



STAFF REPORT

DATE: July 19, 2022

CONSENT

AGENDA ITEM: Agreement with Ehlers for Financial Services

TO: Mayor and City Council

SUBMITTED BY: Kristina Handt, City Administrator

BACKGROUND:

Since Clifton Larson Allen (CLA) was unable to provide financial services, staff reached out to another firm, Ehlers to provide some day to day financial services and long range planning in the interim. We will begin advertising for the Finance Director vacancy once the departmental audit is complete and direction given by council.

ISSUE BEFORE COUNCIL:

Should the Council accept the proposal from Ehlers ?

PROPOSAL:

A copy of the proposal is included in your packet. It contains two parts- Finance Department Support and Long Range Financial Management Plan.

Finance Department Support would include bank reconciliations, journal entries, quarterly financial reports, and other governmental accounting tasks as desired.

Ehlers would redo our long range plan related to the tax levy (operating budgets, debt service for general fund, vehicle replacement fund, etc). It would not include our utility funds long range plan. I will reach out to Northland for an update of that as we have done numerous times over the last 6 years. Having long range plans is important in maintaining our bond rating. Since we plan to borrow for the next several years, staff would recommend investing in updating these plans.

FISCAL IMPACT:

Most of the work will be performed by fiscal consultants at a rate of \$225/hour. An estimate of 60 hours per month is included to complete this work.

OPTIONS:

- 1) Approve the proposal from Ehlers dated July 7, 2022 authorize city administrator to sign.
- 2) Do not accept the proposal from Ehlers

RECOMMENDATION:

If removed from the consent agenda:

Motion to approve the Ehlers proposal dated July 7, 2022 and authorize the City Administrator to sign.

ATTACHMENTS:

- Ehlers July 7, 2022 Proposal

July 7, 2022

Kristina Handt, City Administrator
City of Lake Elmo
3800 Laverne Avenue N
Lake Elmo, MN 55042

RE: Finance Department Support and Long-Term Financial Management Plan

Dear Ms. Handt,

Thank you for the opportunity to submit a proposal to provide finance department support and to prepare a long-term financial management plan for the City of Lake Elmo. The purpose of this letter is to offer a proposed scope of work as well as to identify the anticipated cost. The services are presented separately, giving the City the option to engage Ehlers to provide one or both services.

Scope of Work

1. Provide finance department support for bank reconciliations, journal entries, quarterly financial reports, and other governmental accounting tasks as desired. The work will be completed primarily off-site with up to 2 days a month on-site. The schedule will be flexible based on your needs and our availability.
2. Prepare a financial management plan (FMP) to assist the City with developing long-term operating budget and capital improvement plan projections while measuring the total tax impact now and into the future. As part of developing the FMP, and at the City's option, Ehlers can engage the Council in facilitated discussions to describe the projections and develop consensus. By understanding the financial impacts of decisions, the Council can establish spending priorities and develop consensus about an acceptable level of property taxes and other revenues. The FMP will provide the Council and public with an understanding of how today's decisions will affect constituents in the future.

Ehlers has reviewed the City's existing long-term planning tool and determined that it will be more cost effective for the City to use our template to prepare a new FMP rather than modify the existing Excel workbook. After completion of the FMP, the working document will be provided to City staff to update and maintain into the future.

Staffing

Kyle Sawyer will serve as the primary contact. The engagement includes access to the entire Ehlers team to ensure we match the right skill set to the right circumstances. Kyle brings more than a decade of direct local government experience to his role with the City. From 2011 to 2021, he served the City of Edina as an Accountant and Assistant Finance Director where he was integral in developing Capital Improvement Plans, constructing the biennial budget, conducting annual audits, and completing and overseeing finance tasks such as bank reconciliations. He also assisted with debt planning and issuance, investments oversight and cash flow management. Before that, Kyle worked as an auditor for cities and school districts across Minnesota.

Kyle will be assisted on the FMP by Elizabeth Diaz and Jason Aarsvold. Elizabeth will help prepare the numerical analysis and Jason will provide project oversight and facilitate the Council discussions, if requested.

Terms and Cost

The engagement can begin as soon as July 20, 2022. The proposed engagement will continue until December 31, 2022. The City and Ehlers may terminate at any time.

Total time spent providing finance department support and completing the FMP under this engagement will not exceed 60 hours per month. The 60-hour limit may never be reached and is intended to provide latitude for additional services, if requested, as well as to protect the City and Ehlers from overextending their financial and personnel commitment, respectively. Ehlers will bill at the following hourly rates:

Fiscal Consultants (Kyle Sawyer and Elizabeth Diaz)	\$225
Municipal Advisors (Jason Aarsvold)	\$265

The Fiscal Consultants will perform the majority of this engagement and their proposed rate reflects a reduction from their normal hourly rate of \$265. Invoices will be sent monthly for the work performed in the prior month.

The primary City contact for Ehlers related questions, work priorities, and resolving issues shall be Kristina Handt.

Along with the interim finance department support tasks, we propose to provide ongoing dialogue and idea-sharing, independent analysis, presentation of customized options for your unique circumstances and a competitive, value-oriented fee structure. Thank you again for this opportunity.

Sincerely,



Jason Aarsvold
Senior Municipal Advisor

Acceptance: _____ Date: _____