Proposal by Councilwoman Bridget Donnell Newton for the Establishment of a Financial Advisory Board

For the meeting to be held December 10th 2012

DRAFT

Purpose: The Purpose of the Financial Advisory Board (the Board) is to provide additional resources to assist the Mayor and Council in conducting their fiduciary responsibility in overseeing the financial governance of the City by reviewing current financial policies, procedures, and documents relating to City finances and making recommendations to the Mayor and Council.

Comment [O1]: This is a hybrid – I like the specificity of your version as well as the broad nature of mine.

Need: Management of the City's financial affairs and reporting mechanisms have been well regarded and recognized within the financial community of government watch groups. However, the City faces headwinds stemming from revenue declines and cost increases many of which are outside of the City's control, such as declining property values, increasing employee benefit expenses as well as significant under-funded retiree and employee pension and medical benefit plans. (It should be noted that at some point in the near future the City may be required to accrue for the underfunded benefit plans which would have a materially negative effect on the City's Balance Sheet, which in turn could jeopardize the City's coveted AAA rating.) Managing these headwinds will result in difficult choices as well as require a financial skill set with experience in creatively dealing with budget deficits to assure our citizens that we deliver the basic services as well as the amenities they have become used to receiving, all at an affordable level. Currently the Mayor and Council receive budget proposals from the skilled financial staff of the City who prepare them. The Council and staff would be well served, at little expense, by a body of stakeholders who possess the required skills, to receive advice, suggestions, and comments, assisting the Mayor and Council in evaluating the proposed budget and possibly providing insight into various alternatives.

Comment [O2]: I was asked to "justify" this Board and although we discussed this many times from the dias, I believe it satisfies the motion. I am open to suggestions.

The Mayor and Council are given financial information and instruction throughout the year that is tailored to their time constraints and knowledge base. A standing body of qualified members whose focus is purely financial and whose term overlaps those of the Council members could devote more time and could review on a more detailed basis quarterly financial information, bonding requests, economic incentive offers, create a knowledge base of surrounding jurisdictions' approaches to financial affairs and policies, and act on any other financial matter that the Mayor and Council may direct, serving to augment the knowledge of the Mayor and Council and possibly provide supplemental material in concert with the finance staff.

Goals: The goals of the Financial Advisory Board are to achieve the stated purpose of assisting the Mayor and Council regarding financial matters.

Board Duties and Responsibilities: The Financial Advisory Board would provide a written narrative in the form of minutes of its meetings as well as related reports that it believes will assist the Mayor and Council. Where no specific action items exist, the Board minutes can

serve as the report to the Mayor and Council. The format of any reports would be decided by the Board. It would also be provided time, as requested and is available, to orally present to the Mayor and Council. The first item of business for the Board would be for all members to familiarize themselves with the financial affairs of the City.

Thereafter the Board would :

- Based on financial considerations, review and evaluate any program or proposal for long- and short-term financial consequences as requested by the Mayor and Council. The Board will be expected to analyze, research, and assess alternatives and make appropriate recommendations to the Mayor and Council.

- Annually review the City's Comprehensive Annual Financial Report (CAFR), Single Audit Report, and all other reports issued by the auditors. The review should encompass and include a management letter and any audit findings.

- Annually review the City's Financial Management Policies published in the City's budget document to ensure Policy standards are being adhered to and are current and represent best management practices.

- Annually review the City's investment policy to ensure policy standards are being adhered to and are current and represent best management practices.

- On a quarterly basis, review the City's cash and investment report when published to ensure compliance with the City's Investment policy.

- Review the City's quarterly financial reports to ensure spending and revenue collection are tracking with adopted and amended budgets, analyzing variances, and highlighting problem areas, and review the City's debt ratio's to ensure compliance with Mayor and Council policies on debt.

- On an annual basis, report on the City's financial condition and make recommendations for improvement based on research of benchmarks and parameters of jurisdictions similarly situated.

- Annually, commencing in FY14, the Board would provide comments, suggestions and should it choose, recommendations regarding the next fiscal year's Operating and Capital budgets as well as five year projections.

- As necessary the Board would review and report on bonding requests, practices and or policies of other jurisdictions as it relates to matters of concern by the Mayor and Council, or any other matter as may come before it by request from the Mayor and Council.

1. **Structure and Qualifications:** A five member board, appointed by the Mayor and Council, with overlapping 3 year terms. The Board would select its own Chairperson. The Board would consist of at least three residents of the City and any two others who can demonstrate a stakeholder presence, ideally with at least one member from the Rockville business community.. One member shall be a Certified Public Accountant licensed to practice or retired, at least one other shall have experience with financial matters related to larger employers and all members shall demonstrate experience directly in, or related to finance or accounting. Additionally, Board members should be able to read and understand governmental financial statements sufficiently to be able to recognize inconsistencies and report on variances that require explanation and reporting to the Mayor and Council.

Staffing: The Board will be staffed by a member of the City's Finance Department.

Time Commitment: The Board shall meet at least quarterly at City Hall. The Board may meet more frequently as needed by the Mayor and Council for special assignments or projects. Depending on the topic under review, there may be additional sub-committee time commitment necessary.