

**CITY OF ROCKVILLE
FINANCIAL ADVISORY BOARD
AGENDA**

DATE: January 9, 2019
Red Maple Conference Room, 2nd Floor City Hall
TIME: 6:30 p.m.

- I. Call to Order at 6:30 p.m.
- II. Approve Agenda
- III. Approve Minutes
 - Attachment: Minutes from November 29, 2018
- IV. Reports
 - Beryl L. Feinberg, Mayor and Council Liaison
 - Stacey Webster, City Staff Liaison
 - FAB Member Reports – See Action Plan
- V. Old Business
 - Follow-up from Last Meeting – Wright
 - Other
- VI. Review of FY 2018 Comprehensive Annual Financial Report and Accompanying Letters/Reports (presented to the Mayor and Council on December 10, 2018)
- VII. New Business
- VIII. Future Agendas and Meeting Dates
- IX. Good of the Board
- X. Adjourn

NEXT MEETING: February 19, 2019

**CITY OF ROCKVILLE
FINANCIAL ADVISORY BOARD**

DATE: November 29, 2018

LOCATION: Black Eyed Susan Conference Room, 3rd Floor City Hall

TIME: 6:30 p.m.

**Board Meeting
MINUTES**

PRESENT: Board Members: Andrew Brammer, Corey Orlosky, Sylvia Pacher, Darryl Parrish, Bob Wright (Board chair)
Mayor and Council Liaison: Beryl Feinberg
Staff Liaison: Stacey Webster, Deputy Director of Finance
Staff: Gavin Cohen, Chief Financial Officer/Director of Finance

ABSENT: Board Members: Jack Kelly, Kuan Lee

I. Call to Order

Mr. Wright called the meeting to order at 6:30 p.m. He welcomed Darryl Parrish, the newest Board member who was appointed on November 19, 2018.

II. Approve Agenda

Mr. Wright asked the Board if there were any changes to the agenda; there were no changes.

III. Approve Minutes

Mr. Brammer made a motion to approve the minutes from October 23, 2018. Mr. Orlosky seconded the motion. All members voted in favor.

IV. Reports

- Councilmember Beryl Feinberg

Councilmember Feinberg reported that the Ms. Kimball sent her the draft internal audit RFP to review. She also mentioned that the procurement for the fraud tipline was almost complete; it was lower than \$3,000 so there was no need for an RFQ or RFP.

Councilmember Feinberg gave an overview about the outstanding charter amendments related to how to fill a vacancy/or when to hold a special election when there is a vacancy on the Mayor and Council. Only one person attended the prior public hearings so there will be another

date for additional public hearings. The Board of Supervisors of Elections met Monday and they will come back with their charter change recommendations in the next couple of weeks.

Councilmember Julie Palakovich Carr's last meeting is January 7th and she will be sworn in as a State Delegate on January 9th.

A Councilmember is interested in changes to the Adequate Public Facilities Standards (APFS). There is discussion on changing the capacity limit to 150% (from 120%) for two areas of the City.

On December 17, 2018, there will be two worksessions, one on millennials and one on the APFS. There will also be Discussion and Instruction on the proposed charter amendments.

- Stacey Webster, Staff Liaison – nothing to report.
- FAB Member Reports

Mr. Wright updated the Action Plan to include Mr. Parrish in the matrix and discussed his changes to the Plan.

Several Board members are working together on Item #9 of the Action Plan; Mr. Wright said the team approach may work well for other items, too. He requested that the Board members alert him if they want to be added to an item in the Action Plan.

Mr. Wright reported that the second and final meeting of the team evaluating the Transit Gap and Needs Analysis was scheduled for December 6, 2018, but City Hall will be closed for part of that day, so it will be rescheduled.

Mr. Wright requested that Board member provide him updates to the FY 2019 Action Plan every six months.

V. Old Business

- Performance Measures – Mr. Brammer reported that Mr. Lee sent Craig Simoneau a memo on performance measures.
- Compensation and Classification RFP – Mr. Wright will check with the City Manager regarding the status of the RFP.
- Procurement Report – Mr. Wright reported that he reviewed Ms. Lewis' report to the Mayor and Council and that the Mayor and Council agenda summary was helpful (it is on the website). Ms. Lewis did incorporate several of the comments from the FAB in the final report.

VI. Recommended Changes to Recreation and Parks Cost Recovery Policies, presented by Stacey Webster, Director of Management and Budget/Deputy Director of Finance

Ms. Webster presented staff's recommendations for changes to the Recreation and Parks cost recovery policies. These policies are one component of the City's overall Financial Management Policies. Major points in Ms. Webster's presentation included:

Background:

- Recreation and Parks offers a variety of services that add to the overall quality of life and community character in Rockville.
- City established fees and charges are needed to support these services and supplement taxpayer support, grants, and donations.
- Recreation and Parks reviews fees and charges annually and adjusts them based on policy guidelines; staff may also consider market conditions, benchmarking, demand, and industry trends.
- Finance reconciles the financial activity of Recreation and Parks services each year with cost recovery targets as defined in the City's adopted Financial Management Policies.
- The current policy was established in FY 2012, but changes in the City's demographics, economy, and the City's offerings necessitates an overall up-to-date review.

Goals:

- Update policies to reflect the current needs of the Rockville community.
- Achieve balance between affordable recreational opportunities and fiscal responsibility.
- Obtain endorsement of the updated policies by the Recreation and Park Advisory Board and the Financial Advisory Board.
- Create a new cost recovery summary for publication in the annual budget document.
- Succeed with adoption of the updated policies by the Mayor and Council via the FY 2020 budget process.

Update to Cost Recovery Policies:

- Recreation and Parks and Finance collaborated during 2018 to develop a proposed update to the Recreation and Parks cost recovery policies (pp. 39-42 of the FY 2019 adopted budget).
- Staff researched policies of the following jurisdictions: Arlington, Fairfax, Howard, Loudoun, and Montgomery counties; Maryland National Capital Park and Planning Commission; cities of Alexandria, Baltimore, Takoma Park, Gaithersburg, Portland (OR), and Tucson (AZ).
- Although many of these jurisdictions were helpful, staff modeled the proposed structure after the City of Alexandria's "Resource Allocation Philosophy" and "Cost Recovery Model and Policy".
- Staff researched best practices from GFOA and National Advisory Council on State and Local Budgeting; although they do not provide cost recovery target ranges, they do

suggest adopting formal policies, measuring against those policies, and assessing if service(s) could be provided more efficiently.

- Staff proposes a model based on a 5-tier pyramid, with the base representing the greatest amount of taxpayer support.
- Services can always perform better than their stated recovery targets due to demand and/or market conditions.
- Staff will use this model as the primary tool to assist in setting annual fees and charges for services.
- The “Recovery Targets” are based on direct costs PLUS the City calculated overhead rate (21.5% in FY 2019); direct costs include all personnel and operating costs for each individual program (the City overhead rate is calculated annually).
- Capital costs in the Capital Improvements Program (CIP) for facility infrastructure are not included in the cost recovery calculations.
- The following Recreation and Parks administrative cost centers are not represented in the policy due to their overall function within the City government:
 - ✓ Recreation and Parks Administration and Support (6.5 FTEs)
 - ✓ Recreation Administration and Support (2 FTEs)
 - ✓ Parks Administration and Support (6 FTEs)
- Due to the nature and scope of services they provide the Community Services Division is not covered by this policy.

Tier Assignments for Cost Centers:

- Each cost center is assigned to a tier, and performance will be measured against that tier in the annual budget document
 - ✓ Tier 1, Community Benefit: Athletic Fields, East Parks, Facilities Maintenance, Horticulture, Right-of-Way, Senior Citizens Support Services, Special Events, Urban Forestry Maintenance, and West Parks
 - ✓ Tier 2, Considerable Community Benefit: Arts, Lincoln Park Community Center, Senior Citizen Recreation, Senior Center Operations, Thomas Farm Community Center, and Twinbrook Community Recreation Center
 - ✓ Tier 3, Balanced Community and Individual Benefit: Afterschool, Civic Center Complex, Croydon Creek Nature Center, Senior Citizen Sports and Fitness, Skate Park, Summer Playgrounds, and Teens
 - ✓ Tier 4, Considerable Individual Benefit: Childcare, Classes, Sports, Swim and Fitness Center, and Summer Camps
 - ✓ Tier 5, Individual Benefit: There are no individual cost centers (elements exist within cost centers such as private rentals/lessons and merchandise)

Next Steps:

- Receive endorsement of the updated policies from the Recreation and Park Advisory Board and the Financial Advisory Board.
- Present new policies to the Mayor and Council during the FY 2020 budget process.

- The new policies are scheduled to be adopted in conjunction with the FY 2020 budget on May 6, 2019.

During and after the presentation the Board discussed different elements of the policy such as the target amounts associated with each tier, how programs and services are placed in the tiers, and what to do if/when a program is out of compliance with the policy.

The Board, at the suggestion of Mr. Brammer, recommended that language be added to the policy to state that if a program or service is out of compliance with the policy target for two consecutive years, then that program or service has two years to achieve compliance or must have City Manager approval for being out of compliance.

The Board unanimously approved staff's recommended policy with the addition of the language added by Mr. Brammer.

VII. New Business

Mr. Wright spoke at community forum about what happened at the County regarding Peter Bang's embezzlement. Mr. Wright said that it is important to look at City policies and procedures as a whole, including the City Manager's Office.

Mr. Orlosky explained that there was an exception in place that allowed Mr. Bang to embezzle County funds. He said it is difficult to catch these types of activities because the exceptions were determined and approved using the standard process.

Mr. Wright recommends a narrow review of City policies and procedures. Mr. Wright moved that Mr. Parrish work closely with the City Manager to confirm Rockville's policies and procedures and their robustness so that a similar situation does not occur at Rockville. Mr. Cohen said that it is impossible to ensure a similar situation does not occur at the City unless the Board knows exactly what happened at the County.

Mr. Orlosky said that there are now controls in place to eliminate this same type of activity at the County. Ms. Pacher said that requiring dual signatures on checks will help to prevent fraud.

Mr. Cohen explained why requiring dual signatures on checks is outdated, and that the City utilizes payee positive pay. Mr. Parrish asked how the City determines if vendors are valid. Mr. Cohen explained how the vendor database is managed by Procurement and how Account Payables does not have access to it.

Mr. Wright asked Mr. Parrish what areas he would like to evaluate in the City. Mr. Parrish said that he would like to review Accounts Payable and Procurement to ensure there is separation of duties and proper controls in place. Mr. Wright believes the Board should say something about this topic, so he motioned that Mr. Parrish work cooperately and closely with the City

Manager to review Rockville's financial policies and procedures to prevent fraud in the City of Rockville. Other members thought this was too broad of a task.

Mr. Orlosky said that they should wait and see what the City Manager does in response to this situation. Mr. Wright said that Mr. Parrish will contact the City Manager and let him know that the Board is interested in the City Manager's review and are available to offer assistance if needed.

Due to outcome of the discussion regarding the motion and no vote taken, the motion is tacitly considered withdrawn.

VIII. Future Meeting Dates and Future Agendas

The next meeting is scheduled for **January 9, 2019**, at 6:30 p.m. in the Red Maple Conference Room and will include the following:

- I. Call to Order
- II. Approve Agenda
- III. Approve Minutes
- IV. Reports
- V. Old Business
- VI. CAFR Review
- VII. New Business
- VIII. Future Agenda and Meeting Dates
- IX. Good of the Board
- X. Adjourn

The Board scheduled a future meeting for February 19, 2019.

IX. Good of the Board

X. Adjourn

Mr. Orlosky made a motion to adjourn. Mr. Wright seconded the motion. All members voted in favor. The meeting adjourned at 8:39 p.m.

Summary of follow-up items:

- Mr. Wright will check with the City Manager on the status of the Compensation and Classification RFP.
- Mr. Brammer will meet with Ms. Webster and Mr. Cohen at Mr. Brammer's request on December 10, 2018.

- Mr. Parrish will contact the City Manager and let him know that the Board is interested in the City Manager's review of internal processes and policies to prevent fraud, and will offer the Board's assistance if needed.
- All members of the Board will review the FY 2018 audited annual financial statements and accompanying letters (found on the City of Rockville website), and will come prepared to the January 9, 2019, meeting ready to discuss and/or ask staff questions.