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MAYOR AND COUNCIL OF ROCKVILLE
ROCKVILLE, MARYLAND

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MEETING NO. 02-13
AGENDA ITEM NO. 12
PUBLIC HEARING ON CREATION AND DUTIES OF A
FINANCIAL ADVISORY BOARD

Monday, January 14, 2013

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PARTICIPANTS:

Board Members:

- PHYLLIS MARCUCCIO, Mayor
- JOHN F. HALL, JR., Councilmember
- TOM MOORE, Councilmember
- BRIDGET DONNELL NEWTON, Councilmember
- MARK PIERZCHALA, Councilmember

Staff:

- BARBARA MATTHEWS, City Manager
- JENNY KIMBALL, Acting City Manager
- DEBRA YERG DANIEL, City Attorney
- DOUG BARBER, City Clerk

Speakers:

- ROALD SCHRACK
- CATHY BERMAN
- BRIGETTA MULLIGAN
- JOE JORDAN
- DOUG REMAL
- LAURA BERTHIAUME
- DON HADLEY

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P R O C E E D I N G S

1
2 MAYOR MARCUCCIO: All right. We will
3 move on to Item Number 12. Am I correct there?
4 Would you believe we have another public hearing?
5 All right. This public hearing is on the creation
6 and duties of a financial advisory board. Was
7 this property advertised, Mr. Clerk?

8 MR. BARBER: Yes.

9 MAYOR MARCUCCIO: All right. And at the
10 moment, we have two folks signed up, Roald Schrack
11 and Cathy Berman. Is there a presentation before
12 we hear from the two speakers, and possibly
13 others?

14 MS. MATTHEWS: I can make some opening
15 comments, Madam Mayor.

16 MAYOR MARCUCCIO: All right.

17 MS. MATTHEWS: In June of 2012, the
18 Mayor and Council held its first formal discussion
19 of the creation of a financial advisory board as
20 proposed by Council member Newton. Since that
21 time, the Mayor and Council have had several other
22 discussions and have agreed in concept to form

1 such a board.

2 The Mayor and Council wanted to get
3 public input on the creation of the board and that
4 is the subject of tonight's public hearing, is for
5 you to get community input on this idea. Staff
6 does recommend that the public hearing record
7 remain open for written comment until 5:00 p.m. on
8 Friday, January 25th.

9 MAYOR MARCUCCIO: All right. We will
10 hear from the two speakers. First is Roald
11 Schrack. Second is Cathy Berman.

12 MR. SCHRACK: Good evening.

13 MAYOR MARCUCCIO: Good evening.

14 MR. SCHRACK: I'm Roald Schrack, 13
15 Farsta Court. We're here to discuss this evening
16 the advisability of a financial advisory board.
17 At first glance, of course, it always sounds good
18 to have more advice. And I've listened to some of
19 the testimony and discussion that we've had over
20 the past couple of weeks.

21 So I've thought about it a good deal.
22 And one of the problems -- okay. Starting off, it

1 sounds good superficially let's say. But when you
2 stop to think about it, what you're asking is to
3 choose five people that will be your source of go
4 to for information on financial matters.

5 First of all, I don't know which
6 financial matters you think you can find invested
7 in five people. There's a wide variety of
8 questions that you face, budget, you have problems
9 with investments, you have problems with
10 obligations like your pension plans, you have
11 special cases that you've had come before you like
12 Fireside Apartments and the Lutheran Home that
13 caused some consternation and desire for more
14 information. I submit that you have a staff that
15 is high qualified and won many awards for its
16 efforts. That is your first line of defense.
17 Secondly, you have utilized the resources of
18 consultants that you have brought in for special
19 cases. I see no need, and I question the
20 desirability of affixing five people with some
21 special qualities that you will go to for
22 financial advice.

1 I don't know how you're going to choose
2 them without some implications of political
3 affiliation. So I suggest that you stick with the
4 current open market principal, going where you
5 need it. Thank you.

6 MAYOR MARCUCCIO: Thank you. Cathy
7 Berman.

8 MS. BERMAN: Good evening, Madam Mayor
9 and Council. I'm Cathy Berman from 172 New Mark
10 Esplanade in Rockville. I'm in favor of the
11 establishment of a financial advisory board. I
12 think this board is necessary with or without the
13 current economic situation of declining revenues
14 and increasing costs.

15 The Mayor and Council often find
16 themselves in the position of making decisions
17 that involve complex financial arrangements and
18 transactions. It is unfair to them and to the
19 residents of Rockville that they must make far
20 reaching decisions without the benefit of
21 information and analysis from an objective,
22 knowledgeable source.

1 During the hearings on the Rockville
2 Housing Enterprise's proposal to purchase the
3 Fireside Apartments property, speakers at the
4 hearings were either in favor of the project or
5 against it. Each speaker's lack of objectivity
6 made the Mayor and Council's job very difficult.
7 They were left to sift through many conflicting
8 statements to determine what was important and
9 valid from what was extraneous, half true, a
10 misunderstanding, or wishful thinking.

11 What they needed were financial
12 professionals who could provide them with a clear
13 understanding of the short term and long term
14 financial aspects of the deal, including all the
15 risks. They needed professionals with enough
16 in-depth knowledge to ask the right questions,
17 assess alternatives, and make recommendations.
18 They needed a financial advisory board.

19 In addition to proactive duties, it
20 would be helpful to have such a board monitor and
21 evaluate how past financial decisions are playing
22 out. In addition to my written statement based on

1 the prior comment, I'd just like to say, I think a
2 lot of residents have the assumption that within
3 the city staff, you have access to this kind of
4 expertise whenever you need it.

5 And what I saw with the discussions over
6 Fireside is that that's not the case, that you
7 were each trying very hard to wrap your minds
8 around the information, the documents, the
9 comments, and all of the statements that were made
10 and figure out what was the right thing to do, but
11 also figure out the implications of all the
12 different things that were being said and the
13 financial end. And what I saw was that you do not
14 have people on your staff that you can turn to to
15 hand this to them and ask them to do the financial
16 analysis, that you do need this kind of expertise.
17 And whether it be a separate financial advisory
18 board or a new department in the city, I don't
19 know the implications of making that decision,
20 although a separate board sounds like they could
21 be more independent than city staff who might be
22 pressured one way or another because of their

1 relationships within the city. So I do think an
2 independent board is important and makes sense.

3 MAYOR MARCUCCIO: Thank you.

4 MR. MOORE: Madam Mayor, if I may follow
5 up with Ms. Berman.

6 MAYOR MARCUCCIO: Just a moment. Don't
7 go away. He's got a question for you.

8 MR. MOORE: Thank you for coming out. I
9 appreciate your testimony on this. One of my
10 concerns throughout this discussion has been, what
11 is it that a board like this could give us that
12 city staff can't give us? And in your opinion,
13 looking at the proposal, what is it that -- how
14 could a group of citizens be objective in a way
15 that the professional financial staff of the city
16 can't be?

17 MS. BERMAN: Well, my experience has
18 been with the Fireside project.

19 MR. MOORE: Right.

20 MS. BERMAN: And what I saw there was, I
21 know I did a lot of number running in terms of
22 what that project meant in loss of property taxes

1 at city, county, state levels. There were things
2 that did not seem to have been brought to the
3 attention of the Mayor and Council from the city
4 staff.

5 I called the city and I asked to see a
6 Cost Benefit Risk Analysis of the project and they
7 said one had not been done. And considering the
8 huge, what was it, \$37 million either investment
9 or spending, however, you know, but \$37 million
10 and there wasn't anyone doing that. That's the
11 kind of thing that I would think a financial
12 advisory board would have -- they would have been,
13 you know, focused not on just the day-to-day
14 things that the city staff I'm sure is very busy
15 doing, but these kinds of projects that come up
16 that take a very in-depth financial knowledge.

17 You can be very well educated and very
18 smart, but still not be able to look at those
19 numbers and know the right questions to ask before
20 signing a contract.

21 MR. MOORE: Right.

22 MS. BERMAN: So there are other projects

1 that come before the city where the numbers
2 involved are huge. And it may seem every day to
3 you because you get so many of these projects.
4 The numbers are huge and you really should have
5 that expertise before making a decision.

6 MR. MOORE: Yeah. I appreciate that.
7 Thank you. It seems that what you're describing
8 is more a failure on our part rather than a
9 failure on the other side of the table. If we're
10 not getting that information, if we're not getting
11 the adequate reports to make decisions, it's
12 because we're not asking for them. Pretty much,
13 in my experience, what we ask for whenever we need
14 information to make those decisions, we get it.
15 I'm not sure how a board could do any better.

16 MS. BERMAN: Right. That's not the way
17 it came across. And I read the city staff
18 recommendation back on the Fireside project and it
19 was just very high level, it wasn't in-depth.
20 They did not even bring up, as citizens did, that
21 within the documents that RHE provided, that the
22 interest payments on the loan in those documents

1 were the same amount every year, which should not
2 happen on a loan that's being paid down, the
3 interest payments should be going down.

4 They did not do the level of analysis
5 that you need. But somebody who is charged with,
6 you know, like a board, this is their focus and
7 they really, really look at numbers, and they look
8 under the cover, not just kind of, oh yeah, these
9 numbers look reasonable, but they're really
10 thinking them through. I think that's what you
11 needed. And I don't think you have that.

12 I remember hearing different board
13 members talk about -- Council members talk about
14 spending hours and hours pouring over, trying to
15 make sense of it, not that there was anyone in the
16 city pouring over it with the expertise to easily
17 make sense of it.

18 MR. MOORE: Okay. Again, thank you for
19 coming out. Thank you for your interest in this
20 and on Fireside. I think you've been helpful with
21 both those discussions.

22 MAYOR MARCUCCIO: Yes. Is there anyone

1 else who wishes to speak at this public hearing? I
2 have two. I think I saw your hand first,
3 Brigetta.

4 MS. MULLIGAN: Brigetta Mulligan, 1947
5 Louis Avenue. I'll try to make it quick.
6 Actually, Council member Moore asked kind of the
7 question that I wanted to ask, and that is, what
8 do you all feel that that group did for you? I
9 have listened to all of your discussions and it
10 was very contentious for hours discussing this.
11 And I picked out a lot of different issues, of who
12 it would be and how it would be done. I still
13 don't know what this group, this budget group that
14 you had, what benefit it had for you all and for
15 me, meaning a citizen.

16 So I think the issue is, what is it
17 you're not getting that this board would give you?
18 I mean, again, if you all agree that you need this
19 board, obviously you can vote on that, you can
20 establish it. But my question is, what is this
21 board really going to do?

22 I listened to the argument with -- what

1 she just presented. That was a whole issue on a
2 subject, just like you said. If you needed more,
3 you could have asked for more. That board wasn't
4 going to be having time to do anything. Do you
5 know what I'm saying? That's why you all have
6 public hearing. You have public hearing so that
7 other additional information can come in in
8 addition to staff.

9 So my question really is, why do you
10 want to establish that -- what effectiveness can
11 this board give you if you all are convinced that
12 that is -- that will help you then, you know, I
13 can understand why you would vote for that. That
14 was my question as a citizen. What is this board
15 going to do? And if there is a problem that you
16 have to solve, maybe it's a different one than the
17 board. Just bringing that up to you all. Thank
18 you.

19 MAYOR MARCUCCIO: Is there anyone else
20 who wishes to speak? All right. Mr. Jordan.

21 MR. JORDAN: Good evening. My name is
22 Joe Jordan, I reside at 328 New Mark Esplanade. I

1 just want to speak briefly on the financial
2 advisory board. I remember when this thing first
3 started, it was years ago I think, not just like
4 in 2012. And when I first heard about it and
5 thought about it, I thought it was a pretty
6 simplistic thing, simplistic in that it was a
7 simple thing.

8 And somehow over the span of time, it's
9 gotten complex, it's gotten complicated to a point
10 where I'm not even sure it was the original intent
11 of Council member Newton who has been pushing for
12 this thing. I think an advisory board, and I
13 think the key word is advisory, is important. And
14 I think -- when I first thought about it, I
15 thought it in terms of budget season, and I think
16 that was kind of when it started coming up was
17 hand in hand with the budget. Also maybe some ad
18 hoc things that would crop up. Rockville Housing
19 Enterprises is a good example. I think that was
20 outside the venue of the city's financial group,
21 so they didn't do a lot of financial analysis and
22 a lot of it was done by citizens.

1 One that I was very much involved with
2 for seven years was Redgate. And Gavin and Burt
3 Hall all did honorable jobs in presenting their
4 stories, in presenting their cases, and presenting
5 their numbers, but it always had the twist of the
6 city, and what was benefit to the city not
7 necessarily what was the benefit for the Redgate
8 Golf Course or for citizens. And so we spent an
9 inordinate amount of time doing our own analysis,
10 working with Gavin actually, who was very
11 cooperative in getting our numbers.

12 So I think, as I look at what's before
13 you tonight, it's a far cry from what I remember
14 the intent was. And as I look at it also, I think
15 a lot of the input came from the city manager and
16 from finance. And if I read it correctly, most of
17 the stuff in there was what they came back and
18 recommended, which kind of stunned me because it's
19 become sort of an oversight group as opposed to
20 advisory group. And I think if we can get it back
21 to simple, and having citizens involved as another
22 set of eyes. I commend Council member Hall for

1 the work he did, I think it was last year, in
2 scrubbing and going through with a fine tooth comb
3 the budget, trying to find a way to save some
4 money. Those are the kind of things that I
5 envision citizens to do.

6 As I said, it would sort of go hand in
7 hand with the budget season. As you're looking to
8 find money, have money out of the budget, defer
9 certain things, that's the kind of projects I
10 would think that they would be involved with, not
11 the long laundry list of stuff that I see and
12 what's before you tonight.

13 So I think if it can be slimmed down,
14 I'm still in support of it. I think it's a great
15 idea. I think -- I hate to say it, maybe it still
16 needs work or some refining, but I think it's
17 something that you ought to work on and work on
18 together. Thank you.

19 MAYOR MARCUCCIO: Thank you. Mr. Rymal.

20 MR. REMAL: Hi, I'm Doug Rymal from 666
21 Longwood Drive. I just wanted to mention that I
22 think the Fireside Park example as why this could

1 be useful for the city is a very poor example. To
2 me, the financial health and condition of the city
3 is -- as a tax payer and a citizen is very
4 important. I think that it is something that all
5 five of our Mayor and Council members should
6 always have in the forefront of their mind. And I
7 think this is the primary purpose why we hold
8 elections for you guys every -- well, right now
9 it's every two years. Who knows if that's going
10 to change based on the charter review? But I also
11 feel like, you know, there's some things being
12 said around this that it would be, you know,
13 really intensive looks at financial issues.

14 Is there a certification? I don't know
15 what's in the requirements for being on the board.
16 But is there some sort of financial certification
17 that's better than the people, the professionals
18 that we have on our city staff?

19 I'm just not clear why it's necessary.
20 And I feel like we should be relying as citizens
21 on each and every one of you as our Council
22 members to understand the financial health and

1 condition of the city, to understand all the
2 funds, all the operating budgets, all the revenue
3 sources, and to really be on top of that. I feel
4 like that's why we elect you guys. Thank you.

5 MAYOR MARCUCCIO: Is there anyone else
6 who wishes to speak? I saw your hand first.
7 Laura.

8 MS. BERTHIAUME: -- actually why I'm
9 here tonight. But since I'm (inaudible) here. I
10 just have to pipe up just a little bit about what
11 it is that's missing. I'm Laura Berthiaume, I'm 2
12 (inaudible) Circle. And I can't claim to fall
13 onto the Fireside matter in-depth, I didn't. But
14 what was apparent to me was that city staff has
15 particular expertise. Certainly when it comes to,
16 you know, capital budgets, operations budgets, I
17 agree, it is your collective responsibility to
18 review the budget. But when it comes to
19 evaluating the ability of a project to go forward
20 in a public/private kind of partnership and
21 looking ahead to whether or not, for example, a
22 loan could be sustained and financed, I don't

1 recall seeing a whole lot of expertise, and I have
2 to question that whether the deal is eventually
3 approved is financially sustainable.

4 There are people with expertise in
5 business areas, in project finance, and it seems
6 to me that the Mayor and Council could benefit
7 from having people who understand those kinds of
8 market based deals a little bit better, who are
9 investing private dollars and understanding what
10 the market will bear and what, you know, rate of
11 interest and all of those, you know,
12 particularities that, frankly, a layperson doesn't
13 understand very well unless you got a particular
14 background in it. This would be useful to the
15 city to have as a backup.

16 I don't know what particular
17 requirements or certifications are proposed for
18 service, but I could see that that would be of
19 benefit. Thank you.

20 MAYOR MARCUCCIO: Thank you. Do you
21 have a question? Is that what you have?

22 MR. PIERZCHALA: Yes.

1 MAYOR MARCUCCIO: Not a comment, just a
2 question? A question?

3 MR. PIERZCHALA: Yes.

4 MAYOR MARCUCCIO: All right.

5 MR. PIERZCHALA: Thank you very much,
6 and thank you for your service once again on this
7 school board. I'm not going to comment one way or
8 another on whether our staff has the expertise.
9 But if the staff doesn't have a particular
10 expertise, wouldn't it be better just to hire ---
11 and define what the staff doesn't have and hire
12 that and that person's ours and available and
13 cannot on the turn of the dime do it.

14 MS. BERTHIAUME: I think that if there
15 are then maybe sufficient anticipation of the need
16 for that on the Fireside project, that might have
17 been appropriate. But the sudden nature, shall we
18 say, of it coming before Mayor and Council and the
19 citizens as a whole, you would have had to have
20 put it off for probably six months to go out and
21 hire a consultant and get the requisite expertise
22 to look at that.

1 MR. PIERZCHALA: I'm saying the staff
2 just hire, you know, I've heard other kinds of
3 expertise that we don't have in the city. I don't
4 know if that's true or not. But, for example,
5 long range, you know, cost benefit analysis of any
6 kind a project or any particular kind of zoning,
7 that kind of stuff. Wouldn't it be better just to
8 hire that staff -- that kind of staff expertise
9 and have it in house instead of going out and
10 hiring a consultant?

11 MS. BERTHIAUME: Well, my point of view
12 is, if you can get it for free, and you have
13 people who are willing to serve in that capacity
14 for free, why not get it for free?

15 MAYOR MARCUCCIO: And do you have a
16 question?

17 MR. MOORE: An alternate way of going
18 about this that actually kind of parallels what
19 you just said was, instead of having a standing
20 board, you know, of set membership that has set
21 expertise, that we could rely on a series of ad
22 hoc task forces that have served us well in the

1 past for different financial things, but also
2 things like our Deer Policy or the APFO and so
3 forth. You can bring in different groups of
4 people with different bits of expertise.

5 You know, if a financial board has to
6 handle things like the budget, investments,
7 pensions and anything else that comes up, would it
8 -- do you think a model where we had ad hoc task
9 forces to do specific things that we ask them to
10 do, citizens with the specific expertise with that
11 question, do you think that would work, as well?

12 MS. BERTHIAUME: I think it matters what
13 you're trying to address. So Deer is certainly
14 one issue where I think there's a lot of ability
15 to have citizen input speaking specifically to
16 project finance and public/private partnerships
17 that have market based elements to them, which I
18 think the city will be doing more of in the
19 future.

20 MR. MOORE: Right.

21 MS. BERTHIAUME: I think that an
22 expertise that's pretty hard to assemble on an ad

1 hoc basis. And you may want to consider, in fact,
2 not having city residency be a requirement for
3 service. We have an area with a large number of
4 professionals who actually do have that kind of
5 expertise and might be willing to volunteer even
6 though they don't live in Rockville.

7 MR. MOORE: Sure. I guess one of my
8 concerns is like if we got a group of people who
9 were experts in project finance and public/private
10 partnerships and then we had a pension issue come
11 up, you know, would they really be well suited for
12 that?

13 MS. BERTHIAUME: You know, obviously
14 it's up to the Mayor and Council to form and
15 provide guidance to such a financial advisory
16 board. And you could try to aim for covering a
17 lot of bases or just a few bases where you felt
18 there wasn't sufficient expertise. But your
19 question was what do we not have now beyond our
20 city staff, and I believe that that one area is
21 clearly critically missing.

22 MR. MOORE: That's helpful. Thank you

1 so much.

2 MAYOR MARCUCCIO: All right. Is there
3 anyone else who wishes to -- yes, Don. I'm sorry.
4 I forgot you were there for a minute.

5 MR. HADLEY: I will be brief. Don
6 Hadley, 215 Harrison Street. I'm hearing the key
7 word of expertise. And I'm not here to take a
8 particular position for or against. But I do
9 think just getting definition in mind of the
10 different skill levels of budgetary expertise,
11 which is generally of a shorter time frame, a
12 three or four year purview, and financial
13 analysis, which goes to Council member Pierzchala
14 thought about, what about the long term thing, is
15 there a better way to do it? I don't think so.
16 Ad hoc versus standing versus hiring consultants.

17 I would add another term to this and
18 that's sunshine. I think it's generally viewed,
19 whether it's by citizen apathy or by the
20 complexity of it, that we probably don't have
21 enough citizen insight into both our financial
22 analysis and our budgetary needs.

1 Now, I could see having some committee
2 that is shaped by people of varying degrees of
3 expertise, but who can still communicate together.
4 You might build up a kind of legacy of knowledge,
5 if you will, that includes not only the expertise,
6 but the knowledge of our city. And I think an
7 analogous example is the Planning Commission.

8 If you bring a new planner onto the
9 Planning Commission, you may be 50 percent there,
10 but the 50 percent that deals with Rockville, per
11 se, still is an acquired art, it takes time.
12 Thank you.

13 MR. MOORE: Madam Mayor, just a quick
14 question. You've hit on the other half of my
15 concern with this proposal. One half is, you
16 know, what is it that this board could give us
17 that we don't -- expertise we don't have on the
18 city staff? And the other half is, what is it
19 that they would do that isn't our job up here?

20 What you described is our job. I mean
21 we are supposed to have -- we're not supposed to
22 be, you know, experts in project finance. And we

1 have varying degrees of expertise in all types of
2 things. But we work together as a group, more or
3 less. We make decisions together. I mean that's
4 -- you described exactly what our role is. How is
5 it that a board doing that would not encroach on
6 our responsibilities?

7 MR. HADLEY: Well, with all due respect,
8 I don't think any one of you has the expertise
9 that's involved in it, but would be the only
10 reason you would have this type of a board is for
11 experience above and beyond what you have in the
12 areas involved. And if you don't feel that you
13 need that or if you have that, then that would be
14 one and a half or two strikes against it. But I
15 still think the other side of having citizen
16 participation.

17 And when we get to the Charter Review
18 Commission, our big thing is citizen
19 participation. And this is an area in which you
20 have very little citizen participation. It's an
21 area where you don't really have as much
22 opportunity for development of people who can

1 serve the city and who can aspire to serve on the
2 Council in time. So this would be a way of
3 developing and spreading knowledge beyond five
4 people and whatever their particular areas of
5 expertise are at that time.

6 MAYOR MARCUCCIO: Is there anyone else
7 who would like to address this public hearing on a
8 financial advisory board? Seeing no takers, we
9 will close this. And the record stays open until
10 Monday, the 4th of February. Is that correct?

11 SPEAKER: January 25th.

12 MAYOR MARCUCCIO: Oh, no, I'm sorry.
13 It's the wrong date there. January 25. Close of
14 business on January 25. So if you have comments,
15 please get them to us before then.

16 (Whereupon, the HEARING was
17 adjourned.)

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