

**CITY OF ROCKVILLE
FINANCIAL ADVISORY BOARD**

DATE: January 7, 2020

LOCATION: Red Maple Conference Room, 2nd Floor City Hall

TIME: 6:30 p.m.

**Board Meeting
MINUTES**

PRESENT: Board Members: Andrew Brammer, Harold Hodges, Jack Kelly, Kuan Lee, Darryl Parrish, Bob Wright (Board chair)
Staff Liaison: Stacey Webster, Deputy Director of Finance
Staff: Gavin Cohen, Chief Financial Officer/Director of Finance
Guests: Kenneth MacRitchie and Lou Kallas, Prospective Board Members

ABSENT: Board Member, Corey Orlosky; Mayor and Council Liaison, Beryl Feinberg

I. Call to Order

Mr. Wright called the meeting to order at 6:29 p.m. He welcomed Harold Hodges, the newest Board member who was appointed on December 16, 2020, and Mr. Lou Kallas, a prospective Board member.

II. Approve Agenda

Mr. Wright asked the Board if there were any changes to the agenda; the only changes were the introductions of Mr. Hodges and Mr. Kallas. Mr. Hodges and Mr. Kallas briefly introduced themselves, including their professional backgrounds and qualifications.

III. Approve Minutes

Mr. Kelly made a motion to approve the minutes from November 21, 2019. Mr. Parrish seconded the motion. All members voted in favor.

IV. Reports

- Staff Liaison Report – Ms. Webster reported that the Mayor and Council will discuss their FY 2021 budget priorities and the results of their budget surveys on January 27, 2020. She also reported that the Proposed FY 2021 Operating Budget and Capital Improvements Program is scheduled to be presented on February 24, 2020, and the full budget calendar is available on the City's website.

- FAB Member Reports:
 - Purchasing Update – Mr. Kelly will cover this topic under old business.
 - Investment Updates – Notes/comments on the Investment Report and Investment Policy were included in the Board Action Plan update by Mr. Parrish and Mr. Brammer.
 - Performance Measures – Mr. Lee and Mr. Kelly met with the Department of Public Works' Operations Maintenance Division and they noted several improvements to their standard operating procedures and how they measure performance and operational efficiencies. They hope these improvements will translate to other City departments, namely Recreation and Parks.

V. Old Business

- Procurement Reports – Mr. Kelly discussed his interest in the purchasing area and the 2015 Purchasing Study. He explained that the City produces an annual report and interim updates that respond to the 2015 Purchasing Study. Mr. Kelly explained that the Board should give the elected body input through the 'Boards and Commissions' section of the Mayor and Council's official agenda item.

Mr. Hodges asked for clarification on the problem with the procurement function. Mr. Kelly responded that basic reporting and procurement activities were not taking place and Calyptus (the author of the 2015 Purchasing Study) identified numerous improvements.

Mr. Wright first reviewed the 42-month Procurement Action Plan Update. Ms. Webster suggested that the Board craft recommendations or comments to send directly to the City Manager for consideration. She explained that this will allow the City Manager to review the comments with the Director of Procurement before anything is publicly presented to the Mayor and Council. The Board agreed to this approach and crafted their comments on the 42-month Procurement Action Plan Update. Mr. Kelly will edit his previous written comments and recirculate to the Board for approval. The comments focused on the target dates for the Procurement Guide, the development and schedule of the strategic plan, and IT deficiencies in the procurement area.

Mr. Brammer made a motion to give Mr. Kelly the authority to draft the memorandum to the City Manager with the comments and recommendations that were discussed. Mr. Lee seconded the motion. The motion was approved with a vote of 5-0-1.

Mr. Wright then asked the Board to agree on language for the 'Boards and Commissions' section of the January 27, 2020, Mayor and Council agenda item. Mr.

Wright proposed the following language: “On January 7, 2020, the Financial Advisory Board reviewed the 42-month Procurement Action Plan Update and wrote a memorandum to the City Manager with their comments and recommendations.” Mr. Kelly made a motion to approve this language for the agenda item. Mr. Parrish seconded the motion. The motion was approved with a vote of 5-0-1.

The Board then briefly reviewed some items that Mr. Kelly noted as problematic in the FY 2019 Annual Procurement Report. Mr. Kelly, Mr. Wright, and Mr. Parrish agreed to meet to discuss the concerns and recommendations before a memorandum is written for the City Manager.

Mr. Wright asked the Board to agree on language for the ‘Boards and Commissions’ section of the January 27, 2020, Mayor and Council agenda item. Mr. Kelly proposed the following language: “On January 7, 2020, the Financial Advisory Board identified some concerns and recommendations that they will incorporate into a memorandum to the City Manager after their next Board meeting on February 27, 2020.” Mr. Kelly made a motion to approve this language for the agenda item. Mr. Hodges seconded the motion and the motion passed unanimously.

- Semi-Annual Report for the FY 2020 Action Plan – Mr. Wright explained the importance of the six-month semi-annual report to the FY 2020 Action Plan. He incorporated the updates that were sent to him by the members of the Board. Mr. Kelly and Mr. Lee committed to send additional revisions/updates to Mr. Wright.
- Supplemental Employee Contributions (SEC) – Mr. Wright distributed a draft document that contained background information and recommendations regarding the implementation of SEC. After the Board’s brief discussion, Mr. Wright asked the Board if they were interested in recommending implementation of SEC to the Mayor and Council. The Board members were not interested in making a recommendation at this meeting.

The Board discussed the history of the SEC and pension plan, the different employee groups and contribution rates, and the funded ratio versus the policy target. Mr. Cohen noted that the information in Mr. Wright’s memo was dated and that a new actuarial report from November 2019 is posted to the City’s website.

The Board decided that instead of making a recommendation at this time they will review the latest actuarial report and discuss the topic at a future meeting. Ms. Webster reminded the Board that Mr. DiSpirito wanted to delay any implementation of SEC until

after the results of the Compensation and Classification Study were approved by the Mayor and Council and subsequently implemented.

VI. Review of FY 2019 Popular Annual Financial Report

This item was postponed to February 27, 2020. Ms. Webster passed out hard copies of the FY 2019 Popular Annual Financial Report and asked the Board to review it and prepare their questions/comments for the next board meeting. The FY 2019 PAFR is posted on the City's website.

VII. New Business

The Board decided on the department assignments for their review of the FY 2021 Operating Budget and Capital Improvements Program. The assignments are: City Manager's Office and Finance, Mr. Brammer; Human Resources and Information Technology, Mr. Lee; Police, Mr. Orlosky; Public Works, Mr. Wright; Recreation and Parks, Mr. Kelly; Mayor and Council and Planning and Development Services, Mr. Hodges; and all CIP projects, Mr. Parrish.

VIII. Future Meeting Dates and Future Agendas

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

- I. Call to Order
- II. Approve Agenda
- III. Approve Minutes
- IV. Reports
- V. Old Business
- VI. Review/Approval of Board Comments on Annual Procurement Report
- VII. Review of FY 2019 Popular Annual Financial Report
- VIII. Review of the Proposed FY 2021 Operating Budget and Capital Improvements Program
- IX. New Business
- X. Future Agenda and Meeting Dates
- XI. Good of the Board
- XII. Adjourn

The next meeting after that will be held on March 18, 2020, at 6:30 p.m. in the Red Maple Conference Room.

IX. Good of the Board

X. Adjourn

Mr. Lee made a motion to adjourn. Mr. Brammer seconded the motion. All members voted in favor. The meeting adjourned at 8:56 p.m.

Summary of follow-up items:

- Ms. Webster will communicate the Board's approved comments on the 42-month Procurement Action Plan Update and the FY 2019 Procurement Annual Report to Jessica Lewis for inclusion on the Mayor and Council agenda items.
- Mr. Kelly, Mr. Wright, and Mr. Parrish will meet to discuss the concerns and recommendations related to the FY 2019 Procurement Annual Report before the next Board meeting.
- Mr. Kelly and Mr. Lee will send Mr. Wright additional revisions/updates for the mid-year update to the Board's FY 2020 Action Plan.
- All Board members will review the 2019 Popular Annual Financial Report and prepare questions/comments for the next board meeting.
- All Board members will review the latest actuarial report to better understand the SEC and other pension plan provisions.