



Agenda
Minnetonka City Council
Study Session
Monday, Oct. 25, 2021
6:30 p.m.
Minnetonka Community Center – Dining Room

1. Reports from City Manager & Council Members
2. Minnetonka Fire Department Staffing Plan
3. Cybersecurity and Safe Electronic Payments Policy Review
4. Adjournment

The purpose of a study session is to allow the city council to discuss matters informally and in greater detail than permitted at formal council meetings. While all meetings of the council are open to the public, study session discussions are generally limited to the council, staff and consultants.



**Study Session Agenda Item #2
Meeting of Oct. 25, 2021**

Title: Minnetonka Fire Department Staffing Plan

Report From: John Vance, Fire Chief

Submitted through: Mike Funk, Acting City Manager
Darin Nelson, Finance Director

Action Requested: Informational

Summary Statement

Staff will review current fire department operations and present an alternative staffing plan for 2022 without the benefit of the federal Staffing for Adequate Fire and Emergency Response (SAFER) grant.

Strategic Profile Relatability

- | | |
|--|--|
| <input type="checkbox"/> Financial Strength & Operational Excellence | <input checked="" type="checkbox"/> Safe & Healthy Community |
| <input type="checkbox"/> Sustainability & Natural Resources | <input type="checkbox"/> Livable & Well-Planned Development |
| <input type="checkbox"/> Infrastructure & Asset Management | <input type="checkbox"/> Community Inclusiveness |
| <input type="checkbox"/> N/A | |

Statement: Ensuring staffing plans within the fire department to continue to provide a high level of service to the community

Background

In early 2021, the Minnetonka Fire Department applied for the federal SAFER grant. This grant provides funding to fire departments to help them increase or retain the number of professional firefighters available in their communities. This grant would have covered all costs associated with the hiring of 13 full-time firefighters within the department for a duration of three (3) years. The city would be responsible for the ongoing costs after the three-year grant period. The 2022 preliminary levy and budget includes the addition of nine (9) full-time firefighters in the offset of not receiving the grant at an estimated cost of \$950,000 for 2022.

The city of Minnetonka recently received the news that we were not recipients of the grant. Staff will review current fire department operations and present an alternative staffing plan for 2022 without the benefit of the SAFER grant while addressing some of the deficiencies in the city's current system.

The proposed plan allows for stable staffing levels while also maintaining a system that utilizes a combination of full-time and part-time Paid-On-Call Firefighters.

Subject: **Minnetonka Fire Department Staffing Plan**

This reduced proposal will allow staff time to work with a consultant to present to council a long-term plan on station locations, staffing, effective response and possible long-term cost savings.

Discussion Questions

Provide feedback on the alternative staffing plan



**Study Session Agenda Item #3
Meeting of Oct. 25, 2021**

Title: Cybersecurity and Safe Electronic Payments Policy Review

Report From: Darin Nelson, Finance Director
Patty Latham, Information Technology Manager

Submitted through: Mike Funk, Acting City Manager

Action Requested: Informational purposes – Staff will provide council with an overview of cyber and physical I.T. security practices along with a draft policy related to safe electronic payments.

Summary Statement

October is Cybersecurity Awareness month. Cybersecurity and physical information technology (I.T.) security is a 24-hour, 7 day a week, 365 days a year responsibility. The city's I.T. staff has security processes and measures in place, including staff educational training, to combat the constant threats and attacks directed at the city. Maintaining the security and integrity of the city's systems and data is a very high priority. Part of maintaining that security is establishing appropriate policies and procedures including a policy directed towards ensuring safe electronic payments to our vendors and employees.

Strategic Profile Relatability

- | | |
|---|---|
| <input checked="" type="checkbox"/> Financial Strength & Operational Excellence | <input type="checkbox"/> Safe & Healthy Community |
| <input type="checkbox"/> Sustainability & Natural Resources | <input type="checkbox"/> Livable & Well-Planned Development |
| <input type="checkbox"/> Infrastructure & Asset Management | <input type="checkbox"/> Community Inclusiveness |
| <input type="checkbox"/> N/A | |

Statement: Ensuring appropriate policies and procedures related to cybersecurity reduces the chances of the city falling victim to cybercriminals.

Background

As part of the vendor and employee payment process, the city promotes automated clearing house (ACH) payments as a secure and efficient manner to provide city payments. ACH payments, commonly referred to as direct deposits, have been in place and required for all employees for several years. ACH payments have also been an option for city vendors. In addition, the city made a concerted effort at the beginning of the pandemic to promote ACH payments for vendors due to many vendors not having staff regularly in the office to receive and deposit payments.

The increase in ACH payments across all business sectors, including government, has provided an opportunity for criminals to take advantage this payment method. As part of our insurance

renewal this fall, the League of Minnesota Cities Insurance Trust (LMCIT) included for the first time specific questions related to ACH policies, as LMCIT is seeing an increase in ACH fraud amongst cities.

Minnesota statutes require the city council to delegate annually the authority to make Electronic Fund Transfer (EFT) payments including ACHs. Historically staff provides this resolution to the council towards the end of each calendar year as required under Finance Policy Number 4.3.

This internal policy developed in May 2019 addresses internal controls for electronic payment purposes but not to the degree recommended by the League of Minnesota Cities or the Government Finance Officers Association. These organizations also recommend this policy be approved the by the governing body. A draft electronic payments policy and procedures document tailored to the city's operational needs is attached to this memo.

The city's Information Technology Manager, Patty Latham will be providing a high-level informational overview of the city's cyber and physical security practices.

Discussion Questions

Provide feedback on electronic payments policy.

City of Minnetonka - Finance Policies and Procedures
Policy Number 4.3
Payments Made by Electronic Funds Transfer

Goals and Objectives

City of Minnetonka routinely processes thousands of payments via electronic funds transfer (EFT) to vendors every year. As a public entity, these payments are particularly targeted by criminals who seek to fraudulently redirect them to a bank account under their control.

This type of fraud typically begins with an email or phone request — purportedly from a valid source — asking to update a vendor’s banking information. These fraudulent requests can come either as an update to existing EFT information or as a request to change payment from check to ACH. To reduce the possibility that a criminal can successfully redirect a payment to the wrong recipient, the City of Minnetonka Finance department has established financial controls to verify any request to change vendor and employee payment information.

Definitions

Electronic Funds Transfer (EFT): Electronic transfer of money from one bank account to another via computer-based systems. Although this term is often used interchangeably with Automated Clearing House (ACH) transactions defined below, EFT’s encompass all electronic payments including wires.

Automated Clearing House (ACH): A system used by U.S. commercial banks and other institutions to transfer funds between accounts. It is more commonly called “direct deposit.” ACH transactions are a specific type of Electronic Funds Transfer (EFT).

JD Edwards Financial System (JDE): City of Minnetonka financial system

Responsibilities

As required by Minnesota Statute 471.38, subd. 3a, the following controls apply to the use of EFT for payments:

- Use of EFT will only be utilized if the city council has delegated to the Finance Director the authority to do so. On an annual basis, the Finance Director will submit a resolution to the city for its consideration.
- The finance department will submit a certified copy of the annual delegation of authority to its disbursing bank(s), with instructions that the bank(s) must keep the copy on file.
- The initiator of the EFT must be identified.
- The initiator of the EFT must document the request and obtain approval from the Finance Director or designee, before initiating the transfer.
- A written confirmation of the transaction must be made no later than one business day after the transaction and shall be used in lieu of a check, order check or warrant required to support the transaction.
- Transactions made by EFT will be identified in the claims list, which is updated weekly and made available to the city council.

Vendors doing business with the City of Minnetonka are responsible for requesting changes to their EFT information and for supplying necessary information to verify the validity of their request.

City of Minnetonka Accounts Payable is responsible for verifying:

- The vendor’s name;
- The vendor’s tax ID;
- Other information as described in the Procedures below;

City of Minnetonka - Finance Policies and Procedures
Policy Number 4.3
Payments Made by Electronic Funds Transfer

- Exercising professional skepticism by being alert to anything that may indicate fraud; and
- ACH payments are limited to the city's insurance cap per fraud incident. Currently \$500,000.

Procedures

City of Minnetonka Accounts Payable Procedures for ACH Setup and Changes

1. ACH will only be set up or changed by the vendor completing an ACH form, which they must complete, date and sign. The vendor must also provide the following:
 - i. Voided check or bank confirmation letter that matches information completed on the ACH form.
 - ii. Completed W-9 form, including signature and date.
2. Accounts Payable staff will review all the documents and complete a multi-step Checklist and Approval form including obtaining supervisor and Finance Director's, or designee signatures of approval on the ACH form.

Checklist:

- *New vendor* - Conduct an Internet search and validate the street address and phone numbers provided against reputable databases. [Call the vendor using a publicly known phone number to verify the existing account information.](#)
- *Existing vendor* - Using information you already have in your records (which has been previously verified during setup), [call the vendor using a publicly known phone number \(Not directly from the person requesting the change\) to verify the existing account information.](#)
- Keeping a record of vendor/employee requests to change contact information. When finance receives a request to change bank account numbers, consult this log. If the employee/vendor recently asked for a contact change, use multiple other methods to confirm (look up their phone number on their website, contact a different person in the agency, etc.).
- Documents are submitted to the Accounting Coordinator and Finance Director, or designee for approval.
- A confirmation email is sent to the vendor after the EFT is changed in JDE with instructions to immediately contact Accounts Payable if the vendor did not initiate the EFT changes. (Wait 5 business days before paying by ACH)
- The approved EFT is entered or updated in the JD Edwards system.
- The EFT form is saved for future reference in an electronic system used by JDE for the retention of digital documents and supporting materials.
- If suspicious activity and/or fraud is detected, Accounts Payable staff will deactivate the vendor's current ACH setup immediately.

City of Minnetonka Payroll Procedures for ACH Changes

- Receive both written and verbal communication from the employee, confirming any requested changes to direct deposit information.
- All payroll and records containing data covered by the Minnesota Government Data Practices Act must be stored and transmitted securely.

Adopted by City Council on _____, 2021