

**CITY OF ROCKVILLE
FINANCIAL ADVISORY BOARD**

DATE: February 2, 2022
LOCATION: Video/Teleconference on ZOOM
TIME: 6:45 p.m.

**Board Meeting
MINUTES**

PRESENT: Board Members: Jack Kelly, Vicky Hsu, Darryl Parrish, Harold Hodges, Kenneth MacRitchie, Bob Wright (Board Chair), Mayor and Council Liaison:
Councilmember Beryl Feinberg
Staff Liaison: Xiaojing Zhang, Director of Accounting
Staff: Robert DiSpirito, City Manager; Stacey Webster, Chief Financial Officer/Director of Finance

ABSENT: Board Member: William Spagnuolo

I. Call to Order

Mr. Wright called the meeting to order at 6:45 p.m.

II. Approve Agenda

Mr. Wright asked the Board if there were any changes to the agenda. Board members did not raise any changes. Mr. Wright then moved forward with the agenda.

III. Approve Minutes

Mr. MacRitchie moved to accept the minutes from December 15, 2021. Mr. Kelly seconded the motion. All members voted in favor.

IV. Reports

- Mr. Wright said Councilmember Beryl Feinberg joined the meeting. Councilmember Feinberg reported that she was glad to be back, and she has recently attended the Retirement Board meeting and Senior Citizen Commission meeting. Councilmember Feinberg briefed the Board regarding four items on the most recent Mayor & Council agenda – personnel related items and more follow-ups will be available in the coming week. She reported that the budget is at a final stage for senior management’s

discussion. She mentioned that the 2040 Comprehensive Maser Plan - changes to the City Code, two prioritizations are to come.

- Ms. Zhang provided an overview of the City's Annual Comprehensive Financial Report (ACFR) for fiscal year 2021. Mr. Kelly raised concerns regarding budget comparison tables. He would like to see a table for actual spending compared with the adopted budget. Ms. Zhang pointed out the pages where the budget comparison schedules were presented in the ACFR for each fund. Mr. Kelly expressed appreciation. Mr. Hodges inquired about the general performance of the city. Ms. Zhang replied that the contents were presented in the Management's Discussion and Analysis (MD&A) section. Mr. Hodges inquired about the performance of the pension plans and Other Post-Employment Benefit Plan (OPEB). Councilmember Feinberg provided detailed pension funded ratios for both plans and stated that the funding should reach 98.5% in fiscal year 2028. Board members were glad to hear that the funded ratio is on a steady increase each year. Councilmember Feinberg stated that the discount rate has been decreased to 6.75%. Evaluation of the investment portfolio is on the agenda of the Retirement Board at their next meeting. Councilmember Feinberg indicated she would send a link for the next Retirement Board meeting to anyone who wants to observe.
- Mr. Parrish reported he reviewed both the Annual Comprehensive Financial Report (ACFR) and the Popular Annual Financial Report (PAFR). The two reports were well done, and staff had satisfactorily answered his questions.
- Mr. MacRitchie reported that staff had provided the meanings of the abbreviations on the Quarterly Financial Report. He also reviewed the Investment Policy, that was last updated in 2019. He reported to the Board that city does not engage broker-dealers directly. The City's investment advisor believes an institutional money market fund is a suitable investment option for liquidity needs. He reported that he does not have further questions or comments.
- Mr. Kelly reported he was engaged in the process of following the Request for Proposal (RFP) and the selection of a consult for performance measurements. The Evaluation Committee has reviewed responses to the RFP. He gave full credit to Ms. Lewis for the excellent Evaluation Committee, the comments, and the processes. The Committee interviewed bidders last week, met with Ms. Lewis on the proposal scores, and agreed on a preferred proposal. In the coming weeks further conversation with the preferred bidder will occur.
- There were no other Board member reports.

V. Old Business

Board members had no old business to take up.

VI. New Business

- Mr. Wright reported that he and Ms. Hsu shared the context of an upcoming memorandum regarding a donations policy for the City with the City Manager and the Chief Financial Officer on January 28th, 2022. If approved, the memorandum from the Board would recommend such policy is necessary. The City Manager expressed appreciation of this initiative. The City Manager reported that he reviewed the draft and the examples. He acknowledged that it would provide great accountability and transparency. His insight is that the current financial system can accomplish and address all aspects in the donations policy draft. The City Manager reported that the City has the controls in place to keep track of and fully account for all donations coming to the City.
- The Chief Financial Officer provided more detailed explanations of how donations are accounted for in the City. She explained that the City has Special Activities Funds to account for all donations received. These donations are set aside in specific accounts. She stated that while reviewing the donations the city received in the past few years, total donations took less than 0.1 percent of the total budgeted revenues. These donations are used to fund various specific programs selected by the donors.
- Ms. Hsu inquired about the process of setting up a special revenue fund. Ms. Webster, Chief Financial Officer, indicated that a discussion is needed with the Mayor and Council, and the Mayor and Council needs to approve the establishment of such a fund. If the activities are within the parameter of a general city amenity, all activities will be accounted for in the General Fund, not in the special revenue funds. Ms. Webster stated that the Mayor and Council sets up the ordinance, with the revenue sources, such as during the pandemic, a subsidy was approved from the General Fund. She provided an example of Art in Public Architecture. As the funding is from the city, the Mayor and Council can redirect the purpose of the fund.
- Ms. Hodges inquired if the city has developer's contribution agreements. Ms. Webster explained that generally this comes in as a low revenue source, and the city does not receive large donations. Community contributions are accounted for in specific accounts. If you want to know how the revenues and expenses are projected, she suggested looking in the budget document for each fiscal year.
- Mr. Wright proposed a hypothetical scenario of a gas station to be donated to the city or to set up as a park. Ms. Webster explained that the gas station would have environmental concerns. She continued to explain that each large donation has unique circumstances. It may be political. These examples are so individual and writing up a policy for these scenarios does not make sense. The City Manager explained that these one-time scenarios are subject to agreement, terms and must be negotiated. Ms. Webster said that these policies are so specific and are hard to write.

- Mr. Wright indicated it would be beneficial to have a benchmark for elected officials and city staff to have to aid in accepting donations.
- Mr. Hodges emphasized the importance of transparency and the rules of a donations policy. Ms. Webster explained that the city undergoes an independent annual financial audit for each fund. The city is transparent in releasing the account structures and financial data.
- Mr. Wright asked the Board for direction. He proposed three or fewer Board members might work together on an alternate donations policy. Three Board members agreed to continue discussing a donations policy. They are Ms. Hsu, Mr. Hodges, and Mr. MacRitchie.

VII. Future Meeting Dates and Agendas

The next meeting will be held on **March 9, 2021**, at 6:45 p.m. via teleconference and will include the following:

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

The meeting after that will be held on April 6, 2022, at 6:45 p.m.

VIII. Good of the Board

Mr. Wright appreciated the participation of the city staff and was glad to see that Councilmember Feinberg was back.

IX. Adjourn

Mr. MacRitchie made a motion to adjourn. Mr. Kelly seconded the motion. All members voted in favor. The meeting adjourned at 7:56 p.m.

Summary of follow-up items:

- Mr. MacRitchie, Ms. Hsu, and Mr. Hodges are to meet and propose a donations policy.