

First Quarter FY 2018 Financial Report

Category	Current Year (in thousands)				Prior Yr. (in thousands)		
	FY18 Adp.	FY18 Amd.	Actual 9/30/17	% Amd.	FY17 Actual	Actual 9/30/16	% Act.
Revenue							
Property Taxes	40,867	40,867	4,475	11%	40,106	3,378	8%
From Other Gov't.	19,864	19,864	2,790	14%	20,599	4,549	22%
Fines /Forfeitures	1,243	1,243	364	29%	1,267	356	28%
Use of Money/Property	1,302	1,302	73	6%	1,442	74	5%
Charges for Services	6,763	6,763	3,051	45%	6,817	2,455	36%
Licenses/Permits	2,875	2,875	610	21%	2,927	428	15%
Other Revenue	6,775	6,775	1,553	23%	6,725	1,551	23%
Total Revenue (\$)	79,690	79,690	12,917	16%	79,883	12,791	16%
Expenditures							
Personnel	48,842	48,842	14,091	29%	45,793	13,205	29%
Operating	13,692	13,692	2,656	19%	12,681	2,739	22%
Capital Outlay	2,429	2,429	221	9%	2,665	312	12%
Other	1,881	1,881	377	20%	3,040	331	11%
CIP Transfer	6,600	6,600	1,650	25%	12,115	1,525	13%
Transfers Out	6,246	6,246	1,562	25%	6,229	1,551	25%
Total Expenditures (\$)	79,690	79,690	20,556	26%	82,523	19,662	24%

General Fund Summary

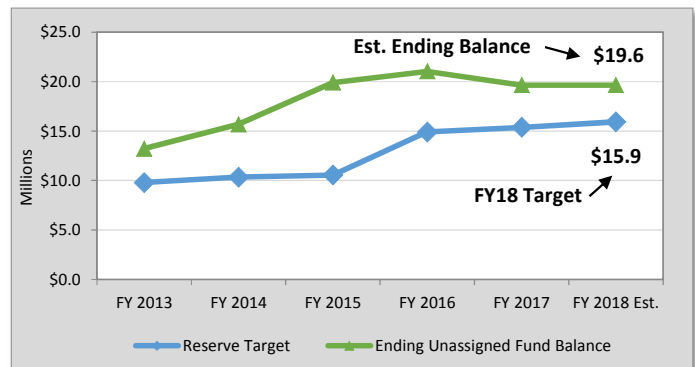
General Fund revenues and expenditures are tracking as expected as of the end of the 1Q.

The largest year-to-year revenue difference is in the From Other Gov't category, which is lower than FY17 due to the timing of the one-time highway user revenue payment.

Personnel expenditures are highest in 1Q due to the timing of the City's annual contributions to the Pension Plan and the Retiree Benefit Trust, as well as the annual workers' compensation insurance premium.

General Fund Unassigned Fund Balance

The estimated ending unassigned fund balance exceeds the FY18 target by \$3.7 million, or 4.6 percent. 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, or for other one-time needs. Staff recommends using a portion of this balance to fund some unfunded or underfunded needs within the current CIP. Such recommended utilization will come before the Mayor and Council on a future budget amendment.



City Manager Contingency Status

Per the City's Financial Management Policies, contingency funds are available for unanticipated, unbudgeted expenditures of a non-recurring nature and/or unexpected cost increases that require the City Manager's approval.

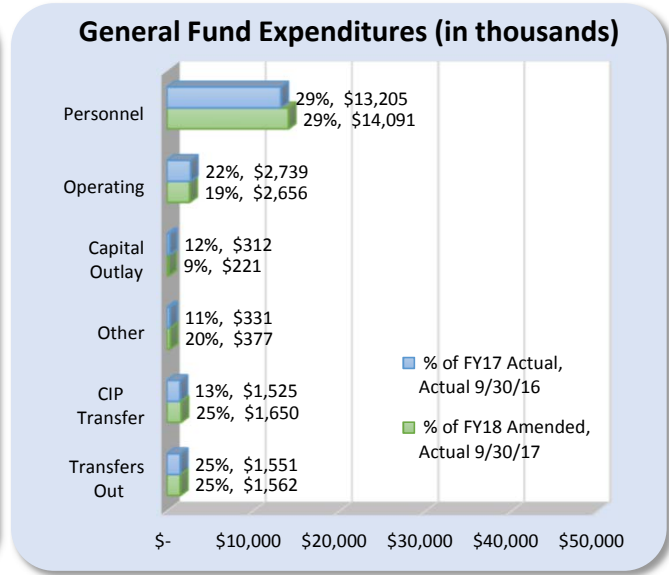
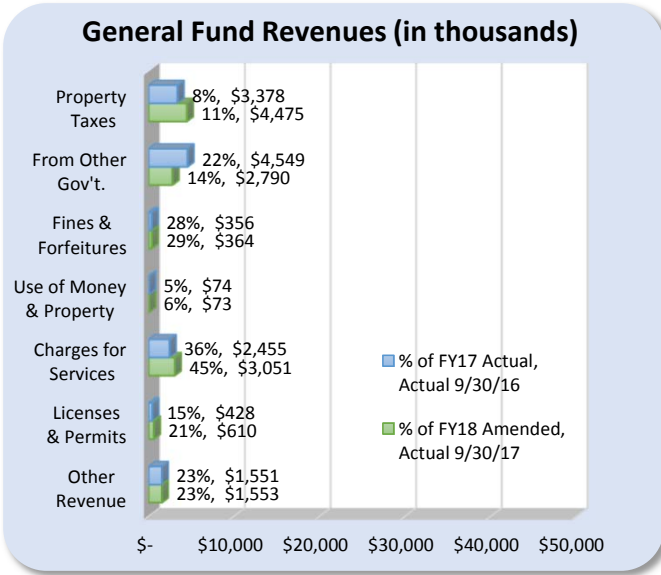
City Manager Contingency Usage through 1Q	Amount
Adopted FY18 City Manager Contingency	350,000
Temp staffing for Skate Park	(20,000)
Brick repair work at Chestnut Lodge	(12,174)
Netting extension at RedGate Golf Course	(18,700)
Replacement security equipment, Rockcrest Ballet Ctr.	(7,400)
FY18 Contingency Remaining (\$) ¹	291,726

¹ Since 9/30/17, additional funding has been set aside for an impact fee study, police staffing study, and temporary IT staffing, bringing the remaining balance to \$209,326.

Unspent Personnel Funds

Unspent funds related to vacant General Fund positions are tracked and reported quarterly, along with any uses of these funds. In addition to vacancy-related costs, these funds can be used for weather-related needs such as snow removal or for special projects approved by the City Manager and/or Mayor and Council.

Unspent Personnel Funds	1Q Only	YTD FY18
Gross unspent funds from vacancies	346,200	346,200
Less vacancy-related costs	(17,320)	(17,320)
Net Unspent Funds	328,880	328,880
<i>Uses of Net Unspent Funds</i>		
No uses in 1Q	-	-
Net Unspent Funds Remaining (\$)	328,880	328,880



General Fund Revenues by Category

Property Taxes totaled \$4.5 million for 1Q, up from \$3.4 million in FY17. The majority of property tax revenue is received in 2Q.

Revenue **From Other Governments** totaled \$2.8 million for 1Q, down from \$4.5 million in FY17 due to the timing of the one-time \$1.4 million highway user revenue payment. This payment was received in 1Q FY17, but is expected in 2Q FY18.

Revenue from **Fines & Forfeitures** totaled \$0.4 million for 1Q, similar to last year. Redlight camera citations make up the largest portion of this category.

Use of Money & Property revenue roughly equaled last year's 1Q revenue of less than \$0.1 million. Cable franchise fees make up the largest portion of this category; this revenue source is typically not received until 2Q.

Charges for Services revenue totaled \$3.1 million for 1Q, up from \$2.5 million in FY17 due to increases in recreation program, memberships, and rental revenues.

Licenses & Permits revenue totaled \$0.6 million for 1Q, up from \$0.4 million in FY17 due to an increase in building permit revenue, primarily from the Ingleside at King Farm project.

Other Revenue totaled \$1.6 million in 1Q, roughly equal to last year. This revenue category includes hotel tax and revenue from other funds for administrative services provided by the General Fund.

General Fund Expenditures by Category

Total **Personnel** spending totaled \$14.1 million through 1Q, or 29% of the adopted personnel budget. Personnel spending is highest in 1Q due to the timing of the City's annual contributions to the pension plan and retiree benefit trust. Workers' compensation insurance premiums are also paid in 1Q.

Operating expenditures totaled \$2.7 million in 1Q, similar to FY17. Operating expenditures include contractual services, utilities, and supplies.

Capital Outlay expenditures totaled \$0.2 million for 1Q. This funding covers one-time equipment purchases including vehicle replacements, and varies from year to year based on needs and replacement schedules.

Other expenditures totaled \$0.4 million for 1Q. The majority of this category is made up of grant funding the City provides to caregiver and outside agencies. This funding is typically provided as a reimbursement to those agencies, and as a result spending in this category tends to occur later in the year.

The **CIP Transfer** totaled \$1.7 million for 1Q. This category is expended quarterly based on the amended budget. Spending by quarter may not be equal if the budget is amended mid-year, as was the case in FY17.

The **Transfers Out** category totaled \$1.6 million for 1Q. This category is expended quarterly based on the amended budget, and includes transfers to the Parking, Debt Service, Refuse (for RHE refuse bills), and Special Activities Funds.

WATER FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY18	FY18	Actual	%	FY17	Actual	%
	Adp.	Amd.	9/30/17	Amd.	Actual	9/30/16	Act.
Total Revenue (\$)	13,261	13,261	1,491	11%	13,105	2,006	15%
<i>Expenses</i>							
Personnel	3,568	3,568	1,065	30%	3,439	989	29%
Operating	2,084	2,084	332	16%	2,162	400	18%
Capital Outlay ¹	281	281	20	7%	93	9	10%
Admin/Other/Interest	5,943	5,943	439	7%	5,713	321	6%
Total Expenses (\$)	11,876	11,876	1,857	16%	11,406	1,720	15%

Water Fund utility revenue typically looks low in 1Q due to the timing of payments. Most customers are billed quarterly with their payments due the month after their usage quarter ends.

A new utility rate study is currently underway and will be presented to the Mayor and Council in December. This study will produce proposed utility rates to bring the Water Fund into compliance with the City's Financial Management Policies by FY21.

SEWER FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY18	FY18	Actual	%	FY17	Actual	%
	Adp.	Amd.	9/30/17	Amd.	Actual	9/30/16	Act.
Total Revenue (\$)	12,725	12,725	1,359	11%	12,621	1,518	12%
<i>Expenses</i>							
Personnel	1,900	1,900	546	29%	1,865	527	28%
Operating	3,882	3,882	844	22%	3,323	502	15%
Capital Outlay ¹	21	21	0	0%	235	0	0%
Admin/Other/Interest	7,351	7,351	369	5%	6,868	222	3%
Total Expenses (\$)	13,153	13,153	1,760	13%	12,291	1,251	10%

Sewer Fund utility revenue typically looks low in 1Q due to the timing of payments. Most customers are billed quarterly with their payments due the month after their usage quarter ends.

A new utility rate study is currently underway and will be presented to the Mayor and Council in December. This study will produce proposed utility rates to bring the Sewer Fund into compliance with the City's Financial Management Policies in the next five years.

REFUSE FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY18	FY18	Actual	%	FY17	Actual	%
	Adp.	Amd.	9/30/17	Amd.	Actual	9/30/16	Act.
Total Revenue (\$)	6,187	6,187	486	8%	6,226	468	8%
<i>Expenses</i>							
Personnel	2,753	2,753	749	27%	2,550	673	26%
Operating	2,041	2,041	80	4%	1,709	139	8%
Capital Outlay ¹	295	295	0	0%	352	0	0%
Admin/Other/Interest	2,058	2,058	417	20%	1,975	404	20%
Total Expenses (\$)	7,148	7,148	1,246	17%	6,586	1,216	18%

The refuse fee is collected through property tax bills, which are due twice per year.

Public Works staff have finalized a contract for recycling processing, and are currently working through the procurement process to establish a contract for the transportation of the recyclable materials.

¹Capital outlay purchases with useful lives of more than five years are capitalized and depreciated in accordance with Generally Accepted Accounting Principles (GAAP). The City's financial statements reflect this adjustment, whereas this report shows the actual expense. As a result, the prior year actuals shown on this report in enterprise funds with qualifying capital purchases will differ from the financial statements in the amount of the cost of any capitalized assets.

SWM FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY18	FY18	Actual	%	FY17	Actual	%
	Adp.	Amd.	9/30/17	Amd.	Actual	9/30/16	Act.
Total Revenue (\$)	5,465	5,465	793	15%	5,873	585	10%
<i>Expenses</i>							
Personnel	2,295	2,295	667	29%	2,134	604	28%
Operating	745	745	62	8%	631	78	12%
Capital Outlay ¹	0	0	0	0%	159	0	0%
Admin/Other/Interest	1,858	1,858	225	12%	1,593	198	12%
Total Expenses (\$)	4,897	4,897	954	19%	4,517	880	19%

The SWM utility fee is collected through property tax bills, which are due twice per year.

A large portion of SWM Fund spending occurs in the CIP. The accumulated balance of revenues in excess of expenses fund SWM CIP projects.

PARKING FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY18	FY18	Actual	%	FY17	Actual	%
	Adp.	Amd.	9/30/17	Amd.	Actual	9/30/16	Act.
Total Revenue (\$)	2,522	2,522	713	28%	2,256	430	19%
<i>Expenses</i>							
Personnel	306	306	87	29%	248	81	33%
Operating	114	114	12	11%	73	4	5%
Capital Outlay ¹	0	0	0	0%	25	0	0%
Admin/Other/Interest	1,669	1,669	41	2%	1,729	35	2%
Total Expenses (\$)	2,089	2,089	141	7%	2,075	120	6%

Parking Fund revenue is higher than 1Q FY17 due to the timing of the County contribution to the City's garage debt and payment in lieu of taxes for the Rockville library property. The County's contribution of \$310,046 was received in 1Q FY18; in FY17 this contribution was received in 2Q.

Operating spending appears higher than in 1Q FY17 due to the timing of payments to the vendor who processes the City's parking tickets.

Capital Improvements Program (CIP) Transfers, All Funds

The City's Financial Management Policies allow the City Manager to approve transfers of unspent project appropriations between capital projects within the same fund. These transfers will always net to zero, as any change in total appropriation by fund must be approved by the Mayor and Council through an appropriations ordinance. Any transfers between projects during the reporting period are shown below.

1Q CIP Transfers	Amount (\$)	Fund	Reason for Transfer
There were no CIP transfers in 1Q FY18.	-		

¹Capital outlay purchases with useful lives of more than five years are capitalized and depreciated in accordance with Generally Accepted Accounting Principles (GAAP). The City's financial statements reflect this adjustment, whereas this report shows the actual expense. As a result, the prior year actuals shown on this report in enterprise funds with qualifying capital purchases will differ from the financial statements in the amount of the cost of any capitalized assets.