



Approved: September 14, 2020

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**CITY OF ARDEN HILLS, MINNESOTA  
CITY COUNCIL WORK SESSION  
AUGUST 17, 2020  
5:00 P.M. - ARDEN HILLS CITY COUNCIL CHAMBERS**

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**CALL TO ORDER/ROLL CALL**

Pursuant to due call and notice thereof, Mayor Grant called to order the City Council Work Session at 5:00 p.m.

*Note: On March 20<sup>th</sup>, the Mayor signed a determination allowing Councilmembers to participate in City Council meetings via telephone pursuant to State Statute 13D.021*

**Present via Telephone:** Mayor David Grant, Councilmembers Brenda Holden, Fran Holmes, Dave McClung and Steve Scott

**Absent:** None

**Also present:** City Administrator Dave Perrault, Public Works Director/City Engineer Todd Blomstrom, Finance Director Gayle Bauman, Community Development Manager/City Planner Mike Mroska, Associate Planner Joe Hartmann, Deputy City Clerk Jolene Trauba

**Also Present via Telephone:** Aaron Nielsen from MMKR

**1. AGENDA ITEMS**

**A. Segregation of Duties**

**Finance Director Bauman** stated that during the audit presentation in June a question was brought up regarding the audit finding the City continually gets on Segregation of Duties and what the City would need to do to reduce or eliminate this comment. The City receives a material weakness finding related to Segregation of Duties primarily caused by the limited size of the City's finance department staff. It is not unusual for a City of our size to receive this finding. This comment is not just looking at possible fraud and intentional acts, but also ensuring proper financial reporting and the prevention of honest errors. Even knowledgeable staff is capable of coding or classifying an entry incorrectly. This is why it is always best that multiple individuals are trained in each area so that no one individual can have responsibility to execute a transaction,

have physical access to the related assets, and have responsibility or authority to record the transaction.

**Finance Director Bauman** said she met with Mr. Aaron Nielsen from MMKR to discuss 16 different areas where there was a high risk that errors or fraud could occur and not be detected in a timely manner in the normal course of business due to limited segregation of duties. Many of the areas would require the Accounting Analyst be trained in either preparing or reviewing certain transactions throughout the year.

**Finance Director Bauman** indicated she is working on updating the City's positive pay program. At this time the bank won't cash a check unless the check number and the amount match the amount issued but it doesn't currently match the vendor name. She is updating the program to take vendor name into consideration. She will also determine the feasibility of adding new processes to review entries made into Springbrook. There are a couple of areas where no changes can be made based on current staffing: Pension and OPEB - the auditor assists in creating some of those entries, Capital Assets and Financial Close Review and Reporting. Staff feels they could implement enough of the changes noted to reduce the finding from a material weakness to a significant deficiency with existing staffing. The City Administrator has a finance background and the Finance Director has over 20 years experience, which assists in making adjustments. To entirely eliminate this finding, the City would need to consider additional staffing or contract out with someone each year to either prepare or review certain financial transactions throughout the year. At this time staff does not believe this to be a cost-effective solution. We will continue to monitor our controls on an ongoing basis and adapt as needed for changes in our processes and reporting environment.

**Mayor Grant** asked Mr. Nielsen if, as the auditor, he felt the changes could get the City from a material weakness classification to a significant deficiency.

**Mr. Nielsen** said yes, with the changes proposed he would be comfortable reducing the finding, although it would come over time. The 16 areas that are identified were used to facilitate the discussion, and some areas pose more risk than other areas.

**Mr. Nielsen** said he would start with number four on the list, accounts payable and prepaid items, also items one, three and five (cash and investments, utility funds and payroll, pension, OPEB).

**Councilmember Scott** said his concern was continuity of operations if something should happen to Finance Director Bauman and wondered if the City had any proprietary tools that would make it more difficult for someone new coming in.

**Councilmember Holden** commented that the City has hired contractors in the past.

**Finance Director Bauman** replied the City uses Springbrook software but otherwise is on par with other cities.

**Councilmember Holden** asked if the accounting analyst position would need to be changed if the cross training is done.

**Finance Director Bauman** said no changes would need to be made to the position description.

**Councilmember Holden** commented that she liked the idea of matching the check with the vendor.

**Councilmember Holmes** thought number five should be looked at more closely.

**Finance Director Bauman** said she has access to change permissions on Springbrook and she would make sure no employees except those processing payroll can make edits. The auditor assists with the pension and OPEB journal entries.

**Mr. Nielsen** said in regard to pensions, they are tying pension reports back to what PERA is publishing.

**Councilmember Holmes** wondered if the items in number seven could be contracted out.

**Finance Director Bauman** felt the person would need background information about projects, and it was more than just looking at a year end report or putting information into a work paper. Currently she does capital assets herself.

**Mr. Nielsen** said an option would be for the City Administrator to review the reports, but he would be sacrificing time from his other responsibilities. Finance Director Bauman is capable of completing the capital asset reports but she is the only one preparing them at this time.

**Mr. Nielsen** noted that the changes Director Bauman has proposed, if implemented in a timely manner, will move the rating from material weakness to significant deficiency.

**Mayor Grant** asked how many other cities the size of Arden Hills get rated below significant deficiency.

**Mr. Nielsen** said the cutoff is around 20,000 residents with a finance staff of four or five. It is common in small cities.

**Mayor Grant** felt that without pulling Administrator Perrault back into the Finance Department they were probably never going to get above significant deficiency.

**Councilmember McClung** stated that as part of his full-time profession he is a certified fraud examiner and had exposure to many of these concepts. He understands the finding and is pleased that Director Bauman is working to improve it. He is comfortable using current staff and getting to significant deficiency within a year.

**Councilmember Holden** agreed with Councilmember McClung and felt City Administrator Perrault should concentrate on his job, not finance.

**Mayor Grant** said he didn't want to pull City Administrator Perrault back into the finance world.

**Councilmember Scott** asked if they needed to temporarily escalate someone to do higher level work, who could set those controls and said he felt the finding wasn't bad based on the size of our city.

**Finance Director Bauman** said she sets those access controls.

**Mr. Nielsen** said he was comfortable with that.

**Mr. Nielsen** clarified that when they are issuing the audit standards it is an internal control observation. There are no instances of non-compliance with any of the audit testing.

**Mayor Grant** reviewed the direction to proceed with additional training for the accounting analyst, they do not want the City Administrator to go back to a Finance capacity although there may be some items he could help with, and to try to get to significant deficiency if possible. He asked to have the item put on a tickler file for the beginning of next year for review.

## B. Recycling Contract Discussion

**Community Development Manager/City Planner Mrosla** explained that Staff is looking for Council direction in regard to either extending the current contract with Republic Services or start the RFP process to select a new recycling provider. Republic Services has been the city's recycling hauler since 2015. The existing contract is very favorable for the city and was set to expire in May 2020. However, the existing contract has a clause that states the city has the sole discretion to elect to extend the contract annually or in five year increments. At its November 12, 2019 meeting, the City Council extended the current contract one year or until May 4, 2021. The current contract may be extended four more times. Staff is recommending extending the current contract with Republic Services for another year or from May 3, 2021, to May 2, 2022. Staff is proposing this extension because it would be difficult to secure a similar contract due to the unstable recycling markets. The proposed one year extension will continue to utilize the existing terms, conditions and fee structure as previously approved. Under the current contract, any rate increase shall not exceed three percent. The estimated contract rate based on a maximum three (3) percent increase will be \$102,000 for 2021.

**Community Development Manager/City Planner Mrosla** said the options are: would the Council want to continue to utilize the current contract with Republic Services for another year, that would not change the current existing terms and conditions, or should the City go out for an RFP.

**Councilmembers Scott, McClung, Holden and Mayor Grant** were in favor of a one year extension.

**Councilmember Holden** wondered why they didn't extend it for another three years.

**Community Development Manager/City Planner Mrosla** said the contract allows for a five year increment or one year. Since they did one year last year, they can only annually increase it going forward. But he can ask Republic Services if they will extend it an additional three years.

Council was in agreement with three years if Republic Services agrees.

### C. Chickens and City Ordinance Discussion

**Associate Planner Hartmann** asked that the Council if they would like to consider potential ordinance changes regarding the keeping of chickens in residential properties. The keeping of farm animals is regulated in Section 1325.07, Subd. 6, A. The code section states:

*Any building in which farm animals are kept shall be located a distance of two hundred (200) feet or more from any lot line. Any open structure in which farm animals are kept shall be a distance of four hundred (400) feet or more from any lot line.*

Although the minimum lot length in the R-1 Single Family Residential District is 130 feet and the length in the R-2 Single and Two Family Residential District is 120 feet, few residential properties can meet the setback requirements for chicken coops in the City.

**Associate Planner Hartmann** noted that a review of some neighboring cities' ordinances was provided, and additional municipalities in the Twin Cities area. Staff is looking for Council direction in regard to expanding the keeping of chickens. Should the staff review options to amend the language in the Zoning Code in Section 1325.07, Subd. 6 to relax restrictions on raising chickens and chicken coops in residential districts, based on examples of similar communities ordinance restrictions?

**Councilmember McClung** asked if this is being reviewed every couple of years or if residents are asking for it?

**Associate Planner Hartmann** said he had received a couple of inquiries from residents asking about allowing chicken coops. The short answer is yes, the longer answer is that not everyone that wants to have chickens is able to. Staff felt it was time to discuss the ordinance.

**Community Development Manager/City Planner Mrosła** mentioned this was also discussed at a previous work session.

**Councilmember McClung** asked if the City had received a petition.

**Community Development Manager/City Planner Mrosła** said he was aware of one, but the City had not received it.

**Councilmember Holden** said in talking to councilmembers in other cities that have chickens, they say responsible owners do a good job, but others don't. She's not against having chickens but felt the rules need to be very serious – they have to be responsible owners. If they move to have chickens the rules need to be tight.

**Councilmember McClung** said he could be persuaded with restrictions along the lines of Bloomington and Shoreview, fairly restrictive but allowing a small number of chickens.

**Councilmember Holmes** said it was addressed several years ago but the Council felt the majority of the residents didn't want them. Since that time a petition was emailed to her but she thinks a number of residents are still not interested because a suburban environment isn't conducive for raising chickens. She is not for changing the ordinance. She didn't know how they would enforce the rules and that once people go back to work, or once winter is here people may have a different opinion. Also coyotes and hawks is another disadvantage for chickens.

**Mayor Grant** felt it could be an issue for the neighbors. Part of raising chickens is having a chicken coop that neighbors have to look at. Along with winter and caring for fowl. He would have to have some pretty severe ordinance language.

**City Administrator Perrault** clarified that he believes there is a petition online but no petition has been formally submitted to the City by the petitioner.

**Councilmember Holden** said she thought it was sent to all the Councilmembers around April. She has had residents talk to her about this and so felt there should be a discussion regardless if there was a petition.

**Councilmember Scott** said he knew of a few residents that had chickens. One had problems keeping them contained, another neighbor had them and a coyote or some other animal got into them. He felt that by allowing them it could actually increase the coyote problem. Another person in another city said the chickens would bite him. For the people he knows that have had chickens it didn't end well, so he wouldn't support a change.

**Councilmember Holden** asked how big would a coop have to be to have 2 or 3 chickens, and would a coop be that ugly when people look at stuff in people's backyards anyway. She felt they should charge a permit fee, and if they get complaints they can no longer have them. The last time they reviewed this no cities allowed chickens but things have changed. Maybe they need a public meeting to discuss.

**Councilmember McClung** had heard from people supportive and others not interested. He felt an ordinance would have to be crafted restrictively and carefully, and a permit on a year to year basis.

**Councilmember Holmes** said our enforcement staff is busy enforcing our current ordinances and ordinances are difficult to enforce. Responsible owners won't be the problem. There could be coops falling into disrepair and odor issues. Most people she's talked to are not on board with chickens.

**Mayor Grant** said he is still leaning to no chickens.

**Councilmember McClung** there are a number of residents that are asking for this and he is a bit more open to it.

**Councilmember Holden** noted the Council is split 3-2 so she will bring it up again next year.

#### **D. Preliminary General Fund Budget**

**Finance Director Bauman** said the City is required to adopt a maximum tax levy by the end of September, which generally supports the General Fund. For the purpose of this discussion, there is a 3% tax levy increase reflected in the budget. As presented, the General Fund Budget is underfunded by \$81,210. The 2020 budget was \$121,590 underfunded so they are on the right path but eventually the City needs to adopt a balanced budget. A tax increase levy of 5% would be needed to balance the General Fund budget.

**Finance Director Bauman** stated that she has included in building permit revenue \$245,000 for two significant projects expected to move forward next year. One is a senior housing project and the other is a commercial office/warehouse. The proposed 2021 budget is \$5,193,530, an increase of \$175,220 or 3.5%. The increase is due to public safety costs which are going up over \$95,000, and personnel costs.

**Finance Director Bauman** said the projected 2021 property information is not yet available from Ramsey County. Because of this, staff is unable to calculate tax rates or levy impacts. There is no change proposed for the EDA Fund. The Public Safety Capital Fund has a proposed \$50,000 tax levy increase. In regard to the Equipment/Building Replacement Fund, the plan is to develop a replacement schedule for all City equipment and the tax levy will be adjusted accordingly. More revenues are required to support City infrastructure projects in the PIR Fund.

**Finance Director Bauman** reported that a survey was recently routed to various cities in the metro asking about proposed levy amounts being considered. Arden Hills would be on the lower spectrum of that survey. Also, this preliminary budget does not include any increases for business license or liquor license fees. Staff had initially anticipated they would look at fee increases for 2021, but now with the Coronavirus pandemic the thought is to push any increases out at least a year.

**Councilmember Holden** noted a significant shift in Recreation in 2020 and 2021 and Park Maintenance in 2020 and 2021.

**Finance Director Bauman** replied that the majority of the shift came from the Recreation Program discussion with FPAC. The majority of it had to do with personnel time being moved from the Recreation Program to Park Maintenance.

**Councilmember Holden** asked about the Elections cost.

**Finance Director Bauman** said there was a \$7,500 price increase in the contract price from Ramsey County.

**City Administrator Perrault** said the County re-evaluated their overhead costs, they are looking at increasing wages for election judges, and updating their supplies such as signage.

**Councilmember Holden** said she could support a 2% COLA for staff, but not 3%.

**Mayor Grant** said if inflation is only 1.2%, a 3% increase wouldn't work for him either. He would be more inclined to go with 2% for staff and negotiating with the union for their contract.

**Mayor Grant** asked if they were assuming that Parks and Rec would be fully staffed in 2021.

**Finance Director Bauman** replied yes, that she had not changed the total FTEs for the City.

**Councilmember Holmes** commented that FPAC had suggested the reallocation of duties in the Parks and Rec Department. That will still be reviewed by the Council. She felt they may want to discuss Northeast Youth and Family Services and what the City pays to them.

**Finance Director Bauman** reviewed the dispatch correction information for Allina services. There may be up to a \$10,000 increase over the next few years as the County works to correct their process. She explained the City's share of the total call for service in 2017 was .73%. In 2018 it was .655%. When they corrected the call count in 2019 our share went up to 1.68%. They are using those three years as a rolling average.

**Councilmember McClung** commented that he agrees with 2% COLA, and would like to be careful with the budget this year.

**Mayor Grant** said they still need to be sure the City is not underfunded and spending efficiently.

**Councilmember Scott** was concerned that the current 3% levy wouldn't be enough, and they shouldn't get into a position where they had to have a drastic increase.

**Councilmember Holmes** agreed they need to focus on keeping the finances strong so the Capital Fund balance didn't have issues.

**Councilmember Holden** wanted to be sure they put enough money into maintenance to work on the streets that are scheduled to be repaired.

**Finance Director Bauman** said normally for Building and Permit revenue she has not included possible large projects into the budget, in 2021 she has included \$245,000 in fee revenue.

**Councilmember Holden** felt staff should look at increasing license fees to be sure the City is recouping costs.

**Finance Director Bauman** reaffirmed that Council would like staff to look at license fees, change non-union COLA to 2%, but didn't know where the Council stood on the levy increase.

Councilmember Holden said 5%, Councilmember Scott said 4.5%. Councilmember McClung would like 3%, Councilmember Holmes agreed to 5% and Mayor Grant agreed to starting a preliminary levy at 5%.

**Mayor Grant** asked if everyone could support 5% as a preliminary number.

Council agreed, except for Councilmember McClung who didn't wish to go that high.



**Finance Director Bauman** said she could bring forward the maximum tax levy with different options to the September 14 meeting and it could carry forward to September 28 if necessary.

**Councilmember Holden** wondered if the City was going to continue to use Ramsey County for preventative maintenance.

**Public Works Director/City Engineer Blomstrom** said they would be looking at doing some of the preventative maintenance in house.

**City Administrator Perrault** said the Sheriff's Department didn't have an estimate for COVID funding yet, but the City could expect to use CARES funding toward 2020 fees.

**Councilmember Holmes** said she would like to understand the funding for Northeast Youth and Family Services and if they should not fund, partially fund or request further dialogue.

**Councilmember Holden** agreed because they don't know how much of the service that is being provided Arden Hills residents is being covered by the resident's insurance.

**Councilmember Scott** would like to continue to fund them but find out more about expenditures.

**Councilmember McClung** said he also had some concerns and is somewhat uncomfortable with the increase.

**City Administrator Perrault** said he could find out a detailed accounting of Northeast Youth and Family Services.

### **E. Council Tracker**

After discussion it was determined that Wyncrest Court and Cummings Park Parking Concerns, Horitas Acres, and Old Snelling Trail and McCracken Lane items could be removed. The revised estimated completion date for Speed Limit Discussion on City Streets was changed to February 2021.

## **2. COUNCIL/STAFF COMMENTS**

**Councilmember Scott** noted that one of the board members for Beyond the Yellow Ribbon, Rick Gwynn, had passed away with services at Fort Snelling National Cemetery.

**Councilmember McClung** said he was disappointed they didn't decide to have further discussion on Item C.

**Councilmember Holden** wondered if a letter could be sent from the City to the homeowners of the retaining walls on Hamline Avenue and give them the information for Ramsey County.

**Mayor Grant** directed Public Works Director/City Engineer Blomstrom to send a letter to any resident with property adjacent to the retaining wall and to include the Ramsey County responsible party and contact information.

**ADJOURN**

Mayor Grant adjourned the City Council Work Session at 7:59 p.m.



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Jolene Trauba  
Deputy City Clerk



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David Grant  
Mayor