



Mayor & Council Meeting Date: May 1, 2017
 Agenda Item Type: Adoption
 Department: Finance
 Responsible Staff: Stacey Webster

Subject

Adoption of an Ordinance to Appropriate Funds and Levy Taxes for Fiscal Year 2018

Recommendation

Staff recommends that the Mayor and Council adopt the attached Ordinance to Appropriate Funds and Levy Taxes for Fiscal Year 2018 through the following motions:

- 1) Motion to amend the ordinance as modified in Attachment A.
- 2) Motion to adopt the amended Ordinance to Appropriate Funds and Levy Taxes for Fiscal Year 2018.

Change in Law or Policy

Setting the property tax rates and establishing the appropriated operating and capital budgets for FY 2018 requires the passage of the attached ordinance. This ordinance was introduced on February 27, 2017.

Discussion

In accordance with the City Charter, the Mayor and Council adopt the budget at the fund level. The attached ordinance (Attachment A) sets the FY 2018 property tax rates, FY 2018 operating budget, and FY 2018 capital improvements program (CIP) budget for each fund. The tax rates and budget figures presented in the ordinance are consistent with the Mayor and Council's direction throughout the FY 2018 budget process.

Attachment B provides a budget summary by category that supports the total appropriations for each fund in the operating budget.

FY 2018 Property Tax Rates

The attached ordinance sets the tax rates for the City of Rockville. These tax rates are levied against different groups, and in some cases different areas, throughout the City. Real property taxes are levied against all properties, both residential and commercial, in the City of Rockville.

Personal property taxes are levied against all commercial properties in the City of Rockville. Personal property generally includes furniture, fixtures, office and industrial equipment, machinery, tools, supplies, inventory, and other property not classified as real property.

The Parking District tax is a real property tax that is levied against all commercial properties located within the Town Square boundaries.

There is no change in any of the City's tax rates for FY 2018. The chart below shows the property tax rates by category for the City for FY 2017 and FY 2018.

Tax Category	FY 2017 Rate	FY 2018 Rate	Change
Real Property	\$0.292 per \$100	\$0.292 per \$100	No Change
Personal Property	\$0.805 per \$100	\$0.805 per \$100	No Change
Parking District	\$0.330 per \$100	\$0.330 per \$100	No Change

FY 2018 Property Tax Credit

The FY 2018 budget includes the City's Supplement to the State of Maryland Homeowners' Tax Credit Program. The Homeowners' Tax Credit Program provides real property tax credits to low-to moderate-income homeowners for property taxes due on their principal residence. Under the FY 2018 Homeowners' Tax Credit Program, households with gross incomes up to \$91,000 per year and a household net worth of less than \$200,000 (not including the value of the home or qualified retirement savings) could qualify for tax relief on the first \$495,000 of their home's assessed value. For low-income households, the credit could be several hundred dollars, with the maximum credit totaling the City tax due on the first \$495,000 of assessed value. The City will forego approximately \$400,000 in property tax revenues in FY 2018 due to the Homeowners' Tax Credit Program.

FY 2018 Operating Budget

The total FY 2018 all funds operating budget will increase by \$4.0 million, or 3.2%, from the FY 2017 adopted budget. The General Fund budget will increase by \$2.5 million, or 3.3%, from the FY 2017 adopted General Fund budget.

The following chart shows the total operating budget appropriations by fund for FY 2017 and FY 2018:

Operating Fund	FY 2017 Adopted	FY 2018 Adopted	Dollar Change	Percent Change
General Fund	\$77,170,000	\$79,690,000	\$2,520,000	3.3%
Water Fund	12,724,950	13,260,570	535,620	4.2%
Sewer Fund	12,846,990	13,611,150	764,160	5.9%
Refuse Fund	7,099,760	7,147,890	48,130	0.7%
Parking Fund	2,508,250	2,522,140	13,890	0.6%
Stormwater Mgt Fund	5,431,730	5,464,700	32,970	0.6%
RedGate Golf Fund	106,300	105,620	(680)	(0.6%)
Special Activities Fund	1,444,370	1,403,770	(40,600)	(2.8%)
CDBG Fund	231,290	263,000	31,710	13.7%
Speed Camera Fund	1,337,150	1,400,000	62,850	4.7%
Debt Service Fund	5,385,000	5,410,460	25,460	0.5%
TOTAL	\$126,285,790	\$130,279,300	\$3,993,510	3.2%

FY 2018 CIP Budget

The total FY 2018 CIP budget will increase by \$1.6 million, or 2.3%, from the adopted FY 2017 budget. The CIP budget generally fluctuates from year-to-year depending on the number and type of projects that are funded. The FY 2018 budget includes a \$6.6 million transfer from the General Fund and \$6.1 million in new taxpayer supported debt. The chart below shows the total CIP appropriations by fund for FY 2017 and FY 2018:

Capital Fund	FY 2017 Adopted	FY 2018 Adopted	Dollar Change	Percent Change
Capital Projects Fund	\$34,181,849	\$40,671,397	\$6,489,548	19.0%
Water Fund	7,157,924	5,948,257	(\$1,209,667)	(16.9%)
Sewer Fund	10,984,094	7,580,510	(\$3,403,584)	(31.0%)
Stormwater Mgt Fund	10,709,359	8,307,555	(\$2,401,804)	(22.4%)
Speed Camera Fund	360,490	285,472	(\$75,018)	(20.8%)
Special Activities Fund	4,323,299	6,477,845	\$2,154,546	49.8%
TOTAL	\$67,717,015	\$69,271,036	\$1,554,021	2.3%

Mayor and Council History

Past Mayor and Council actions related to the FY 2018 budget include:

Date	Action Item
September 12, 2016	Discussion of Operating Budget Process
September 19, 2016	Discussion of Capital Improvements Program (CIP) Budget Process
October 11, 2016	Distribution of Mayor and Council Budget Surveys
November 1, 2016	Budget Public Hearing
November 10, 2016	Mayor and Council Budget Surveys Due
December 12, 2016	FY 2018 Budget Survey Results and Discussion of Budget Priorities
January 9, 2017	FY 2018 Cost Allocation Plan (CAP) Presentation
February 13, 2017	Distribution of FY 2018 Proposed Budget
February 27, 2017	City Manager's Presentation of FY 2018 Proposed Budget; Introduction of FY 2018 Budget Ordinance; Introduction of FY 2018 Refuse Fee Resolution; Introduction of FY 2018 Stormwater Management Fee Resolution
March 2, 2017	Mayor and Council Worksession
March 6, 2017	Public Hearing
April 3, 2017	Public Hearing; Constant Yield Tax Rate Public Hearing; Mayor and Council Worksession
April 7, 2017	Close of Budget Public Record
April 17, 2017	Mayor and Council Worksession

Public Notification and Engagement

The City held public hearings related to the FY 2018 budget on November 1, 2016, March 6, and April 3, 2017.

In addition to the budget public hearings, the public could submit written comments about the budget through April 7, 2017, to the Mayor and Council through the Clerk's Office or via an online form located on the City's website at www.rockvillemd.gov/budget.

Boards and Commissions Review

The Financial Advisory Board met several times during the FY 2018 budget process to review the FY 2018 budget document. The Board developed several recommendations related to the presentation of information in the budget document that were sent to the City Manager on April 3, 2017. The Chair of the Financial Advisory Board, Jack Kelly, summarized these recommendations during Community Forum at the Mayor and Council meeting on April 3, 2017.

Fiscal Impact

The attached ordinance (Attachment A) sets the FY 2018 property tax rates, FY 2018 operating budget, and FY 2018 capital improvements program (CIP) budget for each fund.

Next Steps

The FY 2018 adopted budget will begin July 1, 2017, and continue through June 30, 2018. The FY 2018 budget book will be available in July 2017.

Attachments

Attachment 17.a: AttachA_BudgetOrdinance_May2017 (PDF)

Attachment 17.b: AttachB_FinancialSummaries (PDF)



Rob DiSpirito, City Manager

4/25/2017

ORDINANCE NO. _____

ORDINANCE: To Appropriate Funds and Levy Taxes for Fiscal Year 2018.

BE IT ORDAINED BY THE MAYOR AND COUNCIL OF ROCKVILLE,

MARYLAND as follows:

SECTION I - ANNUAL OPERATING APPROPRIATIONS

There are hereby appropriated for the fiscal year beginning July 1, 2017, and ending June 30, 2018, out of the revenues accruing to the City for the purpose of operations, the several amounts hereinafter listed under the column designated "Amounts Appropriated":

FUNDS	AMOUNTS APPROPRIATED	
General Fund	[\$79,200,000]	<u>\$79,690,000</u>
Water Fund	13,260,570	
Sewer Fund	13,611,150	
Refuse Fund	[7,115,140]	<u>7,147,890</u>
Parking Fund	2,522,140	
Stormwater Management Fund	5,464,700	
RedGate Golf Course Fund	105,620	
Special Activities Fund	[1,398,770]	<u>1,403,770</u>
Community Development Block Grant	263,000	
Speed Camera Fund	1,400,000	
Debt Service Fund	[5,059,500]	<u>5,410,460</u>

The "Amounts Appropriated" by this section totaling [\$129,400,590] \$130,279,300 shall be for the annual operating expenses of the departments and agencies of the City and shall be disbursed under the supervision of the City Manager.

SECTION II - CAPITAL PROJECTS APPROPRIATIONS

There is hereby appropriated out of the revenues accruing to the City for the purpose of capital improvements, the several amounts hereinafter listed under the column designated

"Amounts Appropriated":

FUNDS	AMOUNTS APPROPRIATED	
Capital Projects Fund	[\$37,920,834]	<u>\$40,671,397</u>
Water Fund	[5,967,014]	<u>5,948,257</u>
Sewer Fund	[7,182,296]	<u>7,580,510</u>
Stormwater Management Fund	[8,799,374]	<u>8,307,555</u>
Special Activities Fund	[6,900,177]	<u>6,477,845</u>
Speed Camera Fund	285,472	

The "Amounts Appropriated" by this section totaling [\$67,055,167] \$69,271,036 shall be for improvement projects and shall be disbursed under the supervision of the City Manager.

SECTION III - GENERAL LEVY

There is hereby levied against all assessable real property within the corporate limits of the City a tax at the rate of twenty-nine and two-tenths cents (\$0.292) on each \$100 of assessable value of said property. There is also hereby levied, against all assessable personal property within the corporate limits of the City, a tax at the rate of eighty and one-half cents (\$0.805) on each \$100 of assessable value of said property. These taxes are hereby levied in order, together with other available revenues and funds of the City government, to provide funds for the

ORDINANCE NO. _____

Page 3

"Amounts Appropriated" as set forth in the foregoing Section I. The tax levies herein provided in this section shall not apply to property in the City of Rockville to the extent that such property is not subject to taxes as provided in any valid and binding annexation agreement.

SECTION IV – TOWN CENTER PARKING DISTRICT LEVY

There is hereby levied against all assessable non-exempt real property within the Town Center Parking District a tax at the rate of thirty-three cents (\$0.33) on each \$100 of assessable value of said property. These taxes are hereby levied in order, together with other available revenues and funds of the City government, to provide funds for the "Parking Fund" as listed in the "Amounts Appropriated" in Section I.

SECTION V – TOWN SQUARE STREET AND AREA LIGHTING DISTRICT LEVY

There is hereby levied against all assessable real property within the Town Square Street and Area Lighting District a tax at the rate of zero cents (\$0.00) on each \$100 of assessable value of said property. These taxes are hereby levied in order, together with other available revenues and funds of the City government, to provide funds for the "Town Center Management District Fund" as listed in the "Amounts Appropriated" in Section I.

SECTION VI – TOWN SQUARE COMMERCIAL DISTRICT LEVY

There is hereby levied against all assessable commercial real property within the Town

ORDINANCE NO. _____

Page 4

Square Commercial District a tax at the rate of zero cents (\$0.00) on each \$100 of assessable value of said property. These taxes are hereby levied in order, together with other available revenues and funds of the City government, to provide funds for the “Town Center Management District Fund” as listed in the “Amounts Appropriated” in Section I.

NOTE: [Brackets] indicate material deleted after introduction.
Underlining indicates material added after introduction.

I hereby certify that the foregoing is a true and correct copy of an Ordinance adopted by the Mayor and Council of Rockville at its meeting of

Kathleen A. Conway, City Clerk/Director of Council Operations



FY 2018 Financial Summary: All Operating Funds by Category and Fund

	Governmental Funds					Enterprise Funds						Total Operating
	General	Special Activities	CDBG	Speed Camera	Debt Service	Water	Sewer	Refuse	Parking	SWM	RedGate	
<i>Revenue</i>												
Property Taxes	40,867,000	-	-	-	-	-	-	-	200,000	-	-	41,067,000
Other Gov't.	19,864,320	-	263,000	-	-	-	-	-	310,000	-	-	20,437,320
Fines/Forfeiture	1,243,130	-	-	1,400,000	-	-	-	-	715,000	-	-	3,358,130
Use Money/Prop.	1,302,160	1,139,980	-	-	59,500	49,400	-	2,900	37,900	10,400	-	2,602,240
Charges for Serv.	6,762,990	39,000	-	-	-	12,557,000	13,427,700	6,123,530	370,000	5,121,000	12,000	44,413,220
Licenses/Permits	2,875,000	-	-	-	-	-	-	-	-	300,000	-	3,175,000
Other Revenue	6,775,400	105,280	-	-	-	228,550	183,450	13,540	39,240	33,300	1,340	7,380,100
Total Revenue	79,690,000	1,284,260	263,000	1,400,000	59,500	12,834,950	13,611,150	6,139,970	1,672,140	5,464,700	13,340	122,433,010
Transfers In	-	119,510	-	-	5,230,000	425,620	-	46,730	850,000	-	-	6,671,860
Total Resources	79,690,000	1,403,770	263,000	1,400,000	5,289,500	13,260,570	13,611,150	6,186,700	2,522,140	5,464,700	13,340	129,104,870
Use of Reserves	-	-	-	-	120,960	-	-	961,190	-	-	92,280	1,174,430
Total (\$)	79,690,000	1,403,770	263,000	1,400,000	5,410,460	13,260,570	13,611,150	7,147,890	2,522,140	5,464,700	105,620	130,279,300
<i>Expenses</i>												
Personnel	48,842,180	-	-	110,830	-	3,567,940	1,899,660	2,753,280	306,230	2,294,650	-	59,774,770
Operating	13,691,580	478,250	263,000	630,260	121,030	2,083,720	3,881,610	2,041,240	114,260	745,180	-	24,050,130
Capital Outlay	2,429,010	250,340	-	-	-	281,290	21,000	295,040	-	-	-	3,276,680
Administrative	-	-	-	313,400	-	1,556,800	895,300	1,668,000	164,000	877,600	-	5,475,100
Other	1,880,990	120,300	-	20,000	-	3,385,810	4,636,140	357,530	233,780	912,300	100,550	11,647,400
Total Oper. Exp.	66,843,760	848,890	263,000	1,074,490	121,030	10,875,560	11,333,710	7,115,090	818,270	4,829,730	100,550	104,224,080
Principal	-	-	-	-	3,937,960	-	-	-	-	-	-	3,937,960
Interest	-	-	-	-	1,351,470	1,000,040	1,393,690	32,800	1,271,000	67,610	5,070	5,121,680
CIP Transfer	6,600,000	-	-	-	-	-	-	-	-	-	-	6,600,000
Transfers Out	6,246,240	-	-	-	-	-	425,620	-	-	-	-	6,671,860
Total Use	79,690,000	848,890	263,000	1,074,490	5,410,460	11,875,600	13,153,020	7,147,890	2,089,270	4,897,340	105,620	126,555,580
Add. to Reserves	-	554,880	-	325,510	-	1,384,970	458,130	-	432,870	567,360	-	3,723,720
Total (\$)	79,690,000	1,403,770	263,000	1,400,000	5,410,460	13,260,570	13,611,150	7,147,890	2,522,140	5,464,700	105,620	130,279,300