
Second Quarter FY 2017 Financial Report



City of Rockville, Maryland

Prepared by the Department of Finance

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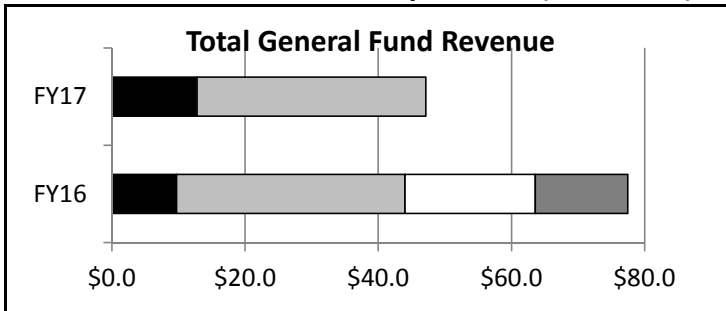
City of
Rockville
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General Fund Revenue as of December 31, 2016

General Fund Revenue Budget to Actual

Revenue Category	Current Fiscal Year				Previous Year	
	FY17 Adopted	FY17 Amended	Actual 12/31/16	% Amend. Received	Actual 12/31/15	% EOY Act. Received
Property Taxes	\$ 39,551,000	\$ 39,551,000	\$ 28,871,143	73.0%	\$ 27,258,645	71.1%
From Other Gov't.	18,627,430	18,865,165	9,470,067	50.2%	8,042,279	43.4%
Fines & Forfeitures	1,522,500	1,522,500	637,892	41.9%	724,620	46.1%
Use of Money & Property	1,255,560	1,255,560	395,099	31.5%	359,981	37.9%
Charges for Services	6,648,050	6,648,050	3,584,150	53.9%	3,482,445	57.0%
Licenses & Permits	2,585,000	2,585,000	947,773	36.7%	956,515	38.1%
Other Revenue	6,730,460	6,708,565	3,251,392	48.5%	3,173,839	47.7%
Total Revenue	\$ 76,920,000	\$ 77,135,840	\$ 47,157,515	61.1%	\$ 43,998,323	58.9%

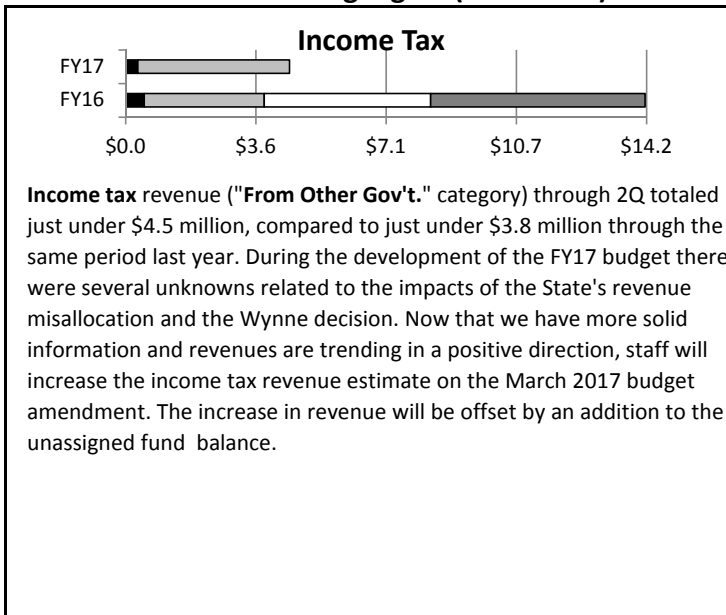
Total General Fund Revenue by Quarter (in millions)



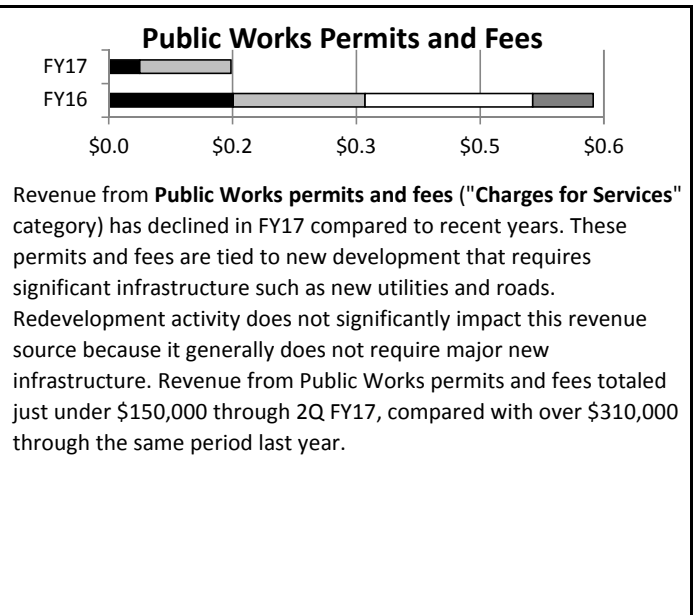
General Fund Revenue Trend

General Fund revenues through the 2Q totaled \$47.2 million, or just over 61 percent of the amended revenue budget. **Income tax** ("From Other Gov't" category), which makes up 16 percent of the General Fund revenue budget, is trending ahead compared to the same time period last year, and is discussed below. Revenue from **redlight camera citations** ("Fines & Forfeitures" category) continues to decline due to a decrease in the number of citations issued. **Public works permits and fees** ("Charges for Services" category) are discussed below.

General Fund Revenue Highlights (in millions)



Income tax revenue ("From Other Gov't." category) through 2Q totaled just under \$4.5 million, compared to just under \$3.8 million through the same period last year. During the development of the FY17 budget there were several unknowns related to the impacts of the State's revenue misallocation and the Wynne decision. Now that we have more solid information and revenues are trending in a positive direction, staff will increase the income tax revenue estimate on the March 2017 budget amendment. The increase in revenue will be offset by an addition to the unassigned fund balance.



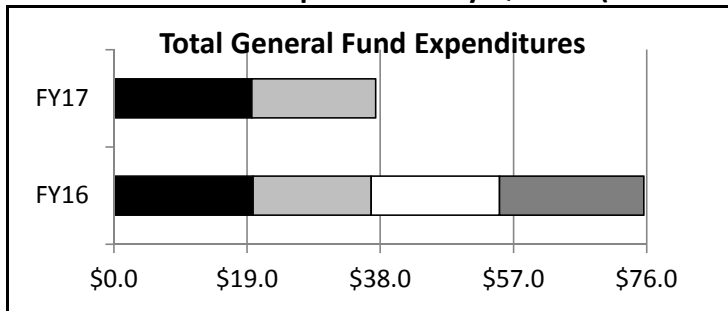
Revenue from **Public Works permits and fees** ("Charges for Services" category) has declined in FY17 compared to recent years. These permits and fees are tied to new development that requires significant infrastructure such as new utilities and roads. Redevelopment activity does not significantly impact this revenue source because it generally does not require major new infrastructure. Revenue from Public Works permits and fees totaled just under \$150,000 through 2Q FY17, compared with over \$310,000 through the same period last year.

General Fund Expenditures as of December 31, 2016

General Fund Expenditures Budget to Actual

Expenditure Category	Current Fiscal Year				Previous Year	
	FY17 Adopted	FY17 Amended	Actual 12/31/16	% Amend. Spent	Actual 12/31/15	% EOY Act. Spent
Personnel						
Salary	\$ 33,181,000	\$ 33,342,520	\$ 15,473,660	46.4%	\$ 15,432,872	46.8%
Benefits	12,405,370	12,201,690	7,150,785	58.6%	7,136,624	60.0%
Overtime	839,100	847,100	376,265	44.4%	358,804	40.7%
Contractual Services	8,148,800	8,444,307	3,619,313	42.9%	3,738,422	43.1%
Commodities	5,581,310	5,581,894	1,972,718	35.3%	1,931,873	36.1%
Capital Outlays	2,504,970	3,192,956	780,328	24.4%	287,650	12.6%
Other / Transfer	3,059,450	3,085,450	1,013,706	32.9%	1,230,733	43.1%
Transfer to Debt Service	5,350,000	5,350,000	2,675,000	50.0%	2,766,500	50.0%
Transfer to CIP	6,100,000	8,508,612	4,254,306	50.0%	3,808,500	50.0%
Total Expenditures	\$ 77,170,000	\$ 80,554,529	\$ 37,316,081	46.3%	\$ 36,691,978	47.0%

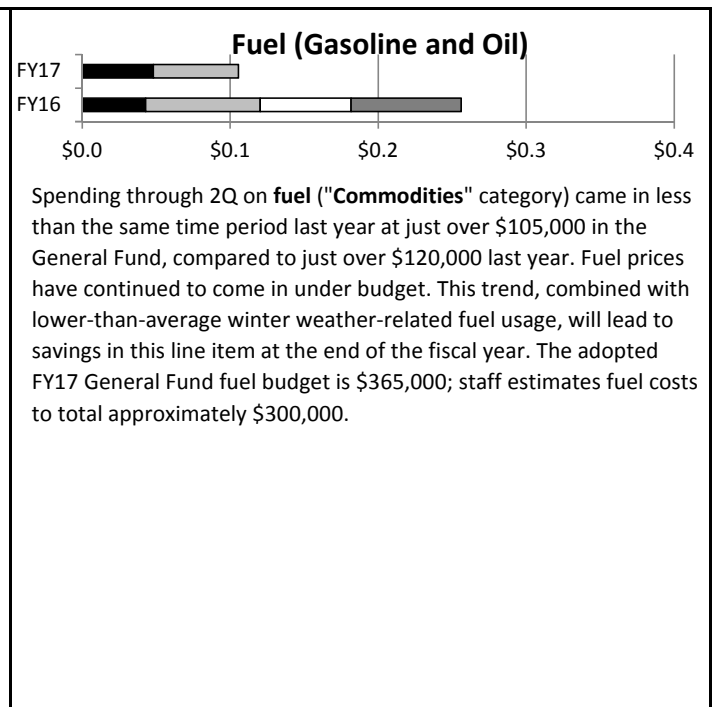
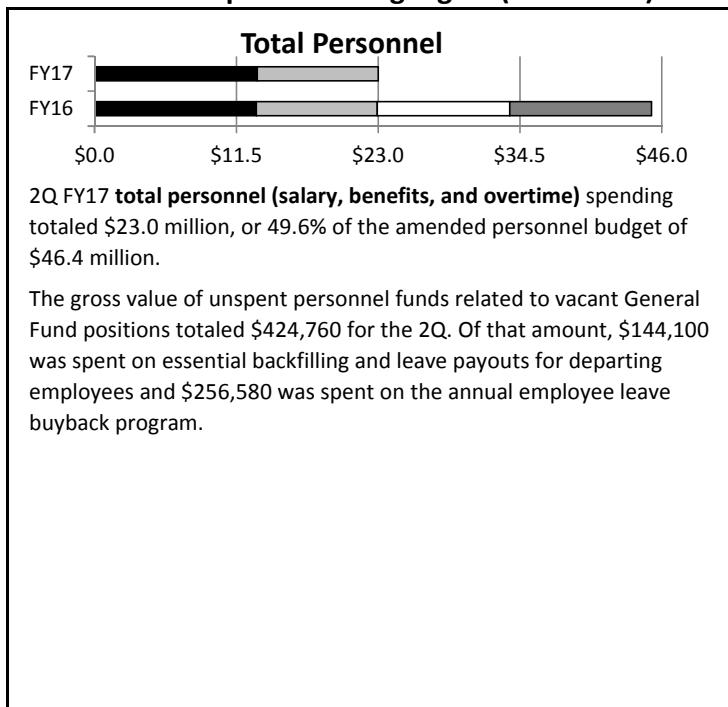
Total General Fund Expenditures by Quarter (in millions)



General Fund Expenditure Trend

Spending through the 2Q totaled just over 46 percent of the amended FY17 budget. The largest spending category, **Personnel**, is discussed below. Spending in the **commodities** category appears low mainly due to **one-time police equipment** purchases that have not occurred yet, combined with **fuel** costs (discussed below) that remained well under budget through the 2Q. Spending in the "Other/Transfer" category appears low due to **caregiver agency grant** payments, which transitioned from up-front quarterly payments to quarterly reimbursements for FY17.

General Fund Expenditure Highlights (in millions)



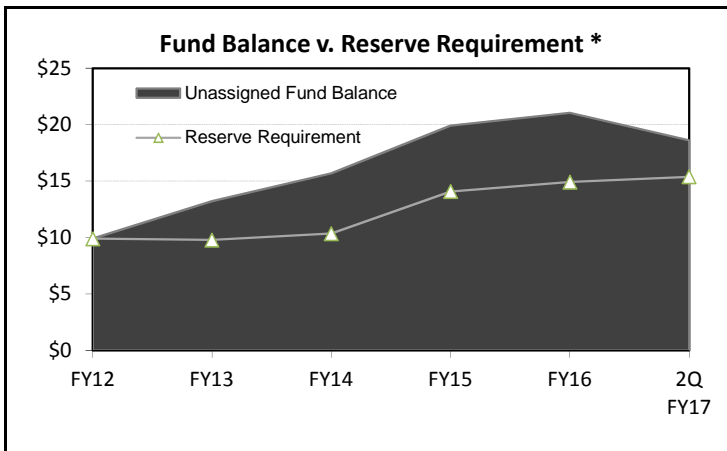
General Fund Summary as of December 31, 2016

General Fund Budget to Actual

	Current Fiscal Year				Previous Year	
	FY17 Adopted	FY17 Amended	Actual 12/31/16	% Amend. Rec/Spent	Actual 12/31/15	% EOY Act. Rec/Spent
Total Revenue	\$ 76,920,000	\$ 77,135,840	\$ 47,157,515	61.1%	\$ 43,998,323	58.9%
Total Expenditures	77,170,000	80,554,529	37,316,081	46.3%	36,691,978	47.0%
Add to / (Use of) Reserves	\$ (250,000)	\$ (3,418,689)	\$ 9,841,434		\$ 7,306,345	

General Fund Unassigned Fund Balance

	Amount	% of FY17 Adp. Rev.	Explanation
Audited FY17 Beginning Total Fund Balance	\$ 23,816,352	31.0%	Fund balance = Accumulated total of revenues less expenditures
Less Nonspendable Portion	(1,793,249)		
Plus Amended General Fund Revenue	77,135,840		
Less Amended General Fund Expenditures	(80,554,529)		
Estimated FY17 Ending Unassigned Fund Balance	18,604,414	24.2%	Projected ending balance exceeds 20% target
Target Minimum FY17 Unassigned Fund Balance	15,384,000	20.0%	
Estimated Variance from FY17 Target	\$ 3,220,414		



* The General Fund reserve requirement increased from 15% to 20% in late FY15, in conjunction with the decrease in the Debt Service Fund reserve requirement.

General Fund Unassigned Fund Balance Status

The estimated FY17 ending unassigned fund balance is \$18.6 million, which exceeds the FY17 target by \$3.2 million. The second budget amendment, which will be presented to the Mayor and Council on March 27, 2017, utilizes \$2.9 million of this balance to fund the purchase of 500 W. Montgomery Ave. (\$2.6 million) and 313 1/2 Frederick Ave. (\$0.3 million).

During the FY 2018 budget process, staff will recommend backfilling this use of reserves, along with \$0.8 million that was included in the October 2016 budget amendment for the purchase of 175 Watts Branch Parkway, with proceeds from a tax supported bond issue. This bond issue would backfill a total of \$3.7 million that was appropriated for the three property acquisitions. Bonding for these properties will increase acquisition costs, but will spread the total cost over the next 20 years.

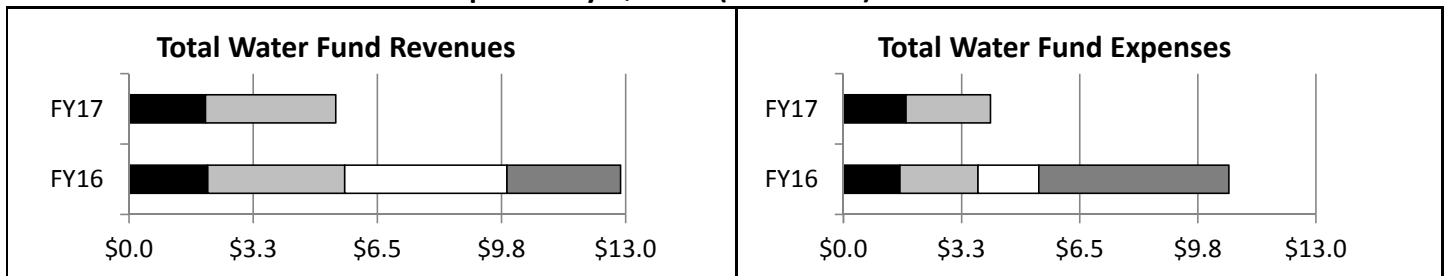
The City's Financial Management Policies state that, to the extent that the General Fund's unassigned fund balance exceeds its reserve target, the City may draw upon the fund balance to provide paygo financing for capital projects, for other one-time capital items, or for additional contributions to reduce the OPEB or Pension unfunded liabilities.

Water Fund Summary as of December 31, 2016

Water Fund Budget to Actual

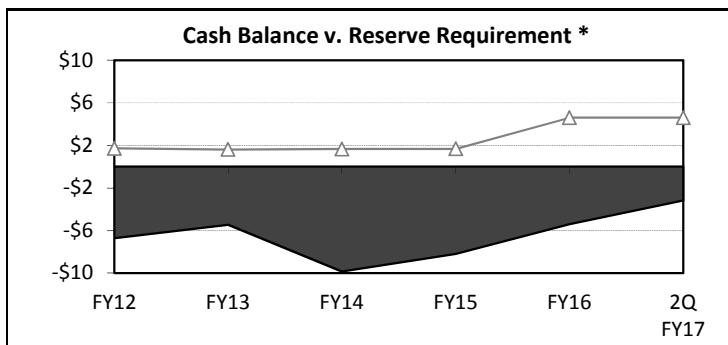
	Current Fiscal Year				Previous Year	
	FY17 Adopted	FY17 Amended	Actual 12/31/16	% Amend. Rec/Spent	Actual 12/31/15	% EOY Act. Rec/Spent
Revenues						
Utility charges	\$ 12,028,000	\$ 12,028,000	\$ 5,021,425	41.7%	\$ 5,270,475	43.5%
Connection Charges	102,500	102,500	20,400	19.9%	27,700	27.0%
Sales of materials	20,000	20,000	14,996	75.0%	7,042	35.2%
Interest income/Other	163,810	163,810	116,559	71.2%	219	0.2%
Penalties	80,000	80,000	72,605	90.8%	53,471	66.8%
Trans. from Sewer	330,640	330,640	165,320	50.0%	285,520	50.0%
Total Revenue	\$ 12,724,950	\$ 12,724,950	\$ 5,411,305	42.5%	\$ 5,644,425	43.5%
Expenses						
Personnel	\$ 3,383,850	\$ 3,383,850	\$ 1,761,970	52.1%	\$ 1,753,254	51.8%
Operating	2,136,890	2,209,373	1,097,329	49.7%	786,676	36.2%
Capital	81,600	81,600	35,306	43.3%	21,161	23.8%
Debt serv., transfer, other	5,625,560	5,625,560	1,152,216	20.5%	1,141,445	21.1%
Total Expenses	\$ 11,227,900	\$ 11,300,383	\$ 4,046,821	35.8%	\$ 3,702,537	33.5%
Add to / (Use of) Reserves	\$ 1,497,050	\$ 1,424,567	\$ 1,364,484		\$ 1,941,889	

Total Water Fund Revenues and Expenses by Quarter (in millions)



Water Fund Cash Balance

FY17 Reserve Requirement = 6 months / \$4,595,736	FY16 Actual	1Q Actual	2Q Actual	3Q Actual	4Q Actual
	\$ (5,402,281)	\$ (3,248,112)	\$ (3,177,547)	-	-
Is this fund compliant?	No				



* The Water Fund reserve requirement increased from 3 months to 6 months for FY16.

Water Fund Cash Balance Status

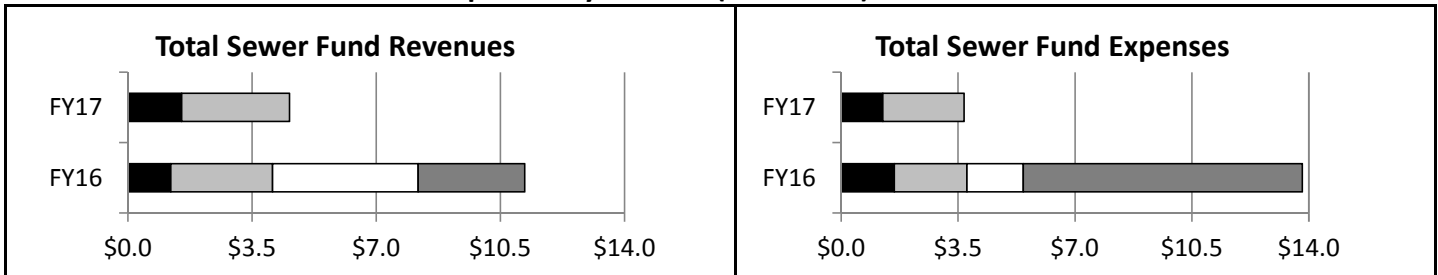
FY17 is the second year of implementation of the water rate structure adopted by the Mayor and Council in January 2015. This new structure was designed to enable the Water Fund to meet its reserve requirement by the end of FY21. The 2017 water and sewer model update confirmed that the FY21 goal is still achievable, mainly due to the deferral of a large portion of capital spending until after the FY21 goal is reached.

Sewer Fund Summary as of December 31, 2016

Sewer Fund Budget to Actual

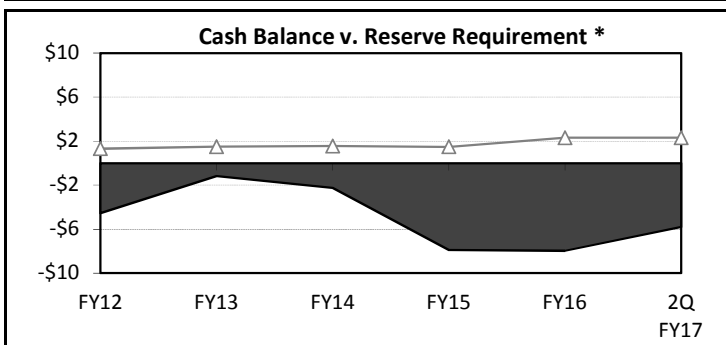
	Current Fiscal Year				Previous Year	
	FY17 Adopted	FY17 Amended	Actual 12/31/16	% Amend. Rec/Spent	Actual 12/31/15	% EOY Act. Rec/Spent
Revenues						
Utility charges	\$ 12,272,000	\$ 12,272,000	\$ 4,425,197	36.1%	\$ 3,987,404	37.2%
Connection charges	190,000	190,000	42,000	22.1%	43,400	29.4%
Interest income/Other	158,250	158,250	27,392	17.3%	3,000	2.4%
Penalties	70,000	70,000	65,459	93.5%	47,416	67.7%
Total Revenue	\$ 12,690,250	\$ 12,690,250	\$ 4,560,047	35.9%	\$ 4,081,220	36.9%
Expenses						
Personnel	\$ 1,820,340	\$ 1,820,340	\$ 943,141	51.8%	\$ 911,786	51.3%
Operating	3,819,260	3,859,260	1,351,803	35.0%	1,718,971	31.0%
Capital	245,000	245,000	229,509	93.7%	-	0.0%
Debt serv., transfer, other	6,962,390	6,962,390	1,152,581	16.6%	1,134,618	17.4%
Total Expenses	\$ 12,846,990	\$ 12,886,990	\$ 3,677,035	28.5%	\$ 3,765,375	27.1%
Add to / (Use of) Reserves	\$ (156,740)	\$ (196,740)	\$ 883,013		\$ 315,846	

Total Sewer Fund Revenues and Expenses by Quarter (in millions)



Sewer Fund Cash Balance

FY17 Reserve Requirement = 6 months / \$4,934,718	FY16 Actual	1Q Actual	2Q Actual	3Q Actual	4Q Actual
	\$ (7,969,719)	\$ (5,077,651)	\$ (5,815,839)	-	-
Is this fund compliant?	No				



Sewer Fund Cash Balance Status

FY17 is the second year of implementation of the sewer rate structure adopted by the Mayor and Council in January 2015. This new structure was designed to enable the Sewer Fund to meet its reserve requirement by the end of FY21. The 2017 water and sewer model update indicated that the FY21 goal is not likely to be achieved, mainly due to the large increases in capital and operating costs for the Blue Plains Wastewater Treatment Facility. Staff will bring several options to the Mayor and Council later this calendar year; these options will be designed to ensure the Fund's compliance with the City's Financial Management Policies.

* The Sewer Fund reserve requirement increased from 3 months to 6 months for FY16.

Refuse Fund Summary as of December 31, 2016

Refuse Fund Budget to Actual

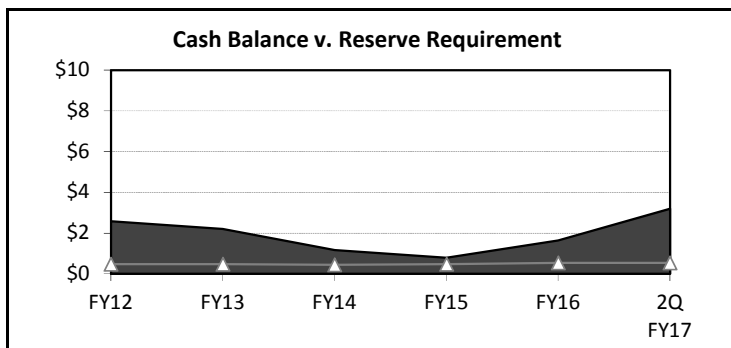
	Current Fiscal Year				Previous Year	
	FY17 Adopted	FY17 Amended	Actual 12/31/16	% Amend. Rec/Spent	Actual 12/31/15	% EOY Act. Rec/Spent
Revenues						
Utility charges	\$ 5,779,120	\$ 5,779,120	\$ 3,397,055	58.8%	\$ 1,812,718	33.0%
Interest income/Other	17,020	17,020	2,539	14.9%	185	1.3%
Sale of materials	140,000	140,000	123,147	88.0%	119,431	48.7%
Penalties	70,000	70,000	8,740	12.5%	34,419	49.2%
Total Revenue	\$ 6,050,660	\$ 6,050,660	\$ 3,553,741	58.7%	\$ 1,966,752	33.8%
Expenses						
Personnel	\$ 2,642,730	\$ 2,642,730	\$ 1,281,233	48.5%	\$ 1,240,243	48.0%
Operating	2,065,230	2,065,230	755,054	36.6%	625,932	31.5%
Capital	350,000	645,420	181,531	28.1%	-	0.0%
Debt serv., transfer, other	2,041,800	2,041,800	830,465	40.7%	941,358	42.0%
Total Expenses	\$ 7,099,760	\$ 7,395,180	\$ 3,048,283	41.2%	\$ 2,807,533	38.1%
Add to / (Use of) Reserves	\$ (1,049,100)	\$ (1,344,520)	\$ 505,457		\$ (840,781)	

Total Refuse Fund Revenues and Expenses by Quarter (in millions)



Refuse Fund Cash Balance

FY17 Reserve Requirement = 1 month / \$520,400	FY16 Actual	1Q Actual	2Q Actual	3Q Actual	4Q Actual
	\$ 1,627,481	\$ 1,018,329	\$ 3,195,608	-	-
Is this fund compliant?	Yes				



Refuse Fund Cash Balance Status

The utility charges revenue reflects the refuse fee moving from quarterly City utility bills to annual property tax bills, in which payments are due twice per year. Revenue from penalties will decrease due to the high level of collection on the tax bill.

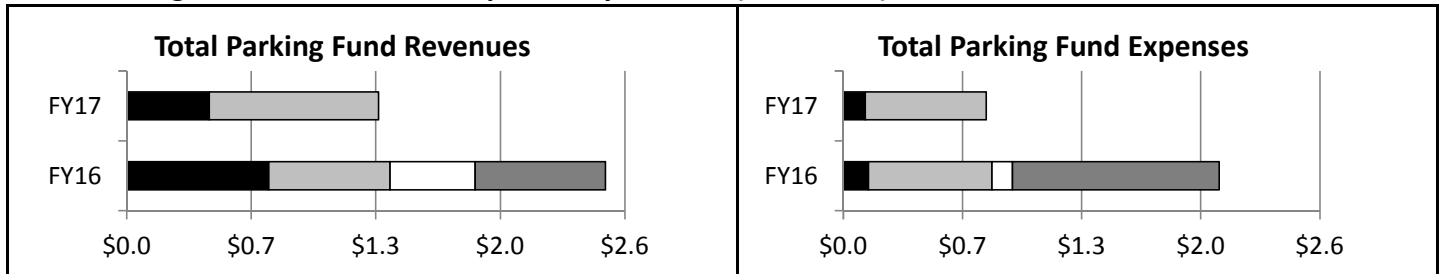
Public Works staff are continuing to work with Procurement to establish a long-term contract to cover transportation and processing of recyclable materials.

Parking Fund Summary as of December 31, 2016

Parking Fund Budget to Actual

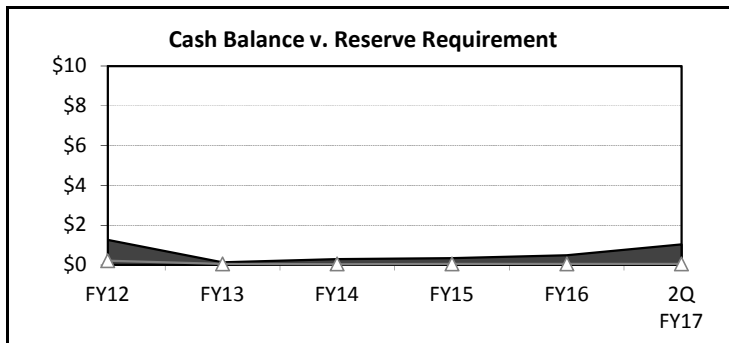
	Current Fiscal Year				Previous Year	
	FY17 Adopted	FY17 Amended	Actual 12/31/16	% Amend. Rec/Spent	Actual 12/31/15	% EOY Act. Rec/Spent
Revenues						
Real property tax	\$ 200,000	\$ 200,000	\$ 197,274	98.6%	\$ 187,085	101.4%
County contribution	302,600	302,600	306,322	101.2%	302,598	101.2%
Parking meters	376,000	376,000	189,693	50.5%	188,588	50.2%
Parking violations	750,000	750,000	262,209	35.0%	321,648	38.1%
Interest income/Other	164,650	164,650	918	0.6%	139	0.1%
Trans. from General Fund	715,000	715,000	357,500	50.0%	375,000	50.0%
Total Revenue	\$ 2,508,250	\$ 2,508,250	\$ 1,313,916	52.4%	\$ 1,375,059	53.3%
Expenses						
Personnel	\$ 272,410	\$ 272,410	\$ 134,844	49.5%	\$ 142,066	52.8%
Operating	130,220	130,220	30,089	23.1%	42,444	31.8%
Capital	35,000	35,000	-	0.0%	-	0.0%
Debt serv., transfer, other	1,666,610	1,666,610	614,226	36.9%	626,812	36.7%
Total Expenses	\$ 2,104,240	\$ 2,104,240	\$ 779,159	37.0%	\$ 811,322	38.0%
Add to / (Use of) Reserves	\$ 404,010	\$ 404,010	\$ 534,758		\$ 563,737	

Total Parking Fund Revenues and Expenses by Quarter (in millions)



Parking Fund Cash Balance

FY17 Reserve Requirement = 1 month / \$47,963	FY16 Actual	1Q Actual	2Q Actual	3Q Actual	4Q Actual
	\$ 477,600	\$ 803,198	\$ 1,029,881	-	-
Is this fund compliant?	Yes				



Parking Fund Cash Balance Status

The Parking Fund is currently in compliance with its reserve requirement, mainly due to the annual General Fund transfer. The largest cost in the Parking Fund is debt service, which is paid in the 2Q and 4Q.

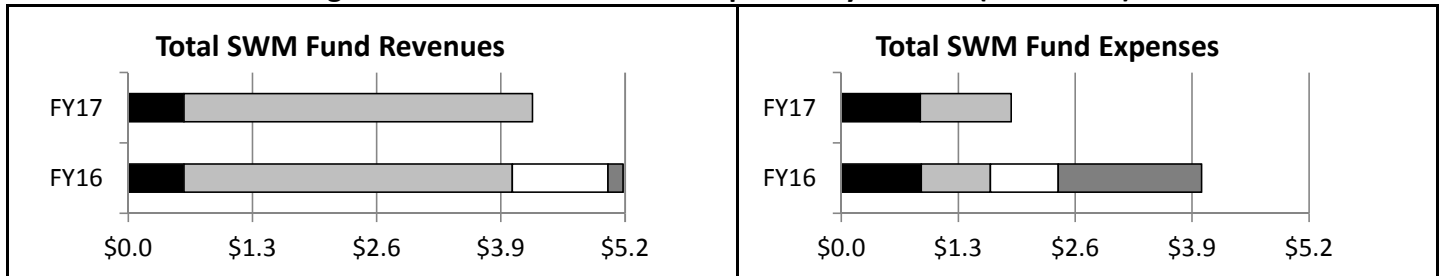
Parking violation revenue has continued to decline since the City added the option to pay for parking using cell phones.

Stormwater Management Fund Summary as of December 31, 2016

Stormwater Management Fund Budget to Actual

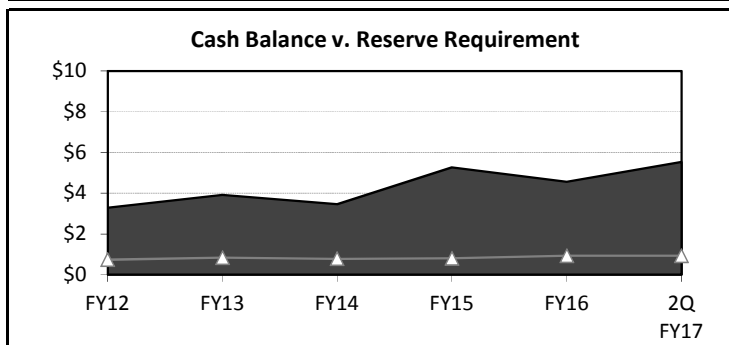
	Current Fiscal Year				Previous Year	
	FY17 Adopted	FY17 Amended	Actual 12/31/16	% Amend. Rec/Spent	Actual 12/31/15	% EOY Act. Rec/Spent
Revenues						
SWM utility fees	\$ 4,797,000	\$ 4,797,000	\$ 3,720,772	77.6%	\$ 3,632,479	79.3%
SWM permits	300,000	300,000	248,478	82.8%	219,454	73.2%
Regional SWM fees	300,000	300,000	229,000	76.3%	158,127	52.7%
Interest income/Other	34,730	34,730	32,155	92.6%	9,387	34.6%
Total Revenue	\$ 5,431,730	\$ 5,431,730	\$ 4,230,405	77.9%	\$ 4,019,447	77.2%
Expenses						
Personnel	\$ 2,163,460	\$ 2,163,460	\$ 1,060,569	49.0%	\$ 1,070,428	49.6%
Operating	750,830	836,226	250,091	29.9%	150,542	19.7%
Capital	21,000	158,427	137,427	86.7%	-	0.0%
Debt serv., transfer, other	1,722,440	1,722,440	438,665	25.5%	437,260	29.8%
Total Expenses	\$ 4,657,730	\$ 4,880,553	\$ 1,886,752	38.7%	\$ 1,658,230	36.7%
Add to / (Use of) Reserves	\$ 774,000	\$ 551,177	\$ 2,343,652		\$ 2,361,218	

Total Stormwater Management Fund Revenues and Expenses by Quarter (in millions)



Stormwater Management Fund Cash Balance

FY17 Reserve Requirement = 3 months / \$922,900	FY16 Actual	1Q Actual	2Q Actual	3Q Actual	4Q Actual
	\$ 4,549,613	\$ 3,920,902	\$ 5,529,175	-	-
Is this fund compliant?	Yes				



SWM Fund Cash Balance Status

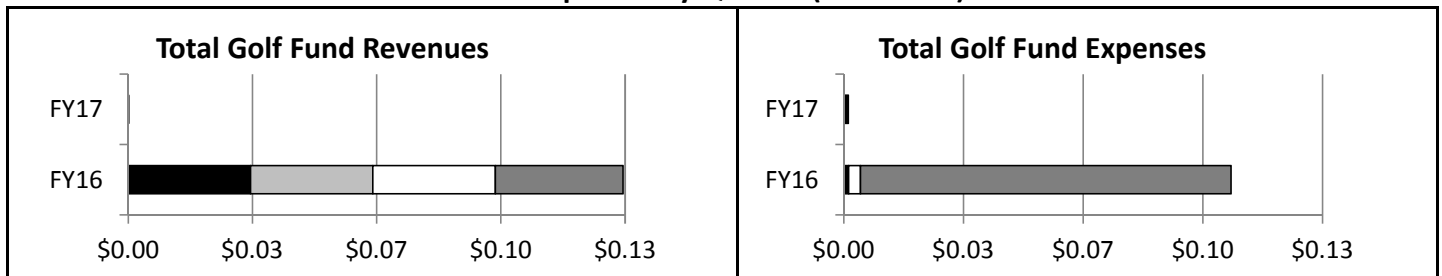
The SWM Fund cash balance is currently in compliance with its reserve requirement. The large cash balance is appropriated for CIP projects that are currently underway.

RedGate Golf Fund Summary as of December 31, 2016

RedGate Golf Fund Budget to Actual

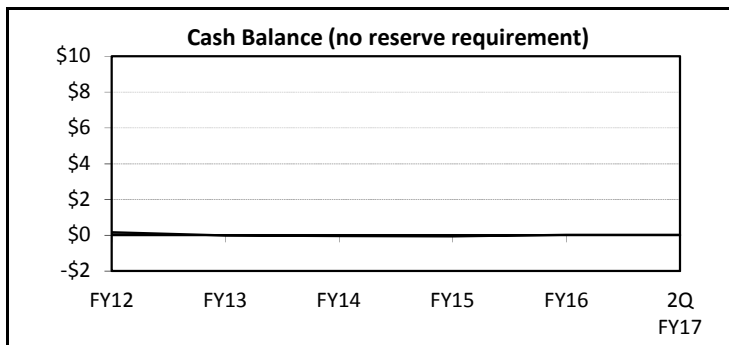
	Current Fiscal Year				Previous Year	
	FY17 Adopted	FY17 Amended	Actual 12/31/16	% Amend. Rec/Spent	Actual 12/31/15	% EOY Act. Rec/Spent
Revenues						
Performance/Misc.	\$ 1,340	\$ 1,340	\$ 28	2.1%	\$ -	0.0%
Course lease	6,050	6,050	-	0.0%	-	0.0%
Trans. From General Fund	-	-	-	0.0%	65,000	50.0%
Total Revenue	\$ 7,390	\$ 7,390	\$ 28	0.4%	\$ 65,000	49.4%
Expenses						
Debt serv., transfer, other	\$ 106,300	\$ 106,300	\$ 1,196	1.1%	\$ 1,337	1.2%
Total Expenses	\$ 106,300	\$ 106,300	\$ 1,196	1.1%	\$ 1,337	1.2%
Add to / (Use of) Reserves	\$ (98,910)	\$ (98,910)	\$ (1,168)		\$ 63,663	

Total RedGate Golf Fund Revenues and Expenses by Quarter (in millions)



RedGate Golf Fund Cash Balance

FY17 Reserve Requirement = None	FY16 Actual	1Q Actual	2Q Actual	3Q Actual	4Q Actual
	\$ 31,193	\$ 28,326	\$ 28,350	-	-
Is this fund compliant?	N/A				



RedGate Golf Fund Cash Balance Status

The Golf Fund does not have a reserve requirement since it no longer has any operating expenses--only depreciation and debt service payments. Depreciation, which is the Golf Fund's largest expense, occurs in 4Q.

Speed Camera Fund Summary as of December 31, 2016

Speed Camera Fund Budget to Actual

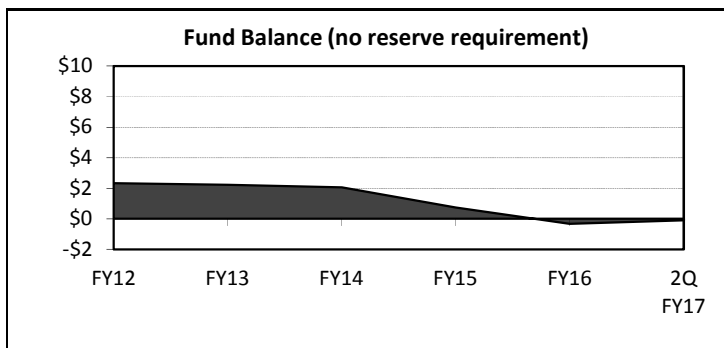
	Current Fiscal Year				Previous Year	
	FY17 Adopted	FY17 Amended	Actual 12/31/16	% Amend. Rec/Spent	Actual 12/31/15	% EOY Act. Rec/Spent
Revenues						
Speed camera citations	\$ 1,248,000	\$ 1,248,000	\$ 721,726	57.8%	\$ 755,634	54.7%
Interest income	2,500	2,500	-	0.0%	30	2.0%
Total Revenue	\$ 1,250,500	\$ 1,250,500	\$ 721,726	57.7%	\$ 755,664	54.6%
Expenditures						
Personnel	\$ 388,510	\$ 172,670	\$ 85,723	49.6%	\$ 176,367	39.5%
Operating	557,640	557,640	176,948	31.7%	289,949	47.1%
Debt serv., transfer, other	362,000	362,000	171,000	47.2%	169,305	45.9%
Total Expenditures	\$ 1,337,150	\$ 1,121,310	\$ 433,670	38.7%	\$ 635,622	44.4%
Add to / (Use of) Reserves	\$ (86,650)	\$ 129,190	\$ 288,056		\$ 120,043	

Total Speed Camera Fund Revenues and Expenditures by Quarter (in millions)



Speed Camera Fund Total Fund Balance

FY17 Reserve Requirement = None (legally restricted)	FY16 Actual	1Q Actual	2Q Actual	3Q Actual	4Q Actual
	\$ (337,102)	\$ (210,250)	\$ (97,226)	-	-
Is this fund compliant?	N/A				



Speed Camera Fund Total Fund Balance Status

These funds are legally restricted for public safety uses; therefore, the fund has no minimum reserve requirement. The fund balance is negative due to a one-time write-off of over \$756,000 in uncollectable citations during the FY 2016 year-end reconciliation.

The amended budget includes a reallocation of 2.0 FTE police officers to the General Fund. This change was necessary due to a decrease in speed camera citation revenue over the past several years.

Operating costs appear lower than last year due to the timing of payments for the City's speed camera contract.

Debt Ratios

Debt Service Fund Debt Ratios*

	Target	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Debt per assessed valuation	≤1.0%	0.5%	0.5%	0.4%	0.4%	0.3%
Debt per capita	≤\$1,268	\$912	\$877	\$823	\$744	\$672
Debt per capita (not incl. parking garages)	≤\$1,268	\$381	\$318	\$257	\$193	\$135
Debt per capita as percent of per capita income	≤2.5%	1.8%	1.7%	1.5%	1.4%	1.2%
Debt service as percent of operating budget	≤15.0%	9.2%	9.8%	9.5%	9.3%	8.8%
Amortization rate - 5 years	≥25%	34.2%	36.8%	39.2%	41.4%	43.1%
Amortization rate - 10 years	≥50%	62.7%	64.8%	66.2%	67.9%	70.1%

*All ratios include debt issued for the Town Center Parking Garages unless otherwise noted.

2Q FY17 CIP Transfers

Project Name	Amount	Fund	Dept	Reason for Transfer
There were no CIP transfers in 2Q FY17.				

City Manager Contingency Usage

Adopted Budget Contingency Level	\$ 350,000
Office furniture for new council office	(3,700)
New banners for Town Center	(51,120)
Unused Balance*	\$ 295,180

*In addition to the usage shown above, an additional \$111,250 has been utilized in 3Q for emergency fence repairs, police computer equipment, historic property sign replacement, and emergency shoring in the filter room of the Outdoor Fitness Pool, bringing the total remaining contingency to \$183,930.