

**CITY OF ROCKVILLE  
FINANCIAL ADVISORY BOARD  
AGENDA**

DATE: January 7, 2020  
Red Maple Conference Room, 2<sup>nd</sup> 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 21, 2019
- 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
  - Semi-Annual Update on FY 2020 FAB Action Plan
  - Status of FAB Review of Supplemental Employee Contributions
  - Other
- VI. Review of FY 2019 Popular Annual Financial Report
- VII. New Business
- VIII. Future Agendas and Meeting Dates
- IX. Good of the Board
- X. Adjourn

**CITY OF ROCKVILLE  
FINANCIAL ADVISORY BOARD**

DATE: November 21, 2019

LOCATION: Black Eyed Susan Conference Room, 3<sup>rd</sup> Floor City Hall

TIME: 6:30 p.m.

**Board Meeting  
MINUTES**

PRESENT: Board Members: Jack Kelly, Kuan Lee, Corey Orlosky, 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; Kimberly  
Francisco, Controller  
Guest: Kenneth L. MacRitchie, Prospective Board Member

ABSENT: Board Member, Andrew Brammer

I. Call to Order

Mr. Wright called the meeting to order at 6:32 p.m.

II. Approve Agenda

Mr. Wright asked the Board if they had any changes to the agenda; no members had changes, but Mr. Wright asked for two additions. Mr. Wright added Board member introductions for Mr. MacRitchie and an item to discuss the Board's membership and current vacancy (after 'Good of the Board').

Mr. Orlosky made a motion to approve the changes to the agenda. Mr. Kelly seconded the motion. All members voted in favor.

*The Board introduced themselves to Mr. Kenneth MacRitchie. Mr. MacRitchie expressed his interest in joining the Board and gave a brief overview of his qualifications, including his relevant professional certifications.*

III. Approve Minutes

Mr. Kelly made a motion to approve the minutes from October 17, 2019. Mr. Orlosky seconded the motion. All members voted in favor.

#### IV. Reports

- Staff Liaison Report – Ms. Webster reported that the first Mayor and Council worksession related to the FY 2021 operating budget and capital improvements program will be held on December 9, 2019. At that meeting the Mayor and Council will discuss community input in the budget process, Mayor and Council surveys, timeline for the budget, and an overview of the General Fund.
- FAB Member Reports:
  - Investment Report – Mr. Parrish reviewed the quarterly investment report and had one question for Ms. Webster that she answered prior to the meeting.
  - Purchasing Update – Mr. Kelly wants to review the Purchasing Update Report that is currently scheduled for the Mayor and Council’s meeting on December 16, 2019. Ms. Webster will check with Ms. Lewis on the timing of this report.
  - Mr. Lee is working on scheduling a meeting with Mr. Simoneau on performance measures.
- Mayor and Council Liaison Report – Councilmember Feinberg reported that the first meeting of the new Mayor and Council was on November 18, 2019. A worksession is scheduled for Monday, November 25, 2019, and that worksession will cover topics related to reinvigorating the City’s Town Center and early childhood education needs in the City.

#### V. Old Business

Mr. Wright reviewed the following items from the last meeting:

- Mr. Wright will discuss the Board appointments at the end of the meeting (after ‘Good of the Board’).
- Ms. Webster sent the CAFR and accompanying letters to the Board in preparation for tonight’s meeting.

#### VI. Review of FY 2019 Comprehensive Annual Financial Report

Mr. Wright asked the Board to hold a discussion on the CAFR and accompanying letters, and craft comments to include in the Mayor and Council’s agenda report. Mr. Orlosky started off by asking about the \$93 million restatement. Ms. Francisco briefly reviewed GASB 34, which required the reporting of infrastructure assets dating back to 1980. The guidance provided two options: governments could use a modified approach or a traditional approach to bring assets onto the books. The modified approach allows governments to set a condition level and to

maintain that condition level and not depreciate the asset. In the traditional approach you depreciate the assets.

When City assets were brought into the City systems per GASB 34, it was not clear if the City took a modified approach or traditional approach (this was prior to Ms. Francisco's employment with the City). The City's previous auditor did not see an issue with the way the assets were presented. Ms. Francisco said that the current auditors flagged this variance and she decided that it was most prudent to make the restatement and move forward.

Mr. Kelly asked if the City's net position is larger or smaller at the end of FY 2019. Ms. Francisco confirmed that the City's net assets are smaller. Mr. Kelly said that he thought the restatement was good news because it meant that the City found an issue and took the proper steps to correct it.

Mr. Parrish asked how long the current auditors were under contract. Ms. Francisco said that this is their third year or a five-year contract, with five additional one-year extensions. The auditors noticed this variance the second year of their contract; staff have been aware of this variance for several years.

Councilmember Feinberg asked if this restatement will have an adverse impact on the City's bond rating. Ms. Francisco said that she does not believe that it will have an impact on the bond rating, but it may require some additional oversight for future grants.

Mr. Kelly discussed valuing assets at fair value. Mr. Kelly explained that using fair value allows you to link spending decisions to the balance sheet.

Mr. Parrish questioned the timing on the outstanding receivable from Billy Casper Golf (page 55); he was curious when the City expected to be paid. Ms. Francisco said she was unsure when it will be paid but confirmed that the City has a \$250,000 performance bond that could be utilized. (note: the performance bond does not cover the full outstanding receivable). Mr. Cohen said that the City expects full collection from Billy Casper.

Mr. Wright acknowledged that there is maintenance associated with the RedGate Course. Ms. Webster confirmed that all maintenance is now being paid for out of the General Fund since the golf course is no longer a functional enterprise.

Mr. Parrish was surprised that the response to the auditors' internal control letter dated October 30, 2019 regarding the Cybersecurity topic was not more detailed given the presentation by the IT Director to the Board a few months prior. Ms. Francisco said that some of IT's improvements (phishing testing) started after June 30.

Mr. Kelly said the City is not being aggressive with deactivating inactive vendors. Ms. Francisco said that the City's Financial Systems Manager is working with Procurement to write a script to automatically deactivate the inactive vendors.

Mr. Wright noted that when funds are granted to an outside organization that outside organization is not audited (like REDI). He is concerned that outside agencies could use the funds for the wrong reasons. Ms. Francisco said that this is not a financial statement issue. Mr. Cohen said that the Mayor and Council can set any condition they would like to monitor an outside agency grant awards.

Councilmember Feinberg said that REDI has not yet reported statistics on the small business impact fund. Mr. Kelly said he is surprised because of the requirements at the federal level for grant compliance. Mr. Wright said there needs to be some controls and accountability at REDI for the City's grant.

Mr. Wright asked about the rules of employee sick leave and how sick leave is captured in the financial statements. Ms. Francisco said that when employees retire, they either receive one-fourth of their earned sick leave as a payout or their sick leave turns into credited service. When the financial statements report on compensated absences, they only factor in sick leave for employees that are eligible for retirement. Mr. Cohen said that those employees hired after 2011 no longer have a cash out option.

Mr. Wright asked why there was no mention on supplemental employee contributions (SEC) in the CAFR. Ms. Francisco and Mr. Cohen said the financials only report on actual activity and SEC has not been implemented through the most recent fiscal year close. Mr. Kelly asked why SEC language is not included in the budget and Mr. Cohen explained that even if SEC was implemented it would not have an immediate budget impact.

In relation to SEC, Mr. Cohen previewed the employer contribution to the Pension Fund that will be presented at the Retirement Board on November 22, 2019. He said that the City's contribution has increased for FY 2021 and that the funded ratio has slightly decreased.

Mr. Wright asked Ms. Francisco to define "purchased capacity." Ms. Francisco said that we purchase capacity for the City's sewer services from WSSC.

The discussion concluded with Ms. Webster assisting the Board in crafting the following language for the Mayor and Council's agenda report:

"The Financial Advisory Board met on November 21, 2019, to discuss the FY 2019 Comprehensive Annual Financial Report and accompanying letters. The Board's questions were satisfactorily addressed by the City's Controller, including a prolonged discussion on the depreciation adjustment that was identified as a material weakness in the internal control letter from the City's auditor dated October 30, 2019."

Mr. Lee made a motion to approve the language for the Mayor and Council's agenda report; Mr. Kelly seconded the motion. All members voted in favor.

VII. New Business

No new business.

VIII. Future Meeting Dates and Future Agendas

The next meeting will be held on **January 7, 2020**, 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. TBD
- VII. New Business
- VIII. Future Agenda and Meeting Dates
- IX. Good of the Board
- X. Adjourn

The next meeting after that will be held on February 27, 2020, at 6:30 p.m. in the Black Eyed Susan Conference Room.

IX. Good of the Board

New Item Added

*Mr. Wright read the guidance document for Boards and Commissions and he believes that according to page 4 staff should make recommendations to the Mayor on appointments. Mr. Cohen said that it is not staff's responsibility to be involved with potential Board members appointments. Mr. Kelly said that the Boards and Commissions Task Force discussed this issue and recommended that each Board and Commission make their own recommendation to the Mayor. Part of this recommendation is that the City Clerk's Office keep up-to-date information on the status of Expression of Interest (EOI) applications.*

*Mr. Wright explained that there are four EOIs submitted for the current vacancy, plus his re-appointment. Mr. Wright asked the Board how they would like to proceed. After a brief discussion, Mr. Wright said that he would follow-up with the Mayor to make sure that she is aware of the outstanding EOIs. Ms. Webster said that the Mayor and Council are tentatively*

*scheduled to approve Board and Commission appointments at their meeting of December 16, 2019.*

X. Adjourn

Mr. Kelly made a motion to adjourn. Mr. Orlosky seconded the motion. All members voted in favor. The meeting adjourned at 8:20 p.m.

**Summary of follow-up items:**

- Ms. Webster will check with Ms. Lewis on the timing of the Procurement Report that is scheduled for the Mayor and Council's meeting on December 16, 2019.
- Ms. Francisco will include the Board's approved language in the Boards and Commissions section of the annual financial statement agenda report for the Mayor and Council's review on December 9, 2019.
- Mr. Wright will make sure the Mayor is aware that there are currently five EOIs that need to be reviewed prior to the Mayor and Council appointments that are tentatively scheduled for December 16, 2019.
- Board members will think about possible topics for the January 7, 2020, meeting. Meeting topic ideas should be sent to Mr. Wright.