

MEMORANDUM TO THE MAYOR AND COUNCIL
CITY OF ROCKVILLE, MD

DATE: September 5, 2018
FROM: The Financial Advisory Board
SUBJECT: FY 2019 Action Plan

This memorandum transmits the proposed FY 2019 Action Plan (attached) for the Financial Advisory Board and requests your approval to add one action to the plan— Action No. 15.

On September 5, 2018, the Financial Advisory Board (FAB or the Board) approved its FY 2019 Action Plan and submits it for your review (attached). The format for the FY 2019 Action Plan is different from previous years. We believe it clearly describes the Board's proposed work for FY 2019. This proposed FY 2019 Action Plan builds on previous Action Plans, but includes a new action that requires your approval. The Rockville Code in § 2-241 requires the first six (6) actions. Mayor and Council previously approved actions 7-14. We request you approve adding Action 15 to the plan:

Review the City staff's final draft RFP and the final draft work products by the contractor with regard to the study that the Human Resources Department proposes to initiate in FY 2019 to review the City's current employee compensation and classification structure.

Since personnel costs account for 62% of the City's total Operating Budget General Fund, the FAB requests Mayor and Council approve FAB's involvement in this study from its inception with the review of the statement of work for contractor support, and include the review of the final draft of the contractor's work products. This follows the approach that the FAB used with regard to the purchasing study conducted in FY 2014.

As you review the Proposed FY 2019 Action Plan, you might note that not all actions are given the same priority by the Board. The Board's priorities are informed by discussions with City staff, and we expect them to change according to the ebb and flow of the City's financial activities and priorities.

We thank you for supporting the Board. We believe we have a unique and productive relationship with City staff and look forward to working with them in the coming year.

RECOMMENDATION: The Mayor and Council approve Action 15 be included in the FAB's Action Plans.

Members of the Financial Advisory Board

Mr. John Kelly
Mr. Kuan Lee
Mr. Corey Orlosky
Ms. Sylvia Pacher
Dr. Robert Wright, Chair
Vacancy A
Vacancy B

Attachment: FAB Proposed FY 2019 Action Plan

Memo to M&C Transmitting the FAB Proposed FY 2019 Action Plan.docx

**FINANCIAL ADVISORY BOARD
PROPOSED FY 2019 ACTION PLAN**

Actions in the Charter (Code) for the Financial Advisory Board

| NO. | ACTION | FAB LEAD | STATUS | ORIGIN | RKV STAFF |
|-----|--|----------|---|-------------|------------------------|
| 1 | Annually review the City's Comprehensive Annual Financial Report (CAFR), the Single Audit Report, and all other reports issued by the auditors and published in final form. The review should encompass and include any management letters and audit findings, as appropriate. | PACHER | The FY 2017 Audit was conducted by a new auditor. In FY 2018 the Board reviewed the FY 2017 CAFR and identified no issues of concern. | § 2-241 (c) | Kim Francisco 8413 |
| 2 | Annually review the City's Financial Management Policies published in the City's budget document to evaluate whether those policies are appropriate. Include the cost recovery policy in the review. | ORLOSKY | In FY 2018, the Board accepted the City staff recommendation to focus its immediate attention on the City's cost recovery policies, particularly the policies affecting the recreation programs. City staff decided that the review of cost recovery policies would likely be a project for the summer of 2018. Therefore, the Board will coordinate its review of the City's cost recovery policies with any efforts that the City undertakes on this issue. | § 2-241 (d) | Stacey Webster 8407 |
| 3 | Annually review the City's investment policy to evaluate whether that policy is appropriate. | TBA | City staff believe this review makes the most sense in the year following a Mayor and Council election to provide the new officials the opportunity to take a fresh look at the City's investment policy. FAB concurs. Thus the next review will be conducted in FY 2020. | § 2-241 (e) | Stacey Webster 8407 |
| 4 | Review the City's cash and investment report when published | WRIGHT | Review the cash and investment fiscal quarter reports as they are posted on the City's website. | § 2-241 (f) | Stacey Webster 8407 |
| 5 | Review the City's quarterly financial reports (QFR) to assess whether spending and revenue collection are tracking with adopted and amended budgets, analyzing variances, and to highlight problem areas, if any. | TBA | The Board's recommendations on the City's proposed changes to the FY 2018 QFR format was included in the final format of the FY 2018 first quarter QFR submitted to the Mayor and Council on November 13, 2017. The Board will review any subsequent changes that the City proposes to make to the QFR format. | § 2-241 (g) | Stacey Webster 8407 |
| 6 | Annually provide comments and recommendations, as appropriate, regarding the next fiscal year's Operating and Capital budgets. | TBA | Work on this action will be coordinated with City's schedule for preparing the FY 2020 Budget. | § 2-241 (h) | Stacey Webster 8407 |

**FINANCIAL ADVISORY BOARD
PROPOSED FY 2019 ACTION PLAN**

Prior Approvals by Mayor and Council for the Action Plan for the Financial Advisory Board

| NO. | ACTION | FAB LEAD | STATUS | ORIGIN | RKV STAFF |
|-----|--|----------|--|----------------------------|----------------------------|
| 7 | Review proposed City actions to implement the 2015 Purchasing Study. | KELLY | The FAB will coordinate its review of these biannual reports with City staff including the FY 2018 Annual Procurement Report. | M&C Approved | Jessica Blow 8432 |
| 8 | Represent FAB on the Caregiver Funding Task Force. | PACHER | <p>This Task Force was established by the Mayor and Council in May 2017 to develop a comprehensive process for reviewing and recommending the methodology used to award Caregiver grants during the annual budget process. Task Force members are organized into teams to look at different aspects of the grant program. Meetings are monthly and the Task Force plans to complete its work in a year or so.</p> <p>The Task Force met in June and their next meeting is August 2, 2018. There are five subgroups working on different elements of the process. Ms. Pacher's group is working on the submittal forms.</p> | M&C Approved | Carlos Aparicio 8303 |
| 9 | As part of the annual review of the Operating Budget, also review the Performance Measures in the budget. | LEE | The FAB began a general review of the outcome performance measures in the FY 2019 Proposed Budget. Initially, the FAB focused its review on the outcome performance measures of the Police Department. Due to significant changes within the Police Department, the FAB and city staff agreed to select a different department, by recommendation of the city staff, to focus the review. Further, the review will focus on the department's process and practice on how the performance measures are derived. | M&C Approved FY 2018 | Stacey Webster 8407 |
| 10 | Annually review the PAFR (extension of CAFR review). | ORLOSKY | City staff does not believe that this review needs to occur annually. FAB concurs. | M&C Approved | Stacey Webster 8407 |
| 11 | Work with City staff in identifying an underserved population with regard to transportation within Rockville and evaluating the feasible ways to provide that transportation (e.g., Rockville circulator). | WRIGHT | In July 2018 a contract was awarded to Foursquare integrated Transportation Planning, Inc. to conduct the Transit Gap Analysis and Needs Assessment Study for the City of Rockville. | M&C Approved FY 2018 | Emad Elshafei 8508 |

**FINANCIAL ADVISORY BOARD
PROPOSED FY 2019 ACTION PLAN**

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| 12 Review updates to the Water and Sewer Rates. Review the water and sewer rate structure study. | WRIGHT | The FAB reviewed the most recent proposed 3-year water and sewer rates and found them appropriate. The proposed water and sewer rates were adopted in the FY 2019 Budget. Unless the water and sewer rate structure study recommends changes to the water and sewer rates, the next review is not anticipated until the FY 2022 Budget. | M&C Approved FY 2018 | Stacey Webster 8407 |
| 13 Review potential financial impacts from repurposing the King Farm Farmstead and be aware of proposals for remediation and improvements of the facilities at the King Farm Farmstead. | WRIGHT | The buildings on the King Farm Farmstead continue to be remediated for safe occupation and public use. There is an ongoing discussion regarding the uses for the buildings. The FAB wants to be informed of potential uses of the King Farm Farmstead being considered by Mayor and Council in order to review the potential financial impact on short-term and long-term City resources. | M&C Approved FY 2018 | Tim Chestnut 8602 |
| | | Mayor and Council on July 16th conducted a worksession on the King Farm Farmstead, which had members of the King Farm Task Force in attendance. The City has spent approximately \$4 million on the Dairy Barns. The Horse Barn will cost approximately \$60,000 to demolish or stabilize and \$2,000,000 plus to rebuild and bring utilities to the site. There is hesitation to move forward with the horse born without a defined use. | | |
| | | A tour of the King Farm farmstead, particularly the Dary Barns, for the FAB was conducted by Tim Chestnut on August 6th. | | |
| 14 As part of the review of the annual Operating Budget, review the Cost Allocation Plan (CAP). | TBA | In FY 2018 the FAB concurred with the City's new approach for developing the CAP. Unless the City proposes changes to that methodology, the FAB will remain inactive on this action. | M&C Approved FY 2017 | Stacey Webster 8407 |

**FINANCIAL ADVISORY BOARD
PROPOSED FY 2019 ACTION PLAN**

Request for Mayor and Council Approval for the FY 2019 Action Plan for the Financial Advisory Board

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| 15 | Review the City staff's final draft RFP and the final draft work products by the contractor with regard to the study that the Human Resources Department proposes to initiate in FY 2019 to review the City's current employee compensation and classification structure. | TBA | Since personnel costs account for 62% of the City's total Operating Budget General Fund, the FAB requests Mayor and Council approve FAB's review of this study from its inception with the statement of work for contractor support, and include the review of the final draft of the contractor's work products. This follows the approach that the FAB used with regard to the purchasing study conducted in 2014. | FAB Request FY 2019 | Karen Marshall 8472 |