1. Agenda 05 18 2020

   Documents:

   AGENDA 05 18 20.PDF

2. Council Packet 05 18 2020

   Documents:

   COUNCIL PACKET 05 18 20.PDF

AGENDA

CITY OF WESTMINSTER
Mayor and Common Council Meeting
Monday, May 18, 2020 at 7 pm
https://www.facebook.com/westminstermd/

1. CALL TO ORDER

2. REPORT FROM THE MAYOR

3. COVID-19 PANDEMIC UPDATE

4. COUNCIL COMMENTS AND DISCUSSION

5. ORDINANCES & RESOLUTIONS

A) Adoption of Ordinance No. 922 – An Ordinance of the Mayor and Common Council of Westminster, Maryland Approving and Adopting a Budget for the Fiscal Year Beginning July 1, 2020 and Ending June 30, 2021 – Ms. Palmer

6. UNFINISHED BUSINESS

7. NEW BUSINESS

A) Approval – Agreement with Brown Schultz Sheridan & Fritz (BSSF), CPAs for Independent Audit and Financial Reporting Services Related to the FY 2020 Financial Statements – Ms. Palmer

B) Authorization - Change Life and Disability Insurance Program Vendors – Ms. Childs

8. DEPARTMENTAL REPORTS

9. CITIZEN COMMENTS

Please submit comments to Shannon Visocsky, City Clerk, at Comments@westgov.com. If you would like your comments to be submitted as part of the record, please provide your full name and address. The Council President will read submitted comments that include the required information during the meeting, and they will be reflected in the meeting minutes.

10. ADJOURNMENT

AGENDA

CITY OF WESTMINSTER
Mayor and Common Council Meeting
Monday, May 18, 2020 at 7 pm
https://www.facebook.com/westminstermd/

1. CALL TO ORDER

2. REPORT FROM THE MAYOR

3. COVID-19 PANDEMIC UPDATE

4. COUNCIL COMMENTS AND DISCUSSION

5. ORDINANCES & RESOLUTIONS

A) Adoption of Ordinance No. 922 – An Ordinance of the Mayor and Common Council of Westminster, Maryland Approving and Adopting a Budget for the Fiscal Year Beginning July 1, 2020 and Ending June 30, 2021 – Ms. Palmer

6. UNFINISHED BUSINESS

7. NEW BUSINESS

A) Approval – Agreement with Brown Schultz Sheridan & Fritz (BSSF), CPAs for Independent Audit and Financial Reporting Services Related to the FY 2020 Financial Statements – Ms. Palmer

B) Authorization - Change Life and Disability Insurance Program Vendors – Ms. Childs

8. DEPARTMENTAL REPORTS

9. CITIZEN COMMENTS

Please submit comments to Shannon Visocsky, City Clerk, at Comments@westgov.com. If you would like your comments to be submitted as part of the record, please provide your full name and address. The Council President will read submitted comments that include the required information during the meeting, and they will be reflected in the meeting minutes.

10. ADJOURNMENT

To: Mayor and Common Council

From: Barbara B. Matthews

Date: May 14, 2020

Re: Ordinance No. 922 – Adoption of FY 2021 Budget

Background

The City's new fiscal year will commence on July 1, 2020. In accordance with Article II of the Charter of the City of Westminster and in consultation with the Mayor and members of the Common Council's Finance Committee, the City Administrator prepared a proposed budget for the Common Council's consideration. She presented the proposed fiscal year (FY) 2021 budget at the Mayor and Common Council meeting on April 27, 2020. On this date, the Common Council introduced Ordinance No. 922, adopting the budget for FY 2021.

Since introduction of Ordinance No. 922, the Mayor and Common Council held two public hearings to provide an opportunity for Westminster residents and other interested parties to offer their thoughts and opinions on the FY 2021 budget proposal; the public hearings were held on April 30, 2020 and May 4, 2020. Additionally, the Mayor and Common Council held budget work sessions on April 30, 2020 and May 4, 2020. The Westminster Planning and Zoning Commission reviewed and endorsed the proposed Capital Improvement Program for FY 2021 – FY 2026 at its meeting on May 7, 2020.

Ordinance Modifications Since Introduction

Staff has made certain modifications to Ordinance No. 922 since its introduction on April 27, 2020. These modifications are described below.

- As directed by the Common Council on May 11, 2020, General Fund revenues and expenditures have been adjusted to reflect no subsidy for the operation of the Fitness Center. Specifically, fund revenues have been increased by $104,719 while fund expenditures have been reduced by $104,718. It should be noted that these figures are not based on the development of a specific deficit-reduction plan; rather, these modifications reflect the general direction of the plan being developed by the Director of Recreation and Parks. The Director anticipates that approximately 50% of the operating deficit will be addressed by revenue generation through a new pricing structure, with the balance addressed through expense reduction. Should the final plan brought forward by the Director result in an alteration of these percentages, staff will bring forward a budget amendment at a future date to make the necessary adjustments in the FY 2021 budget.

- Capital Projects Fund expenditures have been adjusted to reflect the deletion of $15,000 initially allocated for the purchase of cardio equipment for the Fitness Center. Also, since introduction of Ordinance No. 922 on April 27, 2020, staff also learned of a delay in receiving equipment for

the Carroll Arts Center HVAC Project; it is anticipated that the project will not get underway until after July 1, 2020. Therefore, the full contract amount of $164,500 has been re-appropriated. The net impact of these changes is an increase of $149,500 to fund expenditures.

- Both Fiber Fund revenues and expenditures have been increased by $25,000 to reflect the Mayor and Common Council's direction of May 4, 2020 to provide funding for the promotion of the Westminster Fiber Network. The amended ordinance assumes an increased drawdown in State loan proceeds.

Compensation and Classification Study Implementation

On May 11, 2020, the Common Council directed that the savings anticipated to result from a new operational model for the Fitness Center be directed towards enhanced funding for the Phase 3 implementation of the Compensation and Classification Study results. The budget as presented on April 27, 2020 included approximately $78,000 for Phase 3.

As of the date of this memo, the development of a new Phase 3 implementation plan is underway, but has not yet been finalized. The proposed plan will be vetted by the Mayor and members of the Personnel Committee of the Common Council, as agreed upon on May 11, 2020.

Once a final plan has been developed, a budget amendment will be required to allocate funding from the General Fund reserve to the various departments. Adjustments will also need to be made in the Water Fund, Sewer Fund, and Fiber Fund, as enhanced funding in Phase 3 will impact them; these funds are unaffected by the elimination of the Fitness Center operational deficit.

As noted earlier in this memo, a final, detailed plan to eliminate the Fitness Center operational deficit is pending. Staff strongly encourages the Common Council to ensure that one is in place before proceeding with an enhanced version of the Phase 3 implementation. In the absence of one, the City risks incurring new, ongoing operational costs without a funding plan to support these costs.

It should be noted that, as employee salaries increase, associated fringe benefit costs will also be impacted. These fringe benefits include, but are not limited to, social security and Medicare taxes, State retirement contributions, and life insurance premiums. Budgeted expenses for overtime may also need to be adjusted.

Recommendation

Staff recommends that the Common Council make a motion to amend Ordinance No. 922, to incorporate the changes highlighted in the attached document. Following the motion to amend, the Common Council can vote on the amended ordinance.

Attachments

- Amended Ordinance No. 922, adopting the FY 2021 budget
- Revised Capital Improvement Program FY 2021 – FY 2026

cc: Tammy M. Palmer, Director of Finance and Administrative Services

Sponsored By: Joe Dominick, Mayor
Gregory Pecoraro, Council President

ORDINANCE NO. 922 AMENDED
OF THE MAYOR AND COMMON COUNCIL OF WESTMINSTER, MARYLAND
APPROVING AND ADOPTING A BUDGET FOR THE
FISCAL YEAR BEGINNING JULY 1, 2020 AND
ENDING JUNE 30, 2021

WHEREAS, in accordance with the requirements of Md. Code Ann., Title 5 of the Local Government Article, and Section 41 of the Charter of the City of Westminster and Chapter 20 of the Code of the City of Westminster, the Mayor and Common Council are required to adopt an budget ordinance to appropriate funds for the several programs and purposes for which the City of Westminster must provide in the fiscal year beginning July 1, 2020 and ending June 30, 2021 ("Fiscal Year 2021") and to set the property tax rates for Fiscal Year 2021; and,

WHEREAS, the Mayor, as required by the City Charter, on or before June 15, 2020, prepared and presented to the Common Council a proposed budget outlining the anticipated expenditures and transfers for Fiscal Year 2021, and including the estimated revenues and other financing sources required and establishes the proposed tax rate for all real property taxes, personal property taxes, and public utility taxes; and,

WHEREAS, the Common Council held a public hearing with respect to the Constant Yield Tax Rate and the proposed budget on April 27, 2020, after appropriate notice thereof in a newspaper having general circulation in Westminster.

NOW, THEREFORE, BE IT ORDAINED by the Mayor and Common Council of the City of Westminster that:

Section 1: From and out of the monies and balances known to be in the General Fund, Capital Projects Fund, Water Fund, Sewer Fund, Fiber Fund, and Public Housing Fund of the City of Westminster, Maryland, and from all monies anticipated to come into all funds during the twelve (12) month period ending June 30, 2021, there shall be, and hereby are, appropriated the following sums for

Deletions are formatted with ~~Strikethrough~~. Additions are formatted in Red.

use by the departments and offices of the City, and for the objects and purposes for which the City must provide during Fiscal Year 2021.

GENERAL FUND REVENUES

Taxes	$11,222,367
Licenses and Permits	570,600
Intergovernmental	4,203,868
Charges for Services	~~1,057,212~~ 1,161,931
Fines & Forfeitures	46,000
Miscellaneous Income	111,526
Interest Income	38,000
Transfers	(2,178,304)
Other Financing Revenue/Reserves	~~2,020,512~~ 1,811,075

GENERAL FUND APPROPRIATIONS BY ACTIVITY

Executive & Legislative	$ 691,173
Finance	188,941
Human Resources	142,507
Planning, Zoning & Development	494,800
Housing Services	106,177
Public Safety Department	7,277,106
Facilities	242,985
Public Works	3,375,770
Technology	331,672
Public Housing	2,680,780
Recreation & Parks	~~1,559,868~~ 1,455,150

Total General Fund Revenues	~~$17,091,781~~ 16,987,063
Total General Fund Appropriations	~~$17,091,781~~ 16,987,063
Difference	$ 0

CAPITAL PROJECTS FUND REVENUES

Taxes	$ 2,284,600
Intergovernmental	1,017,435
Charges for Services	306,880
Transfers	1,975,269
Other Financing Sources	~~3,665,026~~ 3,814,526

Deletions are formatted with ~~Strikethrough~~. Additions are formatted in Red.

CAPITAL PROJECTS FUND APPROPRIATIONS BY ACTIVITY

Planning, Zoning & Development	$ 25,000
Public Safety Department	253,418
Facilities	~~5,400,029~~ 5,564,529
Public Works	3,547,430
Technology	8,333
~~Recreation & Parks~~	~~15,000~~
Total Capital Fund Revenues	$ ~~9,249,210~~ 9,398,710
Total Capital Fund Appropriations	$ 9,249,210 9,398,710
Difference	$ 0

WATER FUND REVENUES

Charges for Services	$5,213,200
Rental Revenue	262,227
Miscellaneous Revenue	1,000
Interest Revenue	20,000
Benefit Assessment Fees/Capital Contributions	368,201
Other Financing-Reserves	302,209

WATER FUND APPROPRIATIONS BY ACTIVITY

Executive & Legislative	$ 308,199
Finance	278,576
Human Resources	170,709
Planning, Zoning & Development	119,352
Facilities	53,945
Public Works	239,615
Technology	486,733
Utilities	837,769
Water	3,671,939
Total Water Fund Revenues	$ 6,166,837
Total Water Fund Appropriations	$ 6,166,837
Difference	$ 0

Deletions are formatted with ~~Strikethrough~~. Additions are formatted in Red.

SEWER FUND REVENUES

Charges for Services	$ 6,699,700
Other Revenue	10,000
Interest Revenue	40,000
Benefit Assessment Fee/Capital Contributions	24,577,607
Other Financing-Reserves	269,970

SEWER FUND APPROPRIATIONS BY ACTIVITY

Executive & Legislative	$ 304,273
Finance	278,576
Human Resources	170,096
Planning, Zoning & Development	119,353
Facilities	53,945
Public Works	239,668
Technology	486,732
Utilities	868,673
Wastewater	29,075,961

Total Sewer Fund Revenues	$31,597,277
Total Sewer Fund Appropriations	$31,597,277
Difference	$ 0

FIBER INFRASTRUCTURE FUND REVENUES

Charges for Services	$ 724,932
Other Revenue	1,000
Interest	2,000
Transfers	203,035
Other Financing	~~503,215~~ 528,215

FIBER INFRASTRUCTURE FUND EXPENDITURES

Finance	$ 3,950
Public Works	70,143
Technology	42,297
Utility Maintenance	101,525
Fiber	~~1,216,266~~ 1,241,267

Total Fiber Fund Revenues	~~$1,434,182~~ 1,459,182
Total Fiber Fund Expenditures	~~$1,434,182~~ 1,459,182
Difference	$ 0

Deletions are formatted with ~~Strikethrough~~. Additions are formatted in Red.

Section 2: The Tax Levy for all real property within the City's corporate limits for the tax year beginning July 1, 2020 and ending June 30, 2021 shall be Fifty-Six Cents ($0.56) on every One Hundred Dollars ($100.00) of assessed value. The Tax Levy for all personal property within the City's corporate limits shall be One Dollar and Ten Cents ($1.10) on every One Hundred Dollars ($100.00) of assessed value. The Tax Levy on all public utility operating property within the City's corporate limits shall be One Dollar and Forty Cents ($1.40) for every One Hundred Dollars ($100.00) of assessed value. The aforementioned Tax Levy rates are inclusive of the special tax levied for the purposes of paying for the light and water used by the Mayor and Common Council of Westminster, as authorized and directed by Section 31 of the Charter of the City of Westminster.

Section 3. The taxes levied for the aforesaid respective purposes for the tax year beginning July 1, 2020 and ending June 30, 2021 shall be due and payable July 1, 2020 and shall be subject to interest beginning October 1, 2020 at the rate of 2/3 of 1 per centum for each month or fraction thereof until paid, and additionally, a 1/2 of 1 per centum penalty assessment for each month or fraction thereof until paid, provided that taxes paid by owner-occupants of residential property shall be due and payable as provided in § 10-204.3 of the Tax-Property Article of the Annotated Code of Maryland and § 143-3 of the City Code which authorize semiannual and annual payments of taxes. Additionally, taxes paid by owner-occupants of residential property on a semiannual basis as provided in § 10-204.3 of the Tax Property Article of the Annotated Code of Maryland and § 143-3 of the City Code shall be subject to a service charge in an amount equal to the service charge adopted by the Board of County Commissioners of Carroll County as to its County property taxes, which charge may include an administrative fee as permitted by law.

Section 4: That should any section of this Ordinance be determined to be invalid, such invalidity shall not affect any other sections.

Section 5: Any transfer of funds between appropriations must be approved by the Common Council in the form of an ordinance by a vote of at least 2/3 of the members of the Common Council.

Section 6: The City Administrator is hereby directed to transfer to the Capital Projects Fund any proceeds received from property tax revenues attributable to the levy of taxes at a rate by which the current property tax rate exceeds the property tax rate established in the FY 2011 budget, provided that any expenditure of the funds so appropriated shall be subject to the approval of the Common Council.

Section 7: BE IT FURTHER ORDAINED that this ordinance shall become effective ten days after its enactment by the Common Council of the City of Westminster, Maryland.

INTRODUCED this 27th day of April, 2020

_____
Shannon Visocsky, City Clerk

ADOPTED this _____ day of May, 2020

_____
Shannon Visocsky, City Clerk

APPROVED this _____day of May, 2020

_____
Joe Dominick, Mayor

APPROVED AS TO FORM AND SUFFICIENCY
this _____day of May, 2020

_____
Elissa D. Levan, City Attorney

Deletions are formatted with ~~Strikethrough~~. Additions are formatted in Red.

Capital Improvement Program FY 2021 to FY 2026
General Fund

	2021	2022	2023	2024	2025	2026	Total
Planning and Community Development							
Parking Study, including Meter System	25,000	165,000	0	0	0	0	190,000
Public Safety							
Vehicles - Police	166,678	167,000	167,000	167,000	164,000	164,000	995,678
Downtown Camera System	70,000	0	0	0	0	0	70,000
License Plate Reader	16,740	0	0	0	0	0	16,740
Facilities							
Longwell Building Upgrades	100,000	0	0	0	0	0	100,000
Longwell Building HVAC	0	0	100,000	756,000	0	0	856,000
Parks - Jaycee Park	80,000	0	0	0	0	0	80,000
Parks - City Park	26,000	0	0	0	0	0	26,000
Community Pool Improvements	2,955,500	0	0	0	0	0	2,955,500
45 West Main Street Building Renovations	1,888,529	0	0	0	0	0	1,888,529
Stage	20,300	0	0	0	0	0	20,300
Wakefield Development	329,700	0	0	0	0	0	329,700
91 West Main Street HVAC	164,500	0	0	0	0	0	164,500
Public Works							
Debt Service - Principal	580,900	597,000	445,000	456,500	358,500	234,000	2,671,900
Debt Service - Interest	184,083	167,340	148,954	134,420	119,496	106,398	860,691
Storm Water Mitigation - Carroll County Payment	198,497	208,422	218,843	229,785	241,274	253,338	1,350,159
Annual Road Paving	811,950	1,111,433	1,061,485	1,023,161	1,185,728	1,800,000	6,993,757
Sidewalk Retrofit/ADA Ramps	200,000	100,000	125,000	125,000	125,000	150,000	825,000
Building Improvements	325,000	0	0	0	0	0	325,000
Vehicles - City Fleet	452,000	570,000	700,000	445,000	390,000	300,000	2,857,000
Storm Drain System	360,000	399,000	198,000	208,000	217,000	207,000	1,589,000
West Main Street Lights	0	15,000	300,000	0	0	0	315,000
East Main Street Lights	0	15,000	450,000	0	0	0	465,000
ADA Traffic Light Upgrades	0	50,000	200,000	200,000	0	0	450,000
Crosswalks	25,000	25,000	28,000	30,000	32,000	55,000	195,000
Parking Garage Improvements	140,000	0	0	0	0	0	140,000
Holiday Tree	20,000	0	0	0	0	0	20,000
Retaining Walls	250,000	250,000	250,000	0	0	0	750,000

	2021	2022	2023	2024	2025	2026	Total
Technology							
Phone System	8,333	0	0	0	0	0	8,333
GIS Engineering	0	0	0	0	100,000	100,000	200,000
Servers	0	0	500,000	0	0	0	500,000
Parks and Recreation							
Equipment - Family Center	0	15,000	15,000	15,000	15,000	15,000	75,000
General Fund Total	**9,398,710**	**3,855,195**	**4,907,282**	**3,789,866**	**2,947,998**	**3,384,736**	**28,283,787**

Capital Improvement Program FY 2021 to FY 2026
Water Fund

	2021	2022	2023	2024	2025	2026	Total
Diatomaceous Earth Filter Rehabitation	0	1,000,000	1,000,000	0	0	0	2,000,000
New Water Supply Source Development	250,000	100,000	0	0	0	0	350,000
GIS Engineering	100,000	250,000	0	0	0	0	350,000
Servers	0	0	0	176,000	0	0	176,000
Phone System	8,333	0	0	0	0	0	8,333
Storage Tank Upgrades	0	0	450,000	0	0	0	450,000
Vehicle/Equipment Replacement	25,000	8,000	25,000	35,000	170,000	0	263,000
Taste and Odor Treatment (GAC)	0	500,000	500,000	0	0	0	1,000,000
Reservoir Improvements	100,000	0	0	0	0	0	100,000
Membrane Replacement	0	0	0	450,000	0	0	450,000
Route 27 Water Main	325,000	0	0	0	0	0	325,000
Hook Rd Tank Rehab	0	450,000	0	0	0	0	450,000
Main Street Water Main	0	0	40,000	600,000	0	0	640,000
Well Building Improvements	55,000	0	0	0	0	0	55,000
Wakefield Water System Improvements	65,000	0	0	0	0	0	65,000
Gate Valve Bolt Replacement	50,000	50,000	50,000	50,000	50,000	0	250,000
Debt Service	1,048,655	962,335	962,332	962,329	962,329	962,329	5,860,309
Water Fund Total	**2,026,988**	**3,320,335**	**3,027,332**	**2,273,329**	**1,182,329**	**962,329**	**12,792,642**

Capital Improvement Program FY 2021 to FY 2026
Sewer Fund

	2021	2022	2023	2024	2025	2026	Total
WWTP ENR & Biosolids Upgrade	22,400,000	15,715,989	6,286,395	0	0	0	44,402,384
WWTP Upgrade-Septage (County)	1,744,000	1,216,195	486,478	0	0	0	3,446,673
WWTP Upgrade-Roof	0	0	0	0	75,000	0	75,000
Inflow and Infiltration (I&I)	1,600,000	1,000,000	1,000,000	1,000,000	1,000,000	200,000	5,800,000
Vehicle& Equipment Replacement	43,000	123,000	475,000	110,000	375,000	0	1,126,000
GIS Layers	100,000	250,000	100,000	100,000	0	0	550,000
Servers	0	0	0	176,000	0	0	176,000
Phone System	8,333		0	0	0	0	8,333
WWTP Plant Expansion	0	0	500,000	8,500,000	0	0	9,000,000
Clarifier Feed Gates/Pumps	300,000	0	0	0	0	0	300,000
Pump Station Upgrades and Pumps	30,000	30,000	30,000	30,000	30,000	30,000	180,000
Debt Service	200,000	300,000	400,000	1,300,000	1,300,000	1,300,000	4,800,000
Sewer Fund Total	**26,425,333**	**18,635,183**	**9,277,873**	**11,216,000**	**2,780,000**	**1,530,000**	**69,864,390**

Capital Improvement Program FY 2021 to FY 2026
Fiber Fund

	2021	2022	2023	2024	2025	2026	Total
Servers	0	0	0	22,000	0	0	22,000
Debt Service	927,967	925,272	927,362	928,864	924,578	924,276	5,558,316
Fiber Fund Total	**927,967**	**925,272**	**927,362**	**950,864**	**924,578**	**924,276**	**5,580,316**

Capital Improvement Program FY 2021 to FY 2026
All Funds

	2021	2022	2023	2024	2025	2026	Total
General Fund Total	9,398,710	3,855,195	4,907,282	3,789,866	2,947,998	3,384,736	28,283,787
Water Fund Total	2,026,988	3,320,335	3,027,332	2,273,329	1,182,329	962,329	12,792,642
Sewer Fund Total	26,425,333	18,635,183	9,277,873	11,216,000	2,780,000	1,530,000	69,864,390
Fiber Fund Total	927,967	930,000	930,000	930,000	930,000	930,000	5,577,967
Total All Funds	**38,778,998**	**26,740,713**	**18,142,488**	**18,209,195**	**7,840,327**	**6,807,066**	**116,518,786**

To: Mayor and Common Council

From: Tammy Palmer, Director of Finance and Administrative Services

Date: May 14, 2020

Re: Contract Approval – Brown Schultz Sheridan & Fritz (BSSF), CPAs

Background
Brown Schultz Sheridan & Fritz performed the annual audit and prepared the City's fiscal year ending 2019 financial reports. All services were satisfactorily performed.

It is expected that the City will realize savings both in terms of cost and time efficiency by contracting with BSSF for the fiscal year ending 2000 audit and preparation of the associated financial reports. Staff discussed this matter with the Mayor and members of the Common Council's Finance Committee on April 17, 2020, and they concurred with staff's recommendation to contract with BSSF for this work.

Recommendation
Staff recommends that the Common Council authorize a contract with Brown Schultz Sheridan and Fritz to perform the work outlined in the attached contract.

Attachments
- Agreement – Brown Schultz Sheridan & Fritz
- Engagement Letter

cc: Barbara B. Matthews, City Administrator

AGREEMENT

THIS AGREEMENT is entered into this _____ day of _____, 2020, by the Mayor and Common Council of Westminster, Maryland ("the City"), a municipal corporation of the State of Maryland, with its principal offices at 56 West Main Street, Suite 1, Westminster, Maryland 21157, and Brown Schultz Sheridan & Fritz (BSSF), CPAs ("the Consultant"), a Maryland corporation, with its offices at 205 East Main Street, Westminster, MD 21157.

In consideration of the mutual covenants and obligations contained herein, the sufficiency of which is hereby acknowledged, the City and the Consultant hereby agree as follows.

1. **Services Provided:** The Consultant shall provide the following services for the City**:** Independent Audit and Financial Reporting Services ("the Services"). The Services shall be provided as detailed in the following enumerated documents which form the Contract, and they are incorporated herein to the same extent as if attached thereto, except that the Contractor's Proposal is incorporated only as to the scope of work, the pricing proposal, and any warranties or representations about the nature or quality of the services or equipment to be provided contained therein. The listed documents constitute the entire understanding of the parties and supersede any prior proposals or agreements.

(1) Scope of Work – Attachment A
(2) Engagement Letter
(3) Equal Opportunity Employer Form
(4) Certificates of Insurance

The Consultant agrees to accept the City's budget and to perform the work by December 1, 2020 barring no delays by the City. The Consultant further acknowledges that the City retains the right to reduce the scope of the Services herein contracted for in order to accomplish the project within the City's established budget and schedule. Time is of the essence in the completion of

this contract.

2. **Fees:** The City hereby agrees to pay the Consultant as full consideration for the Consultant's satisfactory performance of its obligations under this Agreement the sum of Thirty Nine Thousand Five Hundred Dollars ($39,500.00) payable in monthly installments within thirty (30) days of the presentation of an invoice from the Contractor, in an amount proportionate to the percentage of the total services to be performed, together with such supporting documentation as required by the City in its reasonable discretion.

3. **Binding Effect of Agreement:** This Agreement shall be binding upon all parties hereto and their respective heirs, executors, administrators, successors and assigns.

4. **Other Payments, Taxes, Expenses:** Except as may be specifically agreed upon by the parties in writing, the Consultant shall be entitled to no fees, bonuses, contingent payments, or any other amount in connection with the services to be rendered or materials provided hereunder. The parties hereto further agree that the City shall have no obligation to reimburse, pay directly or otherwise satisfy any expenses of the Consultant in connection with the performance of his obligations under this Agreement, including, but not limited to, the cost of any insurance or license fees.

It is expressly understood and acknowledged by the parties hereto that the fees payable hereunder shall be paid in gross amount, without reduction for any Federal or State withholding or other payroll taxes, or any other governmental taxes or charges. The parties hereto further recognize that the Consultant is an independent Consultant of the City and is therefore responsible for directly assuming and remitting any applicable Federal or State withholding taxes, estimated tax payments, or any other fees, taxes or expenses whatsoever. In the event that the Consultant is deemed not to be an independent Consultant by any local, state or federal government agency, the

Consultant agrees to indemnify and hold harmless the City for any and all fees, costs and expenses, including but not limited to, attorneys' fees, incurred thereby.

5. Insurance: The Consultant covenants to maintain all applicable insurance the amounts set forth herein. The Consultant further agrees to provide evidence of such insurance within ten (10) days from notice of award. The Certificates of Insurance shall provide that the City shall be given at least thirty (30) days prior written notice of the cancellation of, intention not to renew, or material change in the coverage. Consultant must provide Certificates of Insurance to the City before commencing any work pursuant to this Agreement. All insurance must name the City as an additional insured, not just a certificate holder.

PROVISION OF ANY INSURANCE REQUIRED HEREIN DOES NOT RELIEVE THE CONSULTANT OF ANY OF THE RESPONSIBILITIES OR OBLIGATIONS ASSUMED BY THE CONSULTANT IN THE CONTRACT AWARDED, OR FOR WHICH THE CONSULTANT MAY BE LIABLE BY LAW OR OTHERWISE.

A. Workers' Compensation Insurance: Consultant shall comply with the requirements and benefits established by the State of Maryland for the provision of Workers' Compensation Insurance. If the Consultant is a corporation that is eligible to and has exempted any officers from coverage pursuant to Md. Code Ann., Lab & Emp. Art., § 9-206, Consultant must provide copies of its election forms to the City prior to starting work under this Agreement and a failure to submit said forms will result in termination of this Agreement

B. Comprehensive General Liability Insurance: The Consultant shall provide general liability insurance in the amount set forth herein. Coverage shall include completed operations and contractual liability coverage and shall be issued on an occurrences basis.

(1) Personal injury liability insurance with a limit of $1,000,000.00 for each occurrence and

$1,000,000.00 aggregate, where insurance aggregates apply;

(2) Property damage liability insurance with limits of $250,000.00 for each occurrence and $500,000.00 aggregate, where aggregates apply.

C. Automobile Liability Insurance. Motor vehicle insurance meeting the requirements of Maryland law and covering every vehicle and driver involved in providing the services, in the following amounts:

(1) Bodily injury liability with limits of $500,000.00 each person and $1,000,000.00 each accident;

(2) Property damage liability with a limit of $100,000 each accident.

D. The Consultant shall obtain and maintain professional liability insurance coverage (errors and omissions insurance) with limits of liability in the amount of $1,000,000 occurrence/$1,000,000 aggregate.

6. **Doing Business in Maryland:** The Contractor warrants and represents that it has paid all taxes, fees and charges owed by it to any governmental entity. In addition, it warrants and represents that any parent or subsidiary corporation or other business entity with which it is affiliated or has been affiliated has paid all taxes, fees and charges owed by it to any governmental agency accrued during any period during which the Contractor was affiliated with the entity. The Contractor warrants and represents that it (1) is either (a) incorporated in Maryland or (b) registered or qualified by the Maryland State Department of Assessments and Taxation (SDAT) as required by the Maryland Annotated Code, Corps. & Assocs. Article, to do business in Maryland and (2) is in good standing with SDAT.

8. **Compliance with Laws:** The Consultant shall, without any additional expense to the City, be responsible for complying with any and all applicable laws, codes and regulations in connection

with the services provided by the Consultant, including but not limited to obtaining any licenses required by the Consultant to perform the services herein contracted for.

9. **Indemnification:** The Consultant shall be responsible for and indemnify, defend, and hold the City harmless from and against any and all claims or judgments for loss, personal injury and/or property damage that may be suffered as a result of the Consultant's negligence or willful misconduct in the Consultant's performance of the Services or for any failure by the Consultant to perform the obligations of this Agreement. This indemnification includes, but is not limited to, attorneys' fees and any cost incurred by the City in defending any such claim.

10. **Not Assignable:** The Consultant shall not assign or transfer any interest or claim under this Agreement except as may be agreed upon and authorized in writing by the City and no contract shall be made by the Consultant with any other party for furnishing any of the services herein contracted for without the prior approval of the City.

11. **Relief:** In the event of a breach or a threatened breach by the Consultant of any provision of the Agreement, the Consultant recognizes the substantial and immediate harm that a breach or threatened breach will impose upon the City, and further recognizes that in such event monetary damages will be inadequate to fully protect the City. Accordingly, in the event of a breach or threatened breach of this Agreement, the Consultant consents to the City's entitlement to such ex parte, preliminary, interlocutory, temporary or permanent injunctive, or any other equitable relief, protecting and fully enforcing the City's rights hereunder and preventing the Consultant from further breaching any of his obligations set forth herein. The Consultant expressly waives any requirement based on any statute, rule of procedure, or other source, that the City post a bond as a condition of obtaining any of the above-described remedies. Nothing herein shall be construed as prohibiting the City from pursuing any other remedies available to the City at law or in equity for

such breach or threatened breach, including the recovery of damages from the Consultant.

12. Liquidated Damages: It is acknowledged that the Contractor's failure to complete the Services within the time provided for in the Contract Documents will cause the City to incur economic and non-economic damages and losses of types and in amounts that are impossible to compute and ascertain with certainty and accuracy so as to be a basis for recovery by the City of actual damages, and that the liquidated damages set forth herein represent a fair, reasonable and appropriate estimate thereof. Accordingly, in lieu of actual damages for such delay, the Contractor agrees that liquidated damages may be assessed and recovered by the City as against the Contractor and its Surety, in the event of delayed completion and without the City being required to present any evidence of the amount or character of actual damages sustained by reason of the delay. The Contractor shall be liable to the City for payment of liquidated damages in the amount of $100.00 per day for each day that the Services are delayed beyond the time for performance set forth in the Contract Documents. Such liquidated damages are intended to represent estimated actual damages and are not intended as a penalty and the Contractor shall pay them to the City without limiting the City's right to terminate the Agreement for default as provided elsewhere herein.

13. City's Right to Terminate: This Agreement may be terminated immediately by the City upon written notice in whole or in part, when the City, in its sole and absolute discretion, determines such action to be in its best interests. Upon such termination, the City shall be liable to the Consultant only for payment for services actually provided prior to the effective date of the termination. The Agreement shall be terminated under this Section whenever adequate funds have not been appropriated by the Common Council in the annual budget for the purpose set forth herein. The Consultant is advised that the City does not guarantee the appropriation of funds for any subsequent fiscal year (beginning July 1). Consultant shall not perform services in any fiscal

year following the current fiscal year without verification from the Director of Finance that adequate funds have been appropriated for that purpose in the budget for the relevant fiscal year.

14. **Entire Understanding:** This Agreement contains the entire understanding between the parties, and any additions or modifications hereto may only be made in writing, executed by both parties.

15. **Applicable Law:** This Agreement shall be interpreted in accordance with the laws of the State of Maryland. Any suit to enforce the terms hereof or for damages or other remedy for breach hereof shall be brought exclusively in the courts of the State of Maryland for Carroll County and the parties expressly consent to the jurisdiction thereof, acknowledge that jurisdiction and venue are proper therein, and waive any right that they may otherwise have to bring such action in or transfer or remove such suit to the courts of any other jurisdiction.

16. **Conflict of Interest:** The person executing this Agreement on behalf of the Consultant certifies that he understands the provisions of the Westminster City Charter and Code dealing with conflicts of interest and the prohibition of the solicitation or acceptance of gifts.

17. **Set-Off:** In the event that the Consultant shall owe an obligation of any type whatsoever to the City at any time during the term hereof, or after the termination of the relationship created hereunder, the City shall have the right to offset any amount so owed the Consultant against any compensation due to Consultant for the provision of the Services.

18. **Notices:** Any notices required to be sent by one party to the other pursuant to this Agreement shall be sent as follows:

If to the City, to:

Tammy Palmer, Director of Finance
City of Westminster, Maryland
56 West Main Street, Suite 1
Westminster, MD 21157
(410) 848-3274
tpalmer@westgov.com

With a copy to: Elissa D. Levan, Esquire
City Attorney
100 Light Street, Suite 1400
Baltimore, Maryland 21202
elevan@fblaw.com
Fax: (410) 659-7773

If to Consultant, to: Wanda Lynn
Brown Schultz Sheridan & Fritz (BSSF), CPAs
205 East Main Street
Westminster, MD 21157
(410) 876-3990

19. Political Contributions: If this contract involves cumulative consideration of at least $200,000, the Contractor shall file with the State Board of Elections a statement under oath containing: (i) the name of each candidate, if any, to whom one or more applicable contributions in a cumulative amount of $500 or more were made during the reporting period; (ii) the office sought by each candidate; (iii) the amount of aggregate contributions made to each candidate; (iv) the name of each unit of a governmental entity with which the person did public business during the reporting period; (v) the nature and amount of public business done with the City; and (vi) if the contract or the contribution is attributed to another person who is filing the statement, the name of the contracting entity or the person who made the contribution and the relationship of that person to the person filing the statement. The Contractor's initial statement shall be filed at that time of the inception of the contract, and shall cover the preceding 24 months, and the Contractor shall thereafter file a semi-annual statement, for the six months ending on January 31 or July 31 of every year, for each reporting period during which performance remains uncompleted on the contract, and shall be filed within 5 days after the end of the applicable reporting period.

IN WITNESS WHEREOF, on the date hereinabove set forth, the parties hereto have executed this Agreement in two duplicate originals, any one of these shall be adequate proof of this Agreement without locating or accounting for the other.

WITNESS: Brown Schultz Sheridan & Fritz, CPAs

_____ By: _____
Wanda K. Lynn, Principal

WITNESS: MAYOR AND COMMON COUNCIL OF WESTMINSTER

_____ By: _____
Shannon Visoscky, City Clerk Joe Dominick, Mayor

Approved for form and legal sufficiency

this ____ day of _____, 2020

_____
Elissa D. Levan, City Attorney

Attachment A

SCOPE OF SERVICES

A. The City desires the auditor to audit and express an opinion on the fair presentation of its basic financial statements, supplementary information and compliance reports in conformity with generally accepted accounting principles. The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

The auditor will also be required to provide the following audit and reporting services in conjunction with the City's annual audit and comprehensive annual financial reports:

1. Prepare and present City's Comprehensive Annual Financial Reports and Supplemental Information
2. Review and submission of the State's Uniform Financial Report
3. Preparation of Single Audit and Compliance Report
4. Form SF-SAC – Data Collection Form for Reporting on Audits of States, Local Governments, and Non-profit Organizations.
5. Management Letter
6. Other reporting over the internet as required by Federal or State regulations. Such reporting shall include, but is not limited to, the SF-SAC, REAC report and Single Audit.
7. Presentation to the City Council

The auditor's principal contact with the City will be the Director of Finance who will provide all year-end work papers, coordination with departments, and other needed assistance to complete the audit. The City will prepare a draft Management Discussion and Analysis for audit and all information necessary to complete the supplementary reports.

A. Auditing Standards To Be Followed

To meet the requirements of this request for proposals, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the U.S. General Accounting Office's *Government Auditing Standards*, the provisions of the Single Audit Act of 1984 (as amended in 1996) and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, Audits of State and Local Governments and the State of Maryland's audit requirements enumerated in Article 19, Section 19, Section 40 of the Maryland Annotated Code.

B. Reports To Be Issued

Following the completion of the audit of the fiscal year's financial statements, the

auditor shall issue:

1) A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles of the United States including an opinion on the fair presentation of the supplementary Schedule of Expenditures of Federal Awards (Single Audit) in relation to the audited financial statements.

2) A report on compliance and internal control over financial reporting based on an audit of the financial statements.

3) A report on compliance and internal control over compliance applicable to each major federal program.

In the required reports on compliance and internal controls, the auditor shall communicate to the City Council any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The report must be reviewed with the City's Director of Finance and the City Administrator and include a management response before issuance of the report.

Auditors shall be required to make a written report to the City Council, the Director of Finance, and the City Administrator to report any and all irregularities and illegal acts immediately upon the discovery of such acts.

C. Additional Services

The Schedule of Expenditures of Federal Awards (Single Audit) and related auditor's report, as well as the reports on compliance and internal controls are not to be included in the general-purpose financial statement report, but shall be stand-alone reports.

1) Preparation of the following schedules and/ or audit reports as follows:
   - Internet reporting including, but not limited to, Form SF-SAC, the Single Audit, and REAC report, as required by Federal or State regulations.
   - Form SF-SAC – Data Collection Form for Reporting on Audits of States, Local Governments and Non-Profit Organizations
   - Management Letter

2) Review and submission of the Uniform Financial Report for the State.

3) Any specialized grant requirements beyond the scope of the RFP may be negotiated with the successful proposer or proposal separately, as will any special consultation projects. It is expected that the successful firm have the resources to perform consulting engagements.

The auditor must be available for consultation and advice throughout the period of the

contract. It is anticipated that such consultations will be minimal. In the event a situation arises which may require more time-consuming work, the auditor and City will mutually agree on the fee prior to commencement of work.

D. Retention Period

All working papers and reports must be retained, at the auditors' expense, for a minimum of four years, unless the firm is notified in writing by the City of the need to extend the retention period.

April 16, 2020

Tammy M. Palmer
and the Mayor and Common Council
56 West Main Street
Westminster, Maryland 21157

Dear Tammy:

We are pleased to confirm our understanding of the services you have asked our Firm (Brown Schultz Sheridan & Fritz, or BSSF) for the City of Westminster, Maryland for the year ending June 30, 2020. Please read this letter carefully because it is important to both our Firm and you that you understand and accept the terms under which we have agreed to perform our services, as well as management's responsibilities under this agreement.

Audit Services

We will audit the governmental activities, business-type activities, and each major fund of the City of Westminster, Maryland as of and for the year ending June 30, 2020 and the related notes to the financial statements.

Accounting standards generally accepted in the United States of America call for certain required supplementary information (RSI) to accompany the basic financial statements. The Governmental Accounting Standards Board also considers this information a necessary part of financial reporting as it provides perspective to the basic financial statements. Therefore, as part of this engagement, we will apply limited procedures to the City of Westminster, Maryland's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will primarily consist of inquiries of management regarding their methods of measurement and presentation. However, we will not express an opinion or provide any assurance on this RSI as our limited procedures do not provide us with sufficient evidence to do so under our professional standards. Consequently, the financial statements we present to you will include the following required RSI that will not be audited and, as such, our report will disclaim an opinion on this RSI:

- Management's Discussion and Analysis
- Budgetary comparison schedule - general fund
- Budgetary comparison schedule - public housing agency fund
- Schedule of changes in the total OPEB liability and related ratios

- Schedule of the city's proportionate share of the net pension liability (NPL)

- Schedule of the city's pension plan contributions

We also understand that supplementary information other than RSI will accompany the City of Westminster, Maryland's basic financial statements. In accordance with auditing standards generally accepted in the United States of America, we will apply auditing procedures and other additional procedures deemed necessary to the following supplementary information accompanying the basic financial statements in order to provide an opinion on this information in relation to the financial statements as a whole:

- Schedule of expenditures of federal awards
- Program balance sheet summary
- Program revenue and expense summary

The statements we present to you will include the following additional information (should the City choose to provide such information) which will not be subject to the auditing procedures applied in our audit of the basic financial statements and for which our report will disclaim an opinion:

- Introductory section
- Statistical section

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the additional information referred to above when considered in relation to the financial statements taken as a whole. The objective also includes reporting on:

- Internal control over financial reporting and compliance with laws, regulations and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with Government Auditing Standards.

- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance*).*

The reports on internal control and compliance are for information and use of management, the Mayor and Common Council, and the U.S. Department of Housing and Urban Development and will each include a paragraph that the purpose of the report is solely to describe the following: (1) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (2) the scope of testing internal control over compliance for major programs and major program compliance and the

result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance and (3) that the report is an integral part of an audit performed in accordance with Government Auditing Standards in considering internal control over financial reporting and compliance. The Uniform Guidance report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the Uniform Guidance requirements.

Our audit will be conducted in accordance with U.S. generally accepted auditing standards (GAAS); the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996 and the provisions of the Uniform Guidance. Our professional standards as defined by GAAS require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement and are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. As such, our audit will involve performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and will include tests of the accounting records of the City of Westminster, Maryland, a determination of major programs in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express an opinion whether the financial statements prepared as part of this engagement are fairly presented, in all material respects, in conformity with generally accepted accounting principles. The procedures we determine necessary will depend on our auditors' judgment and will be based, in part, on our assessment of the risks of material misstatement of the financial statements whether due to fraud or error.

An 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. If we deem it appropriate, our procedures will also include tests of documentary evidence supporting the transactions recorded in the accounts, may include tests of the physical existence of inventories and will include direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors and financial institutions. As part of our audit process, we may request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters. These representations will include acknowledging our assistance with the preparation of your financial statements, the schedule of expenditures of federal awards and notes accompanying these documents, and that you have reviewed and approved these documents, approved their release and that you have accepted responsibility for them.

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 by our Firm, even though our audit is properly planned and performed in accordance with GAAS and Government Auditing Standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. Since we plan and perform our audit in accordance with GAAS to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from errors,

fraudulent financial reporting, misappropriations of assets or violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity; and because the determination of abuse is so subjective, Government Auditing Standards do not expect auditors to provide reasonable assurance regarding the detection of abuse. As required by the Single Audit Act Amendments of 1996 and the Uniform Guidance, our audit will include tests of transactions related to major federal award programs for compliance with applicable laws and regulations and the provisions of contracts and grant agreements. Our procedures will be less in scope than what would be required to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to Government Accounting Standards. However, we will inform you of any material errors that come to our attention, and we will inform you or the appropriate level of management of any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will also include matters in the reports required for a Single Audit.

In making our risk assessments, we will consider internal controls relevant to the preparation and fair presentation of the City of Westminster, Maryland's financial statements in order to design audit procedures that are appropriate in the circumstances. However, our audit procedures are not designed for the purpose of expressing an opinion on the effectiveness of your internal control. As required by the Uniform Guidance, we will perform tests of controls to evaluate the effectiveness of the design and operations of controls that in our professional opinion are relevant to preventing or detecting material noncompliance with the requirements applicable to each major federal award program. Our tests, however, will be less in scope than what would be required to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance. We will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we identify during the audit as required by the American Institute of Certified Public Accountants, the Government Auditing Standards and the Uniform Guidance.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City of Westminster, Maryland's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of those procedures will not be to express an opinion in our report on compliance with these provisions pursuant to Government Auditing Standards.

In addition, the Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the client has complied with applicable laws and regulations and the provisions of contracts and agreements applicable to major programs. Our procedures, as such, will consist of the applicable procedures described in the "OMB Compliance Supplement" for the types of compliance requirements that could have a direct and material effect on each of the City of Westminster, Maryland's major programs. The purpose of these procedures will be to express an opinion on the City of Westminster, Maryland's compliance with requirements applicable to major programs in our report on compliance issued pursuant to the Uniform Guidance.

As this engagement is not designed to be a fraud audit, management understands and accepts the inherent limitations of the audit services described in this agreement.

Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

Wanda K. Lynn, CPA is the engagement principal for the audit services specified in this letter. Her responsibilities include supervising the Firm's services performed as part of this engagement and signing or authorizing another qualified Firm representative to sign the audit report.

Responsibilities of Management and Those Charged with Governance

As part of our engagement, we may advise you about appropriate accounting principles and their application; however, the management of the City of Westminster, Maryland acknowledges and understands that the final responsibility for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America remains with you. This responsibility includes the financial statements, all accompanying information and the representations that accompany them. Management's responsibilities also include identifying government award programs, understanding and complying with program requirements and the preparation of the schedule of expenditures of federal awards as required by Uniform Guidance. As such, the management of the City of Westminster, Maryland is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Other management responsibilities include maintaining adequate records, selecting and applying accounting principles and safeguarding assets.

Management is also responsible for the preparation and fair presentation of the supplementary information in conformity with U.S. GAAP. You agree that you will confirm your understanding of your responsibilities with respect to the supplementary information in your representation letter. You further agree to include our report on the supplementary information in any document that contains and indicates that we have reported on such supplementary information. In addition, you also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon.

By your signature below, you also acknowledge and understand that the management of the City of Westminster, Maryland is 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. This responsibility includes having appropriate programs and controls in place to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the City that involves management, employees who have significant roles in internal control, regulators, grantors and others where fraud could have a material impact on the financial statements. The

management of the City of Westminster, Maryland is also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the City of Westminster, Maryland received in communications from employees, former employees, regulators or others. In addition, you are responsible for identifying and ensuring that the City of Westminster, Maryland complies with applicable laws and regulations and for taking timely and appropriate actions to remedy any fraud, illegal acts or violations of contracts and agreements. You agree that you will confirm your understanding of your responsibilities as defined in this letter to us in your representation letter.

In fulfilling management's responsibility for establishing and maintaining internal control and for compliance with the provisions of applicable laws, regulations, contracts, agreements and grants, estimates and judgments by management are required to assess the expected benefits and related costs of the controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and that federal award programs are managed in compliance with the provisions of applicable laws, regulations, contracts, agreements and grants.

Management is also responsible for the preparation and fair presentation of the supplementary information in conformity with accounting principles generally accepted in the United States of America. You agree that you will confirm your understanding of your responsibilities with respect to the supplementary information in your representation letter. You further agree to include our report on the supplementary information in any document that contains and indicates that we have reported on such supplementary information.

Management's responsibilities also include designating qualified individuals with the necessary expertise to be responsible and accountable for overseeing all the nonattest services we perform as part of this engagement, as well as evaluating the adequacy and results of those services and accepting responsibility for them.

Also, as required by the Uniform Guidance, it is management's responsibility to follow up and take corrective action on reported audit findings and recommendations. This responsibility includes maintaining a summary of prior audit findings and recommendations and the corrective actions taken to address these issues; and for providing us with this information as part of our engagement. Management is also responsible to provide input on the current audit findings and recommendations, as well as management's planned corrective actions for these issues.

You further acknowledge and understand that management is responsible for providing us with access to all information management is aware of that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters; for the accuracy and completeness of the information that is provided to us and for informing us of events occurring or facts discovered subsequent to the date of the financial statements that may affect the financial statements. This responsibility also includes providing us with any additional information that we may request from

management for the purpose of the audit; as well as allowing us unrestricted access to individuals within the (Borough, Township, etc.) from whom we may determine it necessary to obtain audit evidence, including access to your designated employees who will type all confirmations we request.

Written Report

We expect to issue a written report upon completion of our audit of the City of Westminster, Maryland's financial statements. Our report will be addressed to the Mayor and Common Council of the City of Westminster, Maryland. We cannot provide assurance that an unmodified opinion will be expressed on the financial statements. Circumstances may arise in which it is necessary for us to modify our opinion, add emphasis-of-matter or other-matter paragraphs, decline to express an opinion or withdraw from the engagement.

Nonattest Services

As part of our engagement, we will provide nonattest services as follows:

1. We will prepare financial statements to be reviewed and approved by management.
2. We will prepare the draft of the 2020 Uniform Financial Report (UFR) as of and for the year ended June 30, 2020.
3. We will assist with your REAC filing, as needed

Management agrees to perform the following responsibilities in connection with our provision of the nonattest services:

1. Assume all management responsibilities and make all management decisions, including approval of proposed journal entries, if any.
2. Assign **Tammy Palmer, Director of Finance and Administrative Services**, to oversee the nonattest services and to evaluate the adequacy and results of the services.
3. Accept responsibility for the results of the nonattest services.
4. Establish and maintain internal controls, including monitoring ongoing activities.

Our responsibilities and limitations in relation to the nonattest services are as follows:

1. We will perform the services in accordance with applicable professional standards.
2. The nonattest services are limited to the services outlined above. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account codings and approving journal entries.

Other Matters

At the conclusion of our engagement, we will complete the appropriate sections of and sign the Data Collection Form that summarizes our audit findings. We will also provide copies of our reports to the U.S. Department of Housing and Urban Development; however, it is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports and a corrective action plan) along with the Data Collection Form to the designated federal clearinghouse and, if appropriate, to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

By your signature below, you acknowledge that the audit documentation in connection with this engagement is the property of Brown Schultz Sheridan & Fritz (BSSF) and constitutes confidential information. However, in accordance with applicable laws and regulations, we may be requested to make certain audit documents available to and/or provide copies of selected audit documentation to the U.S. Department of Housing and Urban Development for purposes of quality review of the audit, to resolve audit findings or to carry out oversight responsibilities. We will notify you of any such request.

Our invoices for these fees will be rendered each month as work progresses and are due and payable within 30 days. Fees are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. Assuming adequate records, internal controls, and assistance from your personnel, we estimate that our fee for the financial statement preparation and audit services will not exceed $39,500. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. The City of Westminster, Maryland acknowledges and agrees that we are not required to continue work in the event of the City of Westminster, Maryland's failure to pay on a timely basis for services rendered as required by this engagement letter. The City of Westminster, Maryland further acknowledges and agrees that in the event we stop work or withdraw from this engagement as a result of the City of Westminster, Maryland's failure to pay on a timely basis for services rendered as required by this engagement letter, we shall not be liable for any damages that occur as a result of our ceasing to render services. Amounts not paid within 30 days from the invoice date will be subject to a late payment charge of 1.5% per month (18% per year). In accordance with our Firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full.

In addition, you further agree that in the event BSSF or any of its employees or agents is called as a witness or requested to provide any information whether oral, written or electronic in any judicial, quasi-judicial or administrative hearing or trial regarding information or communications that you have provided to BSSF, or any documents and workpapers prepared by BSSF in accordance with the terms of this agreement, you agree to pay any and all reasonable expenses including fees and costs for our time at our hourly rates, as well as any legal or other fees we incur as a result of such appearance or production of documents.

It is our policy to keep records related to this engagement for seven years. However, BSSF does not keep

any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies.

By your signature below, you acknowledge and agree that upon the expiration of the seven-year period, BSSF shall be free to destroy our records related to this engagement.

With the exception of a fee dispute, if any other dispute arises among the parties hereto, the parties agree to first try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its applicable rules for resolving professional accounting and related services disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties. By our signatures below, all parties acknowledge and agree that in the event of a fee dispute, we will not be required to go through mediation to attempt to settle the fee dispute and may instead move directly to litigation to resolve such fee dispute.

In accordance with Government Auditing Standards, we have attached to this letter a copy of our most recent external peer review report dated August 30, 2019. We will also provide you a copy of any subsequent peer review reports and letters received during the period of the contract.

We appreciate the opportunity to be of service to the City of Westminster, Maryland and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign this copy where indicated and return it to us.

Very truly yours,

Wanda K. Lynn

Wanda K. Lynn, CPA
Principal

RESPONSE:

This letter correctly sets forth the understanding of the City of Westminster, Maryland.

ACCEPTED AND AGREED TO:

By:_____

Title:_____

Date:_____

Kronick
Kalada
Berdy & Co.
A Professional Corporation

Certified Public Accountants

Officers/Shareholders

William R. Lazor, CPA/PFS, CFE
Deborah A. Eastwood, CPA
Kevin R. Foley, CPA
William Fromel, CPA
Mario Ercolani, CPA
Anthony R. Caravaggio, CPA
Ronald H. Ulitchney, CPA
Louis E. Marcin, CPA
Jason C. Williams, CPA

Donald M. Kronick, CPA
Joseph J. Kalada, CPA
Paul Berdy, CPA

Report on the Firm's System of Quality Control

August 30, 2019

To the Shareholders of
Brown Schultz Sheridan & Fritz
and the Peer Review Committee of the
Pennsylvania Institute of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Brown Schultz Sheridan & Fritz (the firm) in effect for the year ended February 28, 2019. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act, and audits of employee benefit plans.

AN INDEPENDENT MEMBER OF BDO ALLIANCE USA

190 Lathrop Street, Kingston, PA 18704 Phone: 570-283-2727 Fax: 570-283-1670

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Brown Schultz Sheridan & Fritz in effect for the year ended February 28, 2019, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Brown Schultz Sheridan & Fritz has received a peer review rating of *pass*.

Kronick Kalada Berdy & Co, PC

Kronick Kalada Berdy & Co, PC
Certified Public Accountants

To: Mayor and Common Council

From: Darlene Childs, Director, Human Resources

Date: May 14, 2020

Re: Authorization – Change in Life and Disability Insurance Program Vendors

Background

The Local Government Insurance Trust (LGIT) offers a life and disability insurance program to its members as a part of the LGIT Health cooperative. This program, which is administered by the Benecon Group (Benecon), was established in 2011. LGIT has 35 municipalities enrolled in the program.

The City's life and disability benefits are currently provided by United Healthcare through the City's local broker, Wayne Barnes Clu, Cltc. The City provides life and disability benefits to employees at no cost, except for supplemental life, which is voluntary and 100% employee paid. Mr. Barnes had been working with United Healthcare on the FY 2021 renewal when staff become aware that LGIT offers a life and disability program while still utilizing the services of the member's local broker.

Of the City's life and disability insurance benefits, short-term disability is the one most used by employees. The City's claims experience has sometimes been an issue in the past, making it more difficult to negotiate a multi-year rate guarantee. Staff asked Mr. Barnes if he would be willing to work through Benecon to obtain a quote for life and disability coverage through Benecon, which Mr. Barnes did.

Benecon has provided a proposal for life and disability coverage through the Lincoln Financial Group (Lincoln) that matches the City's current benefits, at an overall savings of 11%. The savings are a result of lower rates for life, short-term disability, and long-term disability benefits. The 11% reduction in rates equates to a savings of just under $12,000 based on FY 2020 salaries. Additional program savings will be realized in the FY 2021 budget due to reduced rates being applied to increased employee salaries due to the 2% across-the-board adjustment and the Phase 3 implementation of the Compensation and Classification Study. Lincoln's rates for accidental death and dismemberment and supplemental life coverage are the same as the City's current rates through United Healthcare.

Lincoln is one of the nation's leading group disability insurers. By joining the LGIT program, the City could achieve more stable rates due to the pooled volume of business, while continuing its long-term relationship with a local broker overseeing the insurance plans. In addition, Benecon would serve as a liaison between the City and the insurer, and would work very closely with Lincoln to ensure that claims are processed in a timely manner.

Recommendation

Due to the lower cost of the Benecon program and the potential for rate stabilization, City Administrator Barb Matthews and I recommend that the City move its life and disability insurance program to LGIT, and

authorize the Mayor to execute all documents associated with this change in insurance providers effective July 1, 2020.

Attachment

- Lincoln Financial Group Proposal

cc: Barbara B. Matthews, City Administrator

Lincoln Financial Group®
You're In Charge®

Group Benefits

Proposal prepared for:

City of Westminster Maryland

Presented to:
BENECON GROUP INC (THE)

Prepared by:
Matthew Shevlin
Matthew.Shevlin@lfg.com
(484) 583-2114

Expiration date:
July 17, 2020

Products:
Basic Life / AD&D
Voluntary Life / AD&D
Short-Term Disability
Long-Term Disability

Insurance products issued by:
The Lincoln National Life Insurance Company

Table of Contents

Welcome..... 1
Cost Summary..... 3
Life Insurance..... 5
Voluntary Life Insurance..... 7
Short-Term Disability Insurance..... 9
Long-Term Disability Insurance..... 10
Limitations and Exclusions..... 14
Proposal Conditions..... 15
Proposal Disclaimer..... 17

Welcome

We're pleased to meet you.
And we'd like to let you know how we
do things just a little differently at Lincoln.

After a century or so, you learn a thing or two.

You learn that integrity is more than a nice word to use with your customers. You learn that trust is something you continuously earn. You learn that value isn't always measured in dollars and cents.

And you learn that the key difference between one carrier and another often isn't the product itself. It's the personal commitment a company shows toward its customers, the flexibility that lets us deliver the right plan for each company, and the daily interactions that add up to the kind of experience you can count on when you work with Lincoln.

For over 110 years, Lincoln Financial Group has been dedicated to delivering the flexible solutions and customer support needed at some of the most challenging times in a person's life. We promise to be there when our customers need us, giving them the tools and information they require to confidently select, use and administer their benefits. And we work closely with our clients to develop solutions that not only meet immediate needs but also recognize future developments and concerns. **In short, we promise to do the right thing.**

Doing the right thing for our customers

We know that employers aren't looking for cookie-cutter coverage with impersonal service. Companies put their reputations on the line when they select a carrier to provide benefits for their employees. A carrier's actions — and inactions — can reflect directly on the company that made the choice.

That's why Lincoln conducts annual customer experience surveys to track satisfaction. Our latest results show that our people and their personal efforts are recognized as a key strength. High satisfaction scores were especially evident for employer interactions with their account managers, customer service and sales representatives. Employers characterized their Lincoln representatives as "phenomenal, leaving no stone unturned" and "really strong and pays attention to what we ask for."[1]

[1] Lincoln Financial Group, "Understanding and Influencing What Matters Most to Employers, Brokers and Employees: 2nd Annual Customer Experience Research for Group Protection," 2016. For more information on the research findings cited here, please visit this link.

Doing the right thing for employees who depend on our coverage

Of course, strong relationships with our customers are essential. But in the end, it comes down to results. Did our coverage make a difference in the lives of employees? Can they depend on Lincoln when it matters most? Here are just a few of the ways how — and how many — people were helped by Lincoln group benefits, including:[2]

Doing the right thing for the future

We're making sure our customer-oriented approach continues to meet your expectations, by making strategic investments and taking the proactive steps necessary to ensure our infrastructure will always be ready and able to:

- ✔ Support the efficient launch of new products to complement our comprehensive portfolio of employee benefit solutions
- ✔ Deliver quick and accurate implementation and enrollment
- ✔ Meet specific plan-design requests
- ✔ Offer robust self-service capabilities

We've got your back

There's a reason Lincoln is #187 on the 2019 Fortune 500 list. We are proud to be one of the nation's leading group disability insurers and offer one of the broadest and most flexible group benefits portfolios including total absence management services, as well as life, dental, vision, accident and critical illness protection.[3] Our sound and secure past and sharp eye toward the future mean that we'll be there when you need us — a trusted partner always ready to back up our promises with performance.[4]

We welcome the opportunity to meet, to further discuss the contents of this proposal and to explore how together, we can help you reach your employee benefit goals.

[2]2018 claims.

[3]Based on LIMRA, new sales premium, as of 12/31/17.

[4]Guarantees are subject to the claims-paying ability of the issuing company.

Cost Summary

Situs State: Maryland

Life Insurance Rate				
			Life	**AD&D**
Option:	1	Class:	1, 2	1, 2
Rate Guarantee:	24 months	Covered Employees:	160	160
Effective Date:	July 01, 2020	Employee Volume:	8,306,500	8,306,500
		Monthly Rate:	$0.135 /per $1,000 of benefit	$0.020 /per $1,000 of benefit
		Monthly Premium:	$1,121.38	$166.13

Voluntary Life Insurance Rates				
			Life	**AD&D**
Option:	1	Class:	1	1
Rate Guarantee:	24 months	Employees:	14 Enrolled Lives	14 Enrolled Lives
Effective Date:	July 01, 2020	Monthly Rate Basis:	Per $1,000	

Age	Employee Non-smoker	Employee Smoker	Employee AD&D	Spouse Non-smoker	Spouse Smoker	Spouse AD&D
Under 20	$0.110	$0.170	$0.060	$0.110	$0.170	$0.060
20 - 24	$0.110	$0.170	$0.060	$0.110	$0.170	$0.060
25 - 29	$0.110	$0.170	$0.060	$0.110	$0.170	$0.060
30 - 34	$0.120	$0.180	$0.060	$0.120	$0.180	$0.060
35 - 39	$0.170	$0.230	$0.060	$0.170	$0.230	$0.060
40 - 44	$0.270	$0.330	$0.060	$0.270	$0.330	$0.060
45 - 49	$0.440	$0.500	$0.060	$0.440	$0.500	$0.060
50 - 54	$0.670	$0.730	$0.060	$0.670	$0.730	$0.060
55 - 59	$1.010	$1.070	$0.060	$1.010	$1.070	$0.060
60 - 64	$1.710	$1.770	$0.060	$1.710	$1.770	$0.060
65 - 69	$3.150	$3.210	$0.060	$3.150	$3.210	$0.060
70 - 74	$4.570	$4.630	$0.060	$4.570	$4.630	$0.060
75 - 79	$7.600	$7.660	$0.060	$7.600	$7.660	$0.060
80 - 84	$7.600	$7.660	$0.060	$7.600	$7.660	$0.060
85 - 89	$7.600	$7.660	$0.060	$7.600	$7.660	$0.060
90 - 94	$7.600	$7.660	$0.060	$7.600	$7.660	$0.060
95 - 99	$7.600	$7.660	$0.060	$7.600	$7.660	$0.060
100+	$7.600	$7.660	$0.060	$7.600	$7.660	$0.060
Dependent Children Coverage is $0.200 per $1,000. Regardless of the number of children or Increment verbiage.						

Short-Term Disability Insurance Rates			
Option:	1	Class:	1
Rate Guarantee:	24 months	Covered Employees:	154
Effective Date:	July 01, 2020	Volume:	109,959
		Rate Basis:	$0.480 / Per $10 Weekly Benefit
		Monthly Premium:	$5,278.03

The above rate assumes the Policyholder is responsible for paying the employer's share of Social Security and Medicare (FICA) tax.

Long-Term Disability Insurance Rates			
Option:	1	Class:	1
Rate Guarantee:	24 months	Covered Employees:	154
Effective Date:	July 01, 2020	Monthly Covered Payroll:	$681,011
		Rate Basis:	$0.310 Per $100 of Covered Monthly Payroll
		Monthly Premium:	$2,111.13

Life Insurance

Product conditions

- All employees to be covered are Actively at Work on the policy's effective date. If any individual does not meet the Actively at Work requirement, we will require full disclosure of all necessary information to evaluate the risk. After reviewing this information, we reserve the right to revise or withdraw this proposal. Unless disabled on the prior workday or on the day of absence, an employee will be considered Actively at Work on the following days;
  - a Saturday, Sunday or holiday which is not a scheduled workday;
  - a paid vacation day, or other scheduled or unscheduled non-workday; or
  - an excused or emergency leave of absence (except a medical leave).

Class and eligibility descriptions

Life Insurance		
Option	1	1
Class	1	2
Class Description	All Active Mayor and Council Employees	All Other Active Full Time and Part Time Employees
Employer Contribution	100%	100%
Required Participation	100%	100%
Covered Lives	6	154
Dependent Life	Not Included	Not Included
Minimum Hours	25 unless otherwise agreed upon	25 unless otherwise agreed upon

Life Benefit Overview

Life Employee Benefits		
Option	1	1
Class	1	2
Class Description	All Active Mayor and Council Employees	All Other Active Full Time and Part Time Employees
Life Coverage Amount	Flat $10,000	1 times annual salary, rounded to the next higher $1,000
Guarantee Issue Amount	Evidence of Insurability will be required for Initial Insurance Amounts in excess of $150,000 and for insurance amounts that are increased after initial enrollment.	Evidence of Insurability will be required for Initial Insurance Amounts in excess of $150,000 and for insurance amounts in excess of the GI that are increased by more than $25,000 after initial enrollment.
Minimum Coverage Amount	N/A	$0
Maximum Coverage Amount	N/A	$150,000
Definition of Earnings	N/A	Basic Annual Including Commissions, Excluding Overtime & Bonuses
Conversion Privilege	Available when insurance terminates	
Accelerated Death Benefit (Living Benefit)	Included	Included
Waiver of Premium (Extension of Death Benefit)	Included	Included
AD&D	Included	Included
AD&D Coverage Amount	Flat $10,000	1 times annual salary, rounded to the next higher $1,000
AD&D Minimum Coverage Amount	N/A	$0
AD&D Maximum Coverage Amount	N/A	$150,000

Life Employee Reduction Schedule	
Option: 1	**Class:** 1
Age	**Reduction**
70	35%
75	Additional 20% of original amount
Terminate upon the employee's retirement.	

Life Employee Reduction Schedule	
Option: 1	**Class:** 2
Age	**Reduction**
70	35%
75	Additional 20% of original amount
Terminate upon the employee's retirement.	

Voluntary Life Insurance

Product conditions

- All employees to be covered are Actively at Work on the policy's effective date. If any individual does not meet the Actively at Work requirement, we will require full disclosure of all necessary information to evaluate the risk. After reviewing this information, we reserve the right to revise or withdraw this proposal. Unless disabled on the prior workday or on the day of absence, an employee will be considered Actively at Work on the following days;
  - a Saturday, Sunday or holiday which is not a scheduled workday;
  - a paid vacation day, or other scheduled or unscheduled non-workday; or
  - an excused or emergency leave of absence (except a medical leave).

Class and eligibility descriptions

Voluntary Life Insurance*	
Option	1
Class	1
Class Description	All Active Full Time and Part Time Employees
Required Employee Participation	The greater of 10 employees or 25% participation
Required Spouse Participation	The greater of 5 spouses or 10% of the participating employees
Dependent Life	Included
Minimum Hours	25 unless otherwise agreed upon

*In addition, premium must total at least $100 per month.

Voluntary Life Benefit Overview

Voluntary Life Employee Benefits	
Option	1
Class	1
Class Description	All Active Full Time and Part Time Employees
Coverage Amount	Increments of $10,000. Not to exceed 7 times the employee's annual salary.
Guarantee Issue Amount	Evidence of Insurability will be required for Initial Insurance Amounts in excess of $150,000 and for insurance amounts that are increased after initial enrollment by more than 2 benefit increments.
Minimum Coverage Amount	$10,000
Maximum Coverage Amount*	$300,000
Definition of Earnings	Basic Annual Including Commissions, Excluding Overtime & Bonuses
Conversion Privilege	Available when insurance terminates
Accelerated Death Benefit (Living Benefit)	Included
Waiver of Premium (Extension of Death Benefit)	Included
Continuation of Coverage (Portability)	Included
AD&D	Included

*For employees age 70 & over, maximum coverage is $50,000.

Voluntary Life - Dependent Benefits	
Spouse Coverage Amount*	Increments of $10,000. Not to exceed 3.5 times the employee's annual salary.

Spouse Minimum Coverage Amount	$10,000
Spouse Maximum Coverage Amount	$150,000
Guarantee Issue Amount	Evidence of Insurability will be required for Initial Insurance Amounts in excess of $30,000 and for insurance amounts that are increased after initial enrollment by more than 2 benefit increments.
Spouse AD&D	Included
Children Coverage Amount: Day 1 to age 14 days	No Benefit
Children Coverage Amount: 15 days but less than 6 months	Flat Benefit options available: $250.
Children Coverage Amount: 6 Months but less than 19 years (or 23 years if unmarried, & a full-time student)	Flat Benefit options available: $10,000.

* Spouse coverage is only available if the employee is insured for voluntary coverage.

The benefit equals the amount of the dependent life insurance in effect on the date of such death. Upon receipt of satisfactory proof of a dependent's death while insured under the policy, the death benefit will be paid to the Insured Person.

Voluntary Life Employee Reduction Schedule	
Option: 1	**Class:** 1
Age	**Reduction**
70	35%
75	Additional 20% of original amount
Terminate upon the employee's retirement.	

Voluntary Life Spouse Reduction Schedule	
Option: 1	**Class:** 1
Age	**Reduction**
70	35%
75	Additional 20% of original amount
Terminate upon the employee's retirement.	

Short-Term Disability Insurance

Product Conditions

- All employees to be covered are Actively at Work on the policy's effective date. If any individual does not meet the Actively at Work requirement, we will require full disclosure of all necessary information to evaluate the risk. After reviewing this information, we reserve the right to revise or withdraw this proposal. Unless disabled on the prior workday or on the day of absence, an employee will be considered Actively at Work on the following days;
  - a Saturday, Sunday or holiday which is not a scheduled workday;
  - a paid vacation day, or other scheduled or unscheduled non-workday; or
  - an excused or emergency leave of absence (except a medical leave).
- This plan does not replace any state mandated disability program. This plan does not cover any occupational injuries or sicknesses.

Class and eligibility descriptions

Short-Term Disability Insurance	
Option	1
Class	1
Class Description	All Active Full Time and Part Time Employees
Employer Contribution	100%
Required Employee Participation	100%
Contribution Basis	Pre - Tax
Minimum Hours	25 unless otherwise agreed upon

Short-Term Disability Benefit Overview

Short-Term Disability Employee Benefits	
Option	1
Class	1
Class Description	All Active Full Time and Part Time Employees
Benefit Percent	The weekly benefit will not exceed 70% of the Insured Person's weekly earnings
Minimum Weekly Benefit Amount	$25
Maximum Weekly Benefit Amount	$1700
Day Benefit Begins – Accidental Injury	8th Day
Day Benefit Begins – Sickness	8th Day
Benefit Duration	26 Weeks
Definition of Earnings	Basic Annual Including Commissions, Excluding Overtime & Bonuses
Integration	Backdoor
Salary Continuance Program	Not Included
C-Section Benefit Rider	8 week(s) gross benefit
Family Income Benefit Rider	3 week(s)
Rehabilitation Assistance Benefit	5% program reimbursement; reasonable accommodation

Long-Term Disability Insurance

Product conditions

- All employees to be covered are Actively at Work on the policy's effective date. If any individual does not meet the Actively at Work requirement, we will require full disclosure of all necessary information to evaluate the risk. After reviewing this information, we reserve the right to revise or withdraw this proposal. Unless disabled on the prior workday or on the day of absence, an employee will be considered Actively at Work on the following days;
  - a Saturday, Sunday or holiday which is not a scheduled workday;
  - a paid vacation day, or other scheduled or unscheduled non-workday; or
  - an excused or emergency leave of absence (except a medical leave).
- This plan does not replace any state mandated disability program. This plan does not cover any occupational injuries or sicknesses.

Class and eligibility descriptions

Long-Term Disability Insurance	
Option	1
Class	1
Class Description	All Active Full Time and Part Time Employees
Employer Contribution	100%
Required Employee Participation	100%
Contribution Basis	Pre-Tax
Minimum Hours	30 unless otherwise agreed upon

Long-Term Disability Benefit Overview

Long-Term Disability Benefits	
Option	1
Class	1
Class Description	All Active Full Time and Part Time Employees
Benefit Percent	60%
Maximum Monthly Benefit Amount	$6500
Minimum Monthly Benefit Amount	$50
Elimination Period	180 Days
Maximum Benefit Period	Later of Age 65 or SSNRA
Pre-Existing Conditions*	Subject to a 3/6/12 pre-existing limitation
Definition of Earnings	Basic Annual Earnings Excluding Overtime, Bonuses, & Commission
Integration	Social Security
Own Occupation Period	24 Months
Specialty Own Occupation	Not Applicable
Gainful Occupation	70%
Return to Work Incentive	Later of Age 65 or SSNRA
Partial Disability	Residual with Progressive
Mental and Nervous Limitation	24 Months
Substance Abuse Limitation	24 Months
Specified Illness Limitation	No Limitation
Vocational Rehabilitation Benefit	Voluntary
Reasonable Accommodation Benefit	Included
Minimum Indemnity for Dismemberment	Not Included
Conversion	Not Included
Portability	Not Included
Family Income Benefit	3 Months
Progressive Income Benefit	10% maximum of $5000
Family Care Benefit	$250 for 12 Months
Employee Assistance Program (EmployeeConnect)	Included

* Pre-existing condition limitation applies to **all** insurance amounts, including those offered on a Guarantee Basis.

A FICA MATCH SERVICE is included on all new and existing LTD business at no additional charge. With this service, Lincoln Financial Group matches the policyholder's share of FICA taxes on payments made to disabled employees; generates monthly reports summarizing what has been paid and withheld; and prepares W-2 forms at year-end for LTD benefits paid to each disabled employee.

Key Coverage Highlights

- Provides a cash benefit to your loved ones in the event of your death
- Provides an additional cash benefit to your loved ones if you die - or to you if you lose a limb or your eyesight — in a covered accident
- Includes LifeKeys® services, which provide access to counseling, financial, and legal support services
- Also includes TravelConnect℠ services, which give you and your family access to emergency medical help when you're traveling

Valuable additions to every Life plan

Included with all our life insurance plans, we offer these additional services:

LifeKeys® services for Life Insurance	TravelConnect℠ services for Life Insurance
- Assistance for employees, their families, and their beneficiaries - Free online EstateGuidance® will preparation - Identify Theft services - Beneficiary support: six in-person sessions for grief counseling or legal or financial information, and unlimited phone sessions	- Available for business or leisure travel more than 100 miles from home - Emergency transportation and medical services - Travel and security services and repatriation

Limitations and Exclusions

Life Insurance:
This is not a complete list; additional limitations may be found in the policy and variations by state may apply. For life insurance, a suicide exclusion may apply.

Life Insurance with AD&D:
For AD&D, benefits will not be paid if death results from suicide, or death/dismemberment resulted, directly or indirectly, from or was in any degree caused by:

- suicide, attempted suicide, or intentional self-inflicted injury;
- disease, physical or mental infirmity, sickness, or medical or surgical treatment of these;
- being under the influence of any narcotic, unless administered on the advice of a physician;
- Deliberately inhaling gas (such as carbon monoxide) or using drugs other than those prescribed by a physician and administered as prescribed;
- duty as a member of any military, including Reserves or National Guard;
- war or any act of war, declared or undeclared or participation in riot or insurrection;
- participation in the commission of or attempt to commit a felony;
- flying in a non-commercial airplane or aircraft, such as a balloon or glider;
- driving while intoxicated.

Voluntary Life Insurance - Dependent Spouses and Children:
Spouses and dependent children to be covered are not in a 'Period of Limited Activity'. Period of Limited Activity means a period when a spouse or child is confined in a health care facility; or, whether confined or not, is unable to perform the regular and usual activities of a healthy person of the same age and sex.

If a spouse or dependent child is in a Period of Limited Activity on the day his or her Dependent Life Insurance would otherwise take effect, insurance for that dependent will not take effect until the day after:

- his or her final discharge from the health care facility; or
- his or her resumption of the normal activities of a healthy person of the same age and sex.

Safe Driver Benefit:
Safe Driver Benefits will not be paid if:

- the Accidental Death and Dismemberment Benefits is not paid under the Policy for the Insured Person's death;
- at the time of the accident, the Insured Person was driving while intoxicated; or
- at the time of the accident, the Insured Person was under the influence of any narcotic (except when taken on the advice of a Physician).

Short-Term Disability Insurance:
Weekly Income Benefits will not be payable for any period of Disability:

- which is the result of an intentional act;
- which is the result of war (declared or undeclared) or any act of war;
- during which the Insured Person is not under the regular care of a physician;
- which is the result of a sickness or injury covered by Workers' Compensation;
- which is the result of, or due to, a sickness or injury arising out of, or in the course of any employment for wage or profit.

Long-Term Disability Insurance:
Disabilities which arise from intentionally self-inflicted injuries, war, participation in a riot, or being incarcerated for the commission of a felony are excluded from coverage. Disabilities during which the employee is not under the regular care of a Physician or after the employee has resided outside of the United States or Canada for more than 12 consecutive months for purposes other than employment are also excluded end schedule.

Long-Term Disability Insurance - Pre-Existing Condition Exclusion:
This Policy will not cover any Total or Partial Disability:

1. which is caused or substantially contributed to by, a Pre-Existing Condition or medical or surgical treatment of a Pre-Existing Condition; and
2. which begins in the first designated timeframe after the Insured Employee's Effective Date.

Proposal Conditions:

This proposal has been prepared on the premise:

- there are no known uninsurable individuals in the group to be covered;
- no employee is absent from work because of sickness or injury.

If any individual to be insured falls into the above categories, we will require full disclosure of all necessary information to evaluate the risk. After reviewing this information, we reserve the right to revise or withdraw our quotation.

To become insured, an eligible employee must be an active, full-time employee who:

- is a member of an eligible class of employees;
- has completed the eligibility waiting period established by the employer;
- is not a temporary or seasonal employee; and
- is performing all customary duties of his/her occupation at his/her usual place of business on the policy effective date (or on the effective date of his/her coverage).

If included, any eligible dependents must satisfy a non-confinement requirement on the policy effective date (or on the date coverage becomes effective).

This proposal is based on the assumption that the current insurance carrier will continue coverage on any insured individual who is disabled on the date the existing contract terminates (even if it terminates while a disabled person is satisfying any applicable waiting period).

The rates quoted in this proposal are a function of the characteristics of the group (i.e.: Policyholder contributions, occupations, age, gender, etc.) and the benefits requested at the time of proposal submission. If the plan is non-contributory, 100% of the eligible employees must enroll; and if the plan is contributory, 75% of the eligible employees must enroll on the effective date. We reserve the right to re-evaluate the risk, and revise or withdraw our quotation if necessary, based upon the characteristics of the group and the benefits provided on the effective date of the plan.

This proposal is a description of insurance coverages available from Lincoln Financial Group and is not an offer to contract. Not all benefits are available in all states. An application must be completed before a group will be considered for coverage.

This proposal outlines in general some of the important features of the proposed Group Insurance Program. The controlling provisions will be in the Group Insurance Policy, and this proposal is not intended in any way to modify the provisions or their meanings. This proposal will remain in effect until withdrawn or a new proposal is issued by Lincoln Financial Group, but in no event will this proposal remain in effect beyond 90 days from April 15, 2020.

Proposal Conditions – Voluntary Life Insurance:

In addition, the Voluntary Term Life program is subject to the laws and rulings of the State Insurance Department having jurisdiction. This plan of insurance is not available in every state and in those states where it is available, it may be withdrawn or revised at any time prior to acceptance.

Proposal Conditions – Short-Term Disability Insurance:

In addition, to the above, this proposal describes certain insurance coverages available from us and should under no circumstances be construed as a contract or offer to contract for such coverages. An application must be completed and submitted to our Service Office, before a group will be considered for coverage.

The proposal is based on preliminary census data received by Lincoln Financial Group. Actual costs will be based on the final enrollment data of employees insured under the plan on its effective date. Rates quoted for the proposed benefits shown are effective for 90 days from the date shown on the proposal. A complete listing of the terms, conditions, and limitations, that will apply to your coverage, if issued, is available upon request.

Proposal Conditions – Long-Term Disability Insurance:

In addition, to the above, this illustration was prepared based on the information provided in the Request for Proposal. It is a description of the Long-Term Disability Insurance coverage available from us and not an offer to contract. More detailed information is available upon request concerning the terms, conditions and limitations contained in the master policy, if issued. If there are discrepancies between the information contained in this proposal and the master policy, the terms of the master policy will control.

Quoted rates were developed based on the information contained in the Request for Proposal. Final rates will be calculated based on:

- the agreed-upon plan;
- amount & tax status of employer and employee contributions;
- enrolled census;
- employee location(s);
- correct industry code (SIC); and
- other pertinent underwriting factors.

If the proposed policy qualifies as a replacement plan, then coverage for an otherwise eligible person who is disabled on the policy effective date will be administered in accord with any applicable state discontinuance and replacement law.

The proposal also assumes current and continued employer and employee participation in Workers' Compensation or an equivalent plan, which would be used as a source of integration (offset) for the LTD plan of benefits.

Proposal disclaimer

THIS IS NOT A CONTRACT: This proposal was prepared based on the information provided in the Request for Proposal and/or through other discussions with the Broker. It is a description of insurance, and coverage available from Lincoln Financial Group and is not an offer to contract. More detailed information is available upon request concerning the term, conditions, and limitations contained in the master policy, if issued.

If there are discrepancies between the information contained in this proposal and the master policy, the terms of the master policy will control. State-specific restrictions and requirements may not be addressed in this proposal.

An Application for Group Insurance must be completed by the employer and approved by Lincoln Financial Group before coverage can become effective.

This proposal is subject to revision if not accepted on or before the proposed expiration date shown on the cover page of this proposal.

Guarantees are subject to the claims-paying ability of the issuing company.

Insurance products (policy series GL1101, GL3001) are issued by The Lincoln National Life Insurance Company (Fort Wayne, IN), which does not solicit business in New York, nor is it licensed to do so. In New York, insurance products policy series (GL1101, GL3001) are issued by Lincoln Life & Annuity Company of New York (Syracuse, NY). Both are Lincoln Financial Group® companies. Product availability and/or features may vary by state. Limitations and exclusions apply.

Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates. Affiliates are separately responsible for their own financial and contractual obligations.

Non-Lincoln affiliates

LifeKeys services are provided by ComPsych® Corporation, Chicago, IL.

Travel assistance services are provided by UnitedHealthcare Global, Baltimore, MD.

The companies listed above are not Lincoln Financial Group® companies. Coverage is subject to actual contract language. Each independent company is solely responsible for its own obligations

LCN-1737231-031617