

**CITY OF ROCKVILLE
FINANCIAL ADVISORY BOARD
AGENDA**

DATE: October 20, 2022

Location: Video/Teleconference on ZOOM

<https://us02web.zoom.us/j/4291992467?pwd=Z21xUm81T3YxbDJLbnYxVGFWVC9wUT09>

Meeting ID: 429 199 2467

Passcode: 627583

301 715 8592

TIME: 6:45 p.m.

- I. Call to Order
- II. Approve Agenda
- III. Approve Minutes
 - Attachment: Minutes from September 21, 2022
 - Attachment: Minutes from September 27, 2022
- IV. Reports
 - Councilmember Feinberg
 - City staff
 - Board members
- V. Old Business
- VI. New Business
- VII. Future Agenda and Meeting Dates
- VIII. Good of the Board
- IX. Adjourn

**CITY OF ROCKVILLE
FINANCIAL ADVISORY BOARD**

DATE: September 21, 2022
LOCATION: Video/Teleconference on ZOOM
TIME: 6:45 p.m.

**Board Meeting
MINUTES**

PRESENT: Board Members: Jack Kelly, Kenneth MacRitchie, Bob Wright (Board Chair), William Spagnuolo, Darryl Parrish, Harold Hodges
Mayor and Council Liaison: Councilmember Beryl Feinberg
Staff Liaison: Xiaojing Zhang, Director of Accounting
Staff: Robert DiSpirito, City Manager; Jonathan Pierson, Assistant Director of Procurement

ABSENT: None

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.

III. Approve Minutes

Mr. Wright asked for a motion to approve the minutes from August 17, 2022. Mr. Kelly moved to accept the minutes. Mr. Spagnuolo seconded the motion. All members voted in favor.

IV. Reports

- Councilmember Feinberg informed the Board of the following: 1. On October 3rd, Raftelis will present their report on performance measurement at 7:55pm – Item #9. 2. Item #10 relates to the FY 2024 budget process. During this session, the budget processes and ideas for changes will be discussed. 3. Item #12 is for general interest where a discussion of town square will be held as well as policies and priorities. 4. On

October 17th work session, there will be three items, one of which will be the Financial Advisory Board's report on FY 2022 Annual Report and the proposed FY 2023 Action Plan. The time allocated for this presentation is approximately 20-30 minutes. The 2nd item is FY 2024 public hearing about prioritization. The last item is the master plan adoption for Red Gate. Councilmember Feinberg mentioned that the campaign for Rockville Goes Purple is the morning of September 22nd.

- Mr. Wright started to report on the McConnell Jones report. Mr. Wright stated that McConnell Jones did an investigation and made recommendations to the City regarding a payment fraud. Mr. DiSpirito reported that Ms. Webster and Ms. Lewis are not available for this meeting and introduced Mr. Pierson and Ms. Zhang as here tonight to address questions the Board members may have regarding the incident. Mr. DiSpirito provided the background of the Stanley Concrete incident. He stated that the City awarded a contract to Stanley Concrete, whose system was hacked. The company made a request to change their ACH information. He stated that no City funds were lost. The criminal investigation was performed by the police department, and the City worked with Montgomery County on the financial crime. He reported that this is an on-going effort for the City staff to review processes and introduce protective measures to prevent this from happening again. Mr. DiSpirito stated that the City cannot 100 percent eliminate hackers, but is working towards reducing the risks. Therefore, the City engaged McConnell Jones to assess current processes and procedures. McConnell Jones made nine recommendations and the City staff embrace these opportunities to protect the City better and make funds more secure. Mr. Pierson reported that the City adopted McConnell Jones' recommendations and are in the process of implementing them. Mr. Pierson reported that the process of secure link, the security setup, passwords, call-backs, as well as the security questions regarding banking information change requests have been implemented. Ms. Zhang reported that Accounts Payable staff have started the call-backs effective August 22nd, and the secure link was removed from the City's website. Ms. Zhang also reported that the City, with the help of technology, uses automation to approve workflow, and Accounts Payable is included in the workflow approval path. Ms. Zhang reported that the City staff spoke to their external auditors – CliftonLarsonAllen (CLA) – and CLA was not surprised or worried with this incident. In fact, they said it was becoming common. CLA is comfortable with the City's procedures and believes the future risk of fraud is low.
- Councilmember Feinberg congratulated the City on engaging McConnell Jones, as well as the positive feedback. Councilmember Feinberg thanked Mr. DiSpirito, Mr. Pierson, and Ms. Zhang. Regarding recommendations #3 and #4, Mr. Kelly and Councilmember Feinberg mentioned the procurement guide and checklist and suggested that the City implement the procurement report. Mr. Hodges asked to what extent was the relationship of the City with the vendor. Mr. DiSpirito reported that there was no familiarity, and the City was mindful of the process. There was no hint of favoritism. Mr. Hodges inquired what happened to the employee. Mr. DiSpirito replied that a City

employee was involved. For the employee it was not a disciplinary action, and the employee was not dismissed.

- Ms. Zhang reported that a performance measures training and briefing session for the Mayor and Council, as well as for FAB members was led by Raftelis. The session was held on July 26th, 2022. After that, Raftelis consultants had meetings with departments to review the existing performance measures and made constructive recommendations and comments for departments to review and select. Departments reviewed these recommendations and suggestions internally and made final their proposed/revised performance measures. Departments made sure the performance measures aligned with goals, as the goals are linked to the Mayor and Council critical success factors. Departments shared their revised performance measures with Raftelis. Raftelis will present their final report and recommendations to the Mayor and Council on October 3rd. The agenda packet will be posted to the website on September 28th.
- Mr. Kelly reported that he expects the Board to be highly involved with regards to the implementation of the Raftelis performance measures. Mr. Kelly expressed his disappointment that he was not asked to be more engaged with the process. Mr. DiSpirito stated that the Raftelis report was just finished, and he will check the update and the timing.
- Mr. Wright reported that capital projects beginning after five-years are not reflected in the Capital Improvement Program. That makes it a challenge to see priorities among all the capital projects foreseen. Mr. DiSpirito reported that the budget book does reflect the projects beyond five years. These projects may be shown as unfunded.
- Councilmember Feinberg reported that a community forum is part of the Mayor and Council meeting on October 3rd. She recommended Mr. Kelly attend and speak at it. Councilmember Feinberg reported that the City does not fund all projects. Unlike Montgomery County, who has a balanced budget, the City's budget is different. Planned Improvement Projects (PIP) do provide approximate out-years for implementation, and proponents (or opponents) should speak at community forums and public hearings regarding a specific PIP. Mr. DiSpirito expressed appreciation of the Board's valuable time and service.
- There were no other Board member reports.

V. Old Business

- Board members had no old business to take up.

VI. New Business

- Board members had no new business to take up.

VII. Future Meeting Dates and Agendas

The next meeting will be held on **October 20, 2022**, 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 has not been decided. Ms. Zhang reported that the procurement annual report will be around December 5th and the presentation of the City's Annual Comprehensive Financial Report (ACFR) will be held on December 12th, 2022.

VIII. Good of the Board

Mr. Wright thanked Councilmember Feinberg, Mr. DiSpirito – City Manager and all Board members.

IX. Adjourn

Mr. Kelly made a motion to adjourn the meeting. Mr. Spagnuolo seconded. All members voted in favor. The meeting adjourned at 8:10 p.m.

**CITY OF ROCKVILLE
FINANCIAL ADVISORY BOARD**

DATE: September 27, 2022
LOCATION: Video/Teleconference on ZOOM
TIME: 6:45 p.m.

**Board Meeting
MINUTES**

PRESENT: Board Members: Jack Kelly, Kenneth MacRitchie, Bob Wright (Board Chair), William Spagnuolo, Darryl Parrish
Mayor and Council Liaison: Councilmember Beryl Feinberg
Staff Liaison: Xiaojing Zhang, Director of Accounting
Staff: Robert DiSpirito, City Manager; Kimberly Francisco, Deputy Chief Financial Officer

ABSENT: Harold Hodges

I. Call to Order

Mr. Wright called the meeting to order at 6:46 p.m.

II. Discussion and action regarding the recommended performance measures contained in the Raftelis report "Performance Measurement Initiative, September 2022"

- Mr. Wright thanked Ms. Webster – Chief Financial Officer for forwarding the Raftelis report, thanked Ms. Zhang for setting up and posting notice of this special meeting, and the Board members for collective comments. Mr. Wright shared the memo on screen.
- Ms. Francisco reported that before the Financial Advisory Board begins its discussion on the memorandum that has been drafted, she would like to provide a few pieces of clarification and feedback for the board. Ms. Francisco said that as the project manager of the performance measure initiative, she worked very closely with Raftelis. Ms. Francisco believes that she can offer some insights that might be helpful as the Board discusses recommendations to the Mayor and Council. Ms. Francisco acknowledged the supportiveness of the Board with this very important initiative. Performance measurement had long been seen as a part of an annual budget exercise, but this work sets us on a path of making performance measurement an ongoing effort, and part of

the Rockville culture of continuous improvement and excellence in service. Ms. Francisco thanked Mr. Kelly for his involvement with the RFP, which led to the successful contracting with Raftelis for this engagement.

- Regarding the General Comments and Recommendations noted, Ms. Francisco offered some insight: **Who is responsible?** With the understanding that every organization comes with different structures, sizes, resources, and capacities, Raftelis did not go so far as to name a division where performance measurement should be centralized. Ultimately, the City Manager is responsible for determining the most suitable place in the organization for these functions to be placed and there have been some internal discussions about this. The FAB can make a recommendation on this, at its discretion. **Strategic planning recommendation** – Strategic Plan integration is identified by Raftelis as a performance measurement best practice on page 10 of their report. In the absence of a current strategic plan, the City has linked measures to goals which are tied to the critical success factors that were established some years ago. Raftelis does not explicitly state that the City should hold strategic planning activities on a regular basis, but this comes through clearly as a best practice, and the City should consider that feedback. The FAB can certainly make a recommendation on this, at its discretion. **Community satisfaction survey** – Community and stakeholder feedback help provide great opportunities to produce effectiveness measures. The listed recommendations for the performance measurement program framework (which starts on page 13) include conducting regular stakeholder satisfaction surveys. The report states this as a recommendation but does not prescribe that this must be a citywide survey. Again, management is responsible for identifying what methods of surveying will be most appropriate and useful for the organization. The FAB can choose to make a recommendation on this. **The specific comments about the budget measures** is exactly what performance measurement is not intended to be. The granular budget-to-actual data is provided in the City's quarterly financial reports, by fund, by revenue, and expenditure type. Performance measures are meant to serve as a high-level indicator of performance. Ms. Francisco stated that the City has reporting mechanisms to meet the granular needs. **On establishing targets** – the RFP did not ask for the consultants to recommend targets, however, there was a discussion with the consultants and the departments whenever they noticed measures that had targets that seemed unrealistic, or in cases where the target and results were always 100%. **Regarding the involvement of the Board** - In the same way that the Financial Advisory Board feels invested in some of the budgetary measures, surely there are other Boards and Commissions that feel invested in the measures of other departments and divisions. Consultations with Boards and Commissions at-large was not in the scope of the RFP for this engagement. In July, Raftelis did hold a briefing for the Mayor and Council and the Financial Advisory Board which covered best practices in performance measurement, the process the City would undergo, and what to expect. **On the timing of implementation** - including the new measures in the FY 2024 budget means that this data is being reported in February 2023 (5 months from now) in the Proposed FY 2024 Budget document. This is not a 20-month

time lag. As the measures now reflect more system-based and data-driven metrics, the City expects that many of the new measures will have historical data available to provide for comparative purposes. Redeveloping the FY 2023 budget document for performance measures that will appear in just a few months would not be a good investment of staff time as our FY 2024 process is just getting underway. The board recommendation for semi-annual performance measurement is noted. As the report provides the clear recommendation for regular reporting of performance measures, staff expects that this may result in reporting more frequently than just through the annual budget document.

- Ms. Francisco thanked the Board for reviewing the Raftelis report. Mr. DiSpirito stated that the City's senior team reassures that this will ultimately be the City Manager office's responsibility. Mr. DiSpirito reported that the City Manager's office is in the process of recruiting a senior project manager, whose primary responsibilities will be on this. This hands-on person will directly report to the Mr. DiSpirito and the Deputy City Manager.
- Mr. Kelly stated that the Raftelis report did not mention new contents for strategic planning and there is small amount of Rockville-specific information. There are weak recommendations on community satisfaction survey. Mr. DiSpirito reported that he is aware, and the community survey is biennial. Mr. Wright asked if Raftelis will be available for any process questions and Mr. DiSpirito assured that. Mr. Kelly stated that that there are no subordinate goals and comparisons between the old and new measurement would be helpful. Ms. Francisco reported that departments develop secondary goals internally and the City Manager manages high-level goals.
- Mr. DiSpirito stated the timing to amend the performance measures currently in the adopted budget is not advisable because the City is close to the mid-point of the 2023 fiscal year. The development of the FY 2024 budget starts in a few weeks. The Board agreed and amended the memorandum to delete recommendation # 4 and the renumber the recommendations.
- Mr. Kelly moved to forward to the Mayor and Council the amended memorandum. Mr. MacRitchie seconded the motion. All Board members voted in favor.
- As this was a special meeting, no other Board member reports and Board business occurred.

III. Good of the Board

Mr. Wright thanked Mr. DiSpirito, the City Manager and Ms. Francisco, the Deputy Chief Financial Officer and stated that the City is on a good path.

IV. Adjourn

Mr. Kelly made a motion to adjourn the meeting. Mr. Spagnuolo seconded. All members voted in favor. The meeting adjourned at 7:34 p.m.