers complete most of the work, very little is spent on labor to complete projects.

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**THURSTON
COUNTY FOOD
BANK (TCFB HOME
DELIVERY AND
OTHER BANK):**

Judy Jones, Senior Director of Operations, Rebekah Graham, Satellite Program Coordinator, and Amanda Munoz, Development Director presented the funding request.

Ms. Jones reported the Food Bank has been in operation and has partnered with the City of Tumwater for 52 years. In 2023, the Food Bank served 60,000 individuals in some capacity. Approximately 21% are seniors living throughout Thurston County. The funding proposal is for seniors who live on fixed incomes or limited incomes who are struggling to manage daily life. Housing, food, and utilities continue to increase in cost with the Food Bank experiencing a steady increase of 8% to 10% of new clients each month. The Food Bank continually seeks additional resources to meet the increase of growing needs in the community. The focus is eliminating hunger through a strategy of neighbor helping neighbor by working with community partners and volunteers.

Ms. Graham reported Food Bank client services are based out of the Lacey and downtown Olympia food pantries. The City of Tumwater currently has a satellite site. Client services staff are able to track client demographics and the needs of clients for various services and referrals to other social services. Staff engages with clients to ascertain needs. The Food Bank offers the Other Bank, a service providing toiletries and other items not covered by EBT funding, Medicaid, or other resources. Other Bank products are only offered at the Lacey and downtown Olympia food pantries based on staffing and facility capacity. The Food Bank sponsors approximately 17 satellites throughout Thurston County. The Other Bank is a critical program. Client services enroll individuals in the Federal Commodity Supplemental Food Program (CSFP) to receive a 40-pound box of dry goods. The program is for seniors (60 years or older) who self-declare themselves as low-income. Seniors signed up for the program can opt to pick up products via the food pantries, at satellite sites, or by home delivery. With the advent of the COVID pandemic, home delivery service was offered to seniors. Volunteers deliver approximately 350 home deliveries each month. Approximately 100 of those clients are Tumwater self-declared low-income seniors. Most of those seniors encounter transportation barriers, which speaks to the importance of adding Other Bank products (toilet paper, shampoo, soap, razors, deodorant, dishwashing soap, and other items not covered by other funding programs).

Ms. Munoz spoke to sustaining the program beyond the initial funding period. The Food Bank developed a comprehensive funding strategy to continue the service beyond the first year through funding resources and partnerships in the community. The Food Bank's three primary funding streams are federal, state, and individual donors and foundations. If the program is launched, the Food Bank is committed to matching the funds

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to distribute Other Bank boxes to all seniors who receive home delivery in Thurston County. The Food Bank is working with Tumwater partners from five satellite locations with a goal of expanding the number of satellite locations. The current satellites serve approximately 250 to 350 people.

Councilmember Swarthout asked whether food items from satellite pantries would be included for home delivery. Ms. Munoz said the funding request includes two components. The first is to add Other Bank items to existing home delivery boxes and expanding the program, and the second is adding another satellite in Tumwater to serve additional residents.

TOGETHER!
(TUMWATER
COMMUNITY
SCHOOLS):

Sierra Abrams, Co-Executive Director, reported she has been with TOGETHER for approximately four years and served previously as the Community Schools Director. TOGETHER provides three main programs with two operating in the City of Tumwater of Community Schools and Host Homes (new) serving homeless youth in Tumwater. Community Schools offers basic case management services through a hub site in local schools to provide clothes, hygiene, food, and case management on site for referrals. In the last 10 years, the organization has expanded and formed a strong partnership with the City offering client assistance funding for homeless families and youth. Since then, TOGETHER has added other partners that provide client assistance funding, as well as community donors. Community Schools relies on the structure of the school district, local government, and a non-profit.

Cascadia High School is new to the program with full-time staff assigned to the school. The alternative high school student body includes many homeless or unaccompanied youth creating impacts to case management representing an increase of 45 families than last year. Funding provides services at Cascadia High School for low-income homeless, families, and individuals. TOGETHER also provides support to New Market High School serving 18 to 21-year old youths who are completing high school.

CDBG funding will enable programming to continue for homeless families and students in Tumwater. The organization has reached a critical point of continuing to expand to all schools in Tumwater to ensure all schools are covered by the program.

COMMITTEE
DISCUSSION:

Manager Medrud thanked all agency representatives for attending and presenting their respective funding requests. The request to the committee is to forward a recommendation for the allocation of funding for capital projects and service provider projects to the City Council for consideration. The exact amount of federal CDBG funds available for

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allocation by the City in 2024 is still being determined. Each application was evaluated on three criteria:

- The conceptual soundness of the project;
- The financial feasibility of the project; and
- The applicant's demonstrated ability to implement the project and comply with CDBG program regulations.

Staff recommends accepting all applications.

Manager Medrud outlined options for considering funding awards.

The committee discussed the potential of an applicant unable to complete projects because of a smaller award. Manager Medrud said that based on the information within the applications, most projects would be scalable.

The committee reviewed a spreadsheet summarizing each proposal and requested funding amount, and discussed the discrepancy in figures for Homes First. The narrative included an amount of \$244,530 while the requested funding amount was \$375,000. Following discussion and clarification of the discrepancy, the committee recommended the following funding awards for Housing Capital Projects to the City Council for consideration:

| | | |
|---|--|---------------|
| Homes First | Major Rehab Low Income Clean & Sober Housing | \$245,000.00 |
| Rebuilding Together Thurston County | Critical Home Rehab Program | \$75,000.00 |
| South Puget Sound Habitat for Humanity | Critical Home Repairs | \$45,000.00 |
| South Puget Sound Habitat for Humanity | Tâlicn Townhomes Buy Down | *\$415,000.00 |

**The committee supported a contingency of either increasing or decreasing the funding award to South Puget Sound Habitat for Humanity for its Tâlicn Townhomes Buy Down project based on final CDBG funding. If the first three projects (Homes First, Rebuilding Together Thurston County, and South Puget Sound Habitat for Humanity) do not fully utilize their respective grant amount, those funds would be awarded to the Tâlicn Townhomes Buy Down project.*

The committee reviewed funding requests for Public Service Projects. Manager Medrud noted that the total amount of funding exceeds the

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amount of CDBG funds available to award. Members discussed approaches for funding recommendations and supported forwarding the following funding amounts for Public Services Projects to the City Council for consideration:

| | | |
|---|---|--------------|
| Boys and Girls Clubs of Thurston County Tumwater Boys & Girls Club | Scholarships for LMI Youth | \$40,000.00 |
| Catholic Community Services | The Community Kitchen | \$3,200.00 |
| Family Education and Support Services | Peer Recovery Specialist | 31,800.00 |
| Senior Services for South Sound | Home Share Program | \$15,000.00 |
| Thurston County Food Bank | TCFB Home Delivery and Other Bank | *\$30,000.00 |
| TOGETHER! | Tumwater Community Schools | *\$60,000.00 |

** Members recommended a contingency of increasing funding to TOGETHER if the CDBG award is more or decreasing the amount to Thurston County Food Bank if the CDBG funding amount is less.*

ADJOURNMENT: **With there being no further business, Mayor Sullivan adjourned the meeting at 12:22 p.m.**

Prepared by Valerie L. Gow, Recording Secretary/President
 Puget Sound Meeting Services, psmsoly@earthlink.net

TO: Budget & Finance Committee
FROM: Troy Niemeyer, Finance Director
DATE: August 21, 2024
SUBJECT: Debt Financing – Applicant Presentations

1) Recommended Action:

This item is informational only.

2) Background:

The new Maintenance and Operations (M&O) facility will be constructed using debt financing in the form of Municipal Bonds. We will hear presentations from two well-qualified bond underwriting firms, one of which will be chosen in the future to help us issue debt. Staff would like to receive your input on the firms. The ultimate decision will be made collaboratively by the Mayor, City Administrator, and the Finance Director.

The M&O Facility is near the end of the design phase and the City has applied for permits. However, we are waiting on the US Fish & Wildlife Service to issue a permit related to pocket gophers, which may take a substantial amount of time. The presentations today are the first step to prepare for bond financing, so we will be ready when the permits are approved.

3) Policy Support:

Be fiscally responsible and develop sustainable financial strategies.

4) Alternatives:

☐ n/a

5) Fiscal Notes:

n/a

6) Attachments:

A. none

TO: Budget & Finance Committee
FROM: Troy Niemeyer, Finance Director
DATE: August 21, 2024
SUBJECT: Audit Engagement Letter

1) Recommended Action:

Place the audit engagement letter with the State Auditor's Office on the September 3, 2024 consent calendar with a recommendation to approve and authorize the Mayor to sign.

2) Background:

The State Auditor's Office (SAO) has started its audit of the City for fiscal year 2023 which includes an audit of the financial statements, a federal compliance audit, and an accountability audit. SAO has requested we sign the attached audit engagement letter.

3) Policy Support:

Be fiscally responsible and develop sustainable financial strategies.

4) Alternatives:

- ☐ Do not approve the Mayor to sign the letter. However, the audit is required by state and federal law.
-

5) Fiscal Notes:

The audit is estimated to cost \$80,000 but could be more or less, depending on the amount of work they need to do.

6) Attachments:

- A. Audit Engagement Letter



**Office of the Washington State Auditor
Pat McCarthy**

August 2, 2024

City Council and Mayor
City of Tumwater
555 Israel Rd SW
Tumwater, WA 98512

We are pleased to confirm the audits to be performed by the Office of the Washington State Auditor, in accordance with the provisions of Chapter 43.09 RCW, for the City of Tumwater. This letter confirms the nature and limitations of the audits, as well as responsibilities of the parties and other engagement terms.

Office of the Washington State Auditor Responsibilities

Financial Statement Audit

We will perform an audit of the basic financial statements of the City of Tumwater as of and for the fiscal year ended December 31, 2023, prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The objective of our audit will be to express our opinion on these financial statements.

We will perform our audit 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. Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. Since we do not review every transaction, our audit cannot be relied upon to identify every potential misstatement. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the standards identified above.

A financial statement audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers relevant internal controls 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 internal control. Accordingly, we will express no such opinion.

Although our audit is not designed to provide an opinion on the effectiveness of internal control over financial reporting, we are required to report any identified significant deficiencies and material

weaknesses in controls. We are also required to report instances of fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that could have a direct and material effect on the accuracy of financial statements.

A financial statement audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

All misstatements identified by the audit will be discussed with management. Material misstatements corrected by management and all uncorrected misstatements will be communicated at the exit conference, as required by professional auditing standards.

Our responsibility is to express in a written report an opinion on the financial statements based on the results of our audit. We cannot guarantee an unmodified opinion. We may modify or disclaim an opinion on the financial statements if we are unable to complete the audit or obtain sufficient and appropriate audit evidence supporting the financial statements. If our opinion is other than unmodified, we will fully discuss the reason with you prior to issuing our report. Further, in accordance with professional standards, we may add emphasis-of-matter or other-matter paragraphs to our report to describe information that, in our judgment, is relevant to understanding the financial statements or our audit.

We will also issue a written report (that does not include an opinion) on issues identified during the audit related to internal control over financial reporting and on compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*.

The City prepares supplementary information that accompanies the financial statements, which is required by Generally Accepted Accounting Principles. We agree to perform auditing procedures on this information, with the objective of expressing an opinion as to whether it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.>

Federal Single Audit

We will also perform a federal single audit on compliance with, and report on internal control over compliance for, each major program for the fiscal year ended December 31, 2023, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material noncompliance may not be detected, even though the audit is properly planned and performed in accordance with these standards and the Uniform Guidance.

In planning and performing the compliance audit, we will consider internal control over compliance in order to determine the appropriate auditing procedures necessary for opining on compliance with

each major program, and for testing and reporting on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we will express no such opinion. Although our audit is not designed to provide an opinion on the effectiveness of internal control over compliance, we are required to report any identified significant deficiencies and material weaknesses in controls.

We will express an opinion as to whether the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole for the fiscal year ended December 31, 2023.

We estimate the federal single audit will cover one federal grant programs, which will be identified at the audit entrance conference. If additional grant programs are audited to satisfy the requirements of the Uniform Guidance, the audit budget discussed below will increase by approximately \$8,400 per additional major program.

Upon completion of our audit we will issue a written report containing our opinion on compliance for each major program and a written report on internal control over compliance. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, issue a disclaimer of opinion, or add an emphasis-of-matter or other-matter paragraph(s) to the report.

Accountability Audit

We will perform an accountability audit of compliance with applicable state laws, regulations, and policies, and of controls over the safeguarding of public resources for the fiscal year ended December 31, 2023. The audit will be conducted in accordance with provisions of RCW 43.09.260 and the Office's audit policies, which include policies specific to these types of audits and general audit policies. Our general audit policies apply to all our engagements and incorporate the requirements of *Government Auditing Standards*, as applicable, on topics such as communications with auditees, independence, audit evidence and documentation, and reporting.

An accountability audit involves performing procedures to obtain audit evidence about compliance and controls in areas selected for audit. In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. The areas examined and procedures selected depend on the auditor's judgment, including the assessment of the risks of fraud, loss, abuse, or noncompliance.

Upon completion of our audit, we will issue a written report describing the overall results and conclusions for the areas we examined.

Data Security

Our Office is committed to appropriately safeguarding the information we obtain during the course of the audit. We have entered into a data sharing agreement with the City to ensure compliance with legal requirements and Executive Directives (Executive Order 16-01, RCW 42.56 and OCIO Standard 141.10) in the handling of information considered confidential.

Reporting levels for audit issues

Issues identified through the auditing process will be communicated as follows. Failure to appropriately address audit issues may result in escalated reporting levels.

- **Findings** formally address issues in an audit report. Findings report significant results of the audit, such as significant deficiencies and material weaknesses in internal controls;

misappropriation; and material abuse or non-compliance with laws, regulations, contracts or grant agreements. You will be given the opportunity to respond to a finding, and this response, or a synopsis of it, will be published in the audit report. Professional auditing standards define the issues we must report as findings with regard to non-compliance with a financial statement effect and internal controls over financial reporting. The Uniform Guidance defines the issues we must report as findings with regard to non-compliance and internal controls over compliance with federal grants.

- **Management letters** communicate control deficiencies, non-compliance, misappropriation, abuse, or errors with a less-than-material effect on audit objectives. Management letters are referenced, but not included, in the audit report.
- **Exit items** address control deficiencies, non-compliance, abuse, or errors that have an insignificant effect on audit objectives. These issues are informally communicated to management and are not referenced in the audit report.

Client's Responsibilities

Management is responsible for the accuracy and completeness of information provided to the auditor and will provide the Office of the Washington State Auditor with:

- Unrestricted access to people with whom the auditor wishes to speak.
- All information that is requested or relevant to auditor requests.
- Notification when any documents, records, files, or data contain information that is covered by confidentiality or privacy laws.
- Adequate workspace and conditions, including interacting with auditors professionally and respectfully and promptly communicating about any issues and concerns.

Moreover, our audit does not relieve management or the governing body of their responsibilities. Management's responsibilities, with oversight from the governing body, include:

- Selecting and applying appropriate administrative and accounting policies.
- Establishing and maintaining effective internal controls over financial reporting, compliance, and safeguarding of public resources.
- Designing and following effective controls to prevent and detect fraud, theft, and loss.
- Promptly reporting to us knowledge of any fraud, allegations of fraud or suspected fraud involving management, employees or others, in accordance with RCW 43.09.185.
- Ensuring compliance with laws, regulations and provisions of contracts and grant agreements.
- Preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).
- Preparing the following supplementary information:
 - Schedule of Expenditures of Federal Awards (including notes and noncash assistance received) that includes all expenditures from federal agencies and pass-through agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance in accordance with Uniform Guidance 2 CFR § 200.510 requirements
- Including the auditor's report on the supplementary information in any document that both contains the supplementary information and indicates that the auditor reported on the supplementary information.
- Either presenting the supplementary information with the audited financial statements or, if the supplementary information will not be presented, making the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information and auditor's report thereon are issued.
- Identifying all federal awards received.

- Understanding and complying with the provisions of laws, regulations, contracts, and grant agreements, including applicable program compliance requirements.
- Establishing and maintaining internal control over compliance, including establishing and maintaining effective controls that provide reasonable assurance that the City administers government programs in compliance with the compliance requirements.
- Evaluating and monitoring compliance with federal award requirements.
- Informing us of the City's relationships with significant vendors who are responsible for program compliance
- Submitting the reporting package and data collection form through the Federal Audit Clearinghouse.

Responsibilities at the conclusion of the audit

At the conclusion of our audit, the City will provide us with a letter to confirm in writing certain express and implied representations made during the course of the audit. This letter includes representations regarding legal matters. A separate letter may be needed from the City's legal counsel.

Management and the governing body are also responsible for following up and taking corrective action on all audit findings, including, when applicable, preparing a summary schedule of prior audit findings and a corrective action plan on the City's own letterhead.

Estimated Audit Costs and Timeline

We estimate the cost of the audit work to be \$80,000, other expenses, if any. Invoices for these services will be prepared and presented each month as our audit work progresses.

We anticipate our reports will be published on our website www.sao.wa.gov and be available to you and the public as outlined below. These estimates are based on timely access to financial information and no significant audit reporting issues. The estimated cost and completion date may change if unforeseen issues arise or if significant audit issues are identified necessitating additional audit work. We will promptly notify you if this is the case.

| Report | Date* |
|---|----------------|
| Independent Auditor's Report on Financial Statements | September 2024 |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | September 2024 |
| Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance in Accordance with Uniform Guidance | September 2024 |
| Independent Auditor's Report on Accountability | September 2024 |

**Report Issuance Dates Are Estimates Only*

The audit documentation for this engagement, which may contain confidential or sensitive information, is the property of SAO and constitutes a public record under Chapter 42.56 RCW. Subject to applicable laws and regulations, appropriate individuals, as well as audit documentation, will be made available upon request and in a timely manner to appropriate auditors and reviewers, City's management and governing body, and federal agencies, for purposes of a public records request, a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities.

The audit documentation for this engagement will be retained for a minimum of five years after the report release (publish) date in accordance with the public records retention schedule established by the Washington Secretary of State.

Expected Communications

During the course of the audit, we will communicate with the City's selected audit liaison, Shelly Carter, Assistant Finance Director, on the audit status, any significant changes in our planned audit scope or schedule and preliminary results or recommendations as they are developed. The audit liaison is responsible for regularly updating management and the governing body on these matters. We may also provide direct communication of these matters to management and the governing body as needed or upon request.

Please contact us if any events or concerns come to your attention of which we should be aware. We will expect the audit liaison to keep us informed of any such matters.

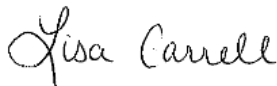
Audit Dispute Process

Please contact the Audit Manager or Assistant Director to discuss any unresolved disagreements or concerns you have during the performance of our audit. At the conclusion of the audit, we will summarize the results at the exit conference. We will also discuss any significant difficulties or disagreements encountered during the audit and their resolution.

By signing and returning this letter, you acknowledge that the foregoing is in accordance with your understanding. Please contact us with any questions.

We appreciate the opportunity to be of service to you and look forward to working with you and your staff.

Sincerely,



8/2/24

Lisa Carrell, CPA, Program Manager *Date*
Office of the Washington State Auditor

City Response:

This letter correctly sets forth our understanding.

Debbie Sullivan, Mayor

Date

Troy Niemeyer, Finance Director

Date

TO: Budget and Finance Committee
 FROM: Lisa Parks, City Administrator
 DATE: August 21, 2024
 SUBJECT: Executive Department FTE Adjustments and New Position: Economic Development Coordinator.

1) Recommended Action:

Approve establishment of a new position titled Economic Development Coordinator with a 2024 salary range of \$6,049 to \$7,368 (Grade 54); and confirm the departmental FTE count for the Executive Department to be seven (7).

2) Background:

The City has had trouble filling the position of Economic Development Program Manager since Austin Ramirez left earlier in the year. When he left, Austin proposed a series of adjustments be made to better reflect the actual working conditions of this position, including the type of work being done and the most effective reporting structure. Specifically, there were adjustments made to the class specification (job description), and the position was moved from the Community Development Department to the Executive Department, as a direct report to the City Administrator. Austin also recommended an additional position be created to help advance the brownfield redevelopment initiatives that have recently emerged as economic development strategies, and to address the associated workload, including managing the Federal and State grants the City has received, as well as managing and coordinating the consultant team and stakeholder collaboration involved in these projects.

Despite a robust recruitment process, including finding two potential candidates who were offered the position and declined it, the City has been unable to fill the Economic Development Program Manager position. To ensure the important economic development functions of the City can progress, staff is proposing a new approach to implement many of Austin's recommendations, and to broaden both the appeal for the work and the pool of applicants from which the City can choose to complete the work. The new approach includes two basic components:

1. Fill the existing Assistant City Administrator position after adjusting the class specification to include oversight and management of the City's economic development programs, among its other duties; and,
2. Create a new Economic Development Coordinator position to support the Assistant City Administrator, with a specific emphasis/focus on brownfield redevelopment. This position is proposed to be created at a level below that of the Economic Development Program Manager, consistent with other coordinator positions in the City, such as the Sustainability Coordinator.

The second component requires Council action to create the new position and approve a salary range. Council action is also being requested to affirm/confirm the number of FTE's within the Executive Department to be a total of 7, which is inclusive of both positions. Neither of these two components require a budget adjustment because there are available savings in the currently approved budget to adequately cover the costs of these positions.

Austin was instrumental in kick-starting a proactive economic development program within the City, including his success in obtaining both the EPA Brownfield Community-Wide Assessment Grant (\$500,000) and the Washington Department of Ecology Integrated Planning Grant (\$200,000). Since Austin's departure, grant agreements have been executed, a consultant team has been hired, and the amount of work associated with the City's economic development initiatives has increased, exponentially. Currently, the new work associated with these grants is being undertaken primarily by the Community Development Director and, to a lesser extent, by the City Administrator. Neither of these positions have available capacity to sustain/advance the overall economic development initiatives the Economic Development Program Manager was overseeing, nor are they able to manage the significant additional workload associated with the brownfield redevelopment activities related to the two grants. The proposed new approach is integral to the successful implementation of the City's Strategic Priorities and Goals related to community and economic development.

3) Policy Support:

Strategic Priorities and Goals 2025-26: Pursue and Support Targeted Community and Economic Development Opportunities.

4) Alternatives:

☐ Do not recommend

5) Fiscal Notes:

Based on savings realized throughout the current biennial budget – including salary savings from various unfilled positions, including the Economic Development Program Manager – there are available financial resources to cover this approach for the remainder of calendar year 2024. Additionally, these positions are included in the Mayor's Preliminary Budget for the 2025-2026 Biennium that is currently being developed.

6) Attachments:

A. None