

Second Quarter FY 2018 Financial Report

Category	Current Year (in thousands)				Prior Yr. (in thousands)		
	FY18 Adp.	FY18 Amd.	Actual 12/31/17	% Amd.	FY17 Actual	Actual 12/31/16	% Act.
Revenue							
Property Taxes	40,867	40,867	29,539	72%	40,106	28,871	72%
From Other Gov't.	19,864	19,864	9,901	50%	20,599	9,470	46%
Fines /Forfeitures	1,243	1,243	691	56%	1,267	638	50%
Use of Money/Property	1,302	1,302	453	35%	1,442	395	27%
Charges for Services	6,763	6,763	4,290	63%	6,817	3,584	53%
Licenses/Permits	2,875	2,875	1,085	38%	2,927	948	32%
Other Revenue	6,775	6,775	3,550	52%	6,725	3,251	48%
Total Revenue (\$)	79,690	79,690	49,509	62%	79,883	47,158	59%
Expenditures							
Personnel	48,842	48,842	25,439	52%	45,793	23,001	50%
Operating	13,692	13,692	5,564	41%	12,681	5,592	44%
Capital Outlay	2,429	2,429	704	29%	2,665	780	29%
Other	1,881	1,881	719	38%	3,040	574	19%
CIP Transfer	6,600	6,600	3,300	50%	12,115	4,254	35%
Transfers Out	6,246	6,246	3,123	50%	6,229	3,115	50%
Total Expenditures (\$)	79,690	79,690	38,850	49%	82,523	37,316	45%

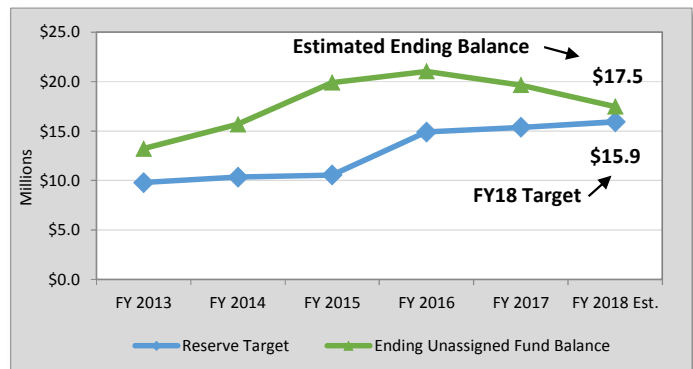
General Fund Summary

Estimates for several General Fund revenue sources were increased on the February 2018 budget amendment, most notably affecting the Property Taxes and From Other Gov't. categories. Because the amendment occurred in 3Q, the amended budget totals are not reflected in this report.

Staff will continue to monitor any savings associated with the relatively mild snow season and report on those savings next quarter.

General Fund Unassigned Fund Balance

The estimated ending unassigned fund balance as of the end of 2Q exceeded the FY18 target by \$3.7 million, or 4.6 percent. In accordance with the City's Financial Management Policies, the Mayor and Council approved the transfer of that unassigned fund balance in excess of the reserve target to the CIP through a budget amendment in February 2018. Staff anticipates that the General Fund will end the year with at least \$1.5 million in reserves above the required level due to a mild winter, unspent personnel funding from vacant positions, and strong revenue receipts.



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.

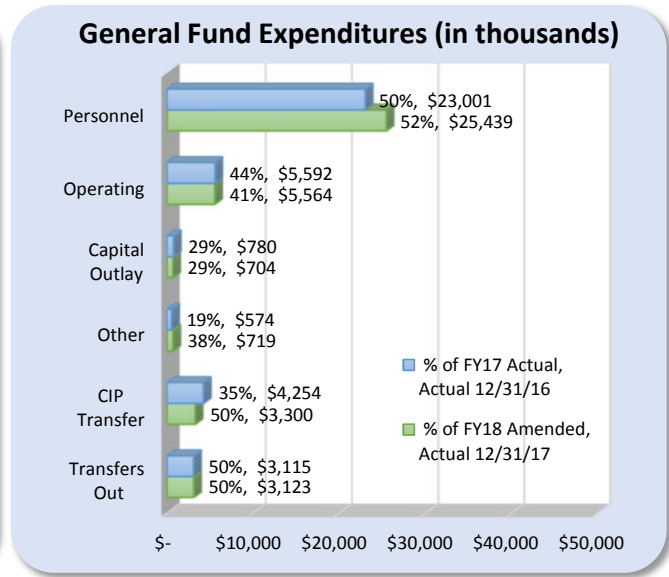
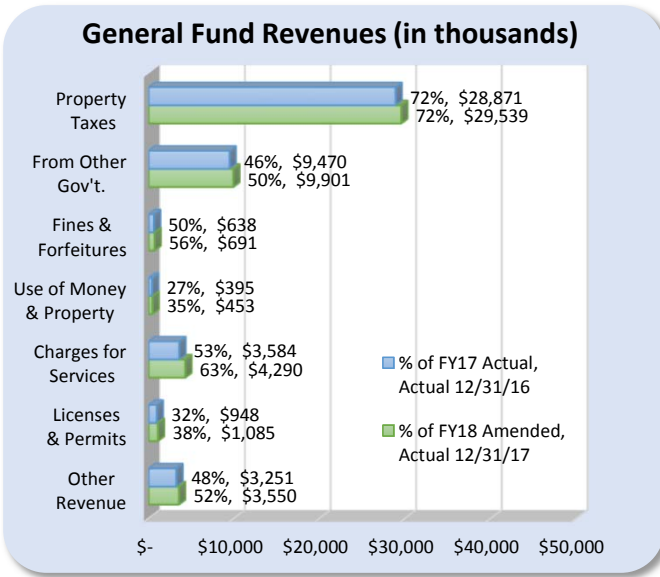
City Manager Contingency Usage through 2Q	Amount
Adopted FY18 City Manager Contingency	350,000
Temp staffing for Skate Park	(20,000)
Brick repair work at Chestnut Lodge	(12,174)
Netting extension at RedGate Golf Course	(18,700)
Replacement security equipment, Rockcrest Ballet Ctr.	(7,461)
Impact fee study	(5,000)
Police staffing study	(58,100)
Temp staffing for IT	(19,300)
IT consulting services	(81,800)
Emergency water pipe repair, Swim Center	(8,400)
FY18 Contingency Remaining (\$)	119,065

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	2Q Only	YTD FY18
Gross unspent funds from vacancies	342,730	688,930
Less vacancy-related costs	(128,210)	(145,530)
Net Unspent Funds	214,520	543,400
<i>Uses of Net Unspent Funds</i>		
Police Chief recruitment	(24,500)	(24,500)
Net Unspent Funds Remaining (\$)¹	190,020	518,900

¹In addition to the use above, \$20,800 has been set aside to date in 3Q for CPDS director recruitment.



General Fund Revenues by Category

Property Taxes totaled \$29.5 million for 2Q, or 72% of the adopted budget. The majority of property tax revenue is received in 2Q. Personal property tax revenue estimates were increased on the February budget amendment by \$600,000.

Revenue **From Other Governments** totaled \$9.9 million for 2Q. The largest revenue source within this category is income tax, which totaled \$5 million for 2Q, compared with \$4.5 million in FY17. Income tax estimates were increased through the February budget amendment by \$420,000.

Revenue from **Fines & Forfeitures** totaled \$0.7 million for 2Q. Revenue from redlight camera citations, which is approximately \$55,000 higher than in FY17, makes up the largest portion of this category.

Use of Money & Property revenue totaled \$0.5 million for 2Q. The largest change from FY17 in this category is interest earnings, which totaled approximately \$51,000 more than in FY17.

Charges for Services revenue totaled \$4.3 million for 2Q, up from \$3.6 million in FY17 due to increases in public works permits, recreation program fees, and membership revenues.

Licenses & Permits revenue totaled \$1.1 million for 2Q, up from \$0.9 million in FY17 due to an increase in building permit revenue.

Other Revenue totaled \$3.6 million in 2Q, an increase of \$0.3 million from FY17 due to revenue received for the administration of a conduit bond issue.

General Fund Expenditures by Category

Total **Personnel** spending totaled \$25.4 million through 2Q, or 52% of the adopted personnel budget. The City's worker's compensation insurance premium and required collateral, as well as annual contributions to the pension plan and retiree benefit trust, were made in 1Q and therefore are factored in this percentage in full.

Operating expenditures totaled \$5.6 million in 2Q, similar to FY17. Operating expenditures include contractual services, utilities, and supplies.

Capital Outlay expenditures totaled \$0.7 million for 2Q. 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 \$0.7 million for 2Q. 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 \$3.3 million for 2Q. 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 \$3.1 million for 2Q. 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 Adp.	FY18 Amd.	Actual 12/31/17	% Amd.	FY17 Actual	Actual 12/31/16	% Act.
Total Revenue (\$)	13,261	13,261	4,691	35%	13,105	5,411	41%
<i>Expenses</i>							
Personnel	3,568	3,568	1,910	54%	3,439	1,762	51%
Operating	2,084	2,084	745	36%	2,162	1,097	51%
Capital Outlay ¹	281	281	40	14%	93	35	38%
Admin/Other/Interest	5,943	5,943	1,302	22%	5,713	1,152	20%
Total Expenses (\$)	11,876	11,876	3,997	34%	11,406	4,047	35%

Most water customers are billed quarterly with their payments due the month after their usage quarter ends, so actual revenue tends to appear low until the end of the year.

A large portion of Water Fund spending occurs in the CIP. The Mayor and Council received the results of the most recent utility rate study in December 2017. The study produced recommended 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 Adp.	FY18 Amd.	Actual 12/31/17	% Amd.	FY17 Actual	Actual 12/31/16	% Act.
Total Revenue (\$)	12,725	12,725	4,619	36%	12,621	4,560	36%
<i>Expenses</i>							
Personnel	1,900	1,900	996	52%	1,865	943	51%
Operating	3,882	3,882	1,748	45%	3,323	1,352	41%
Capital Outlay ¹	21	21	0	0%	235	230	98%
Admin/Other/Interest	7,351	7,351	1,376	19%	6,868	1,153	17%
Total Expenses (\$)	13,153	13,153	4,120	31%	12,291	3,677	30%

Most sewer customers are billed quarterly with their payments due the month after their usage quarter ends, so actual revenue tends to appear low until the end of the year.

A large portion of Sewer Fund spending occurs in the CIP. The Mayor and Council received the results of the most recent utility rate study in December 2017. The study produced recommended rates to bring the Sewer Fund into compliance with the City's Financial Management Policies by FY23.

REFUSE FUND

	Current Year (in thousands)				Prior Year (in thousands)		
	FY18 Adp.	FY18 Amd.	Actual 12/31/17	% Amd.	FY17 Actual	Actual 12/31/16	% Act.
Total Revenue (\$)	6,187	6,187	3,715	60%	6,226	3,554	57%
<i>Expenses</i>							
Personnel	2,753	2,753	1,382	50%	2,550	1,281	50%
Operating	2,041	2,041	664	33%	1,709	755	44%
Capital Outlay ¹	295	295	113	38%	352	182	52%
Admin/Other/Interest	2,058	2,058	850	41%	1,975	830	42%
Total Expenses (\$)	7,148	7,148	3,009	42%	6,586	3,048	46%

Due to an emergency in mid-December, staff began self-hauling recyclable materials to Elkridge. This temporary situation resulted in contracted transportation savings, but increased fuel and vehicle wear.

In February staff learned that the sorting and sales services contract will not be renewed. For now, the City is transporting materials to Hagerstown where the processing fees are cheaper; however, this facility provides no revenue from the sale of materials.

Public Works staff are continuing to pursue other options and will keep the Mayor and Council informed of new developments.

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.	12/31/17	Amd.	Actual	12/31/16	Act.
Total Revenue (\$)	5,465	5,465	4,349	80%	5,873	4,230	72%
<i>Expenses</i>							
Personnel	2,295	2,295	1,190	52%	2,134	1,061	50%
Operating	745	745	253	34%	631	250	40%
Capital Outlay ¹	0	0	0	0%	159	137	87%
Admin/Other/Interest	1,858	1,858	476	26%	1,593	439	28%
Total Expenses (\$)	4,897	4,897	1,919	39%	4,517	1,887	42%

The SWM utility fee is collected through property tax bills, with the majority of the revenue being received in 2Q.

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.	12/31/17	Amd.	Actual	12/31/16	Act.
Total Revenue (\$)	2,522	2,522	1,342	53%	2,256	1,314	58%
<i>Expenses</i>							
Personnel	306	306	156	51%	248	135	54%
Operating	114	114	28	25%	73	30	41%
Capital Outlay ¹	0	0	9	n/a	25	0	0%
Admin/Other/Interest	1,669	1,669	717	43%	1,729	614	36%
Total Expenses (\$)	2,089	2,089	911	44%	2,075	779	38%

Revenue from parking meter violations is down 20 percent compared to 2Q FY17. This revenue source has seen a decline since patrons have been able to pay for parking using mobile devices.

The dollar value of total Parking Fund revenue received to date is higher than in FY17 due to the increased Parking Fund transfer from the General Fund. This transfer increased from \$715,000 to \$850,000 from FY17 to FY18, and is proposed to increase to \$1.1 million in FY19 to offset the decline in other parking revenue.

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.

2Q CIP Transfers	Amount (\$)	Fund	Reason for Transfer
There were no CIP transfers in 2Q 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.