

Third Quarter FY 2020 Financial Report

Category	Current Year (in thousands)				Prior Yr. (in thousands)		
	FY20 Adp.	FY20 Amd.	Actual 3/31/20	% Amd.	Actual 6/30/19	Actual 3/31/19	% Act.
Revenue							
Property Taxes	43,487	43,487	41,703	96%	42,168	41,600	99%
From Other Gov't.	21,911	22,711	14,758	65%	22,774	14,246	63%
Fines /Forfeitures	1,361	1,710	1,289	75%	1,578	1,173	74%
Use of Money/Property	1,724	1,724	1,740	101%	2,013	1,037	52%
Charges for Services	7,161	7,161	5,090	71%	7,779	5,855	75%
Licenses/Permits	3,071	3,411	2,799	82%	3,464	2,397	69%
Other Revenue	5,525	5,525	4,014	73%	6,279	4,630	74%
Total Revenue (\$)	84,240	85,729	71,393	83%	86,056	70,938	82%
Expenditures							
Personnel	51,565	51,733	38,346	74%	49,833	37,649	76%
Operating	14,820	15,565	9,914	64%	13,954	8,922	64%
Capital Outlay	1,603	2,416	1,453	60%	2,488	1,237	50%
Other	2,247	2,295	2,080	91%	2,098	1,677	80%
CIP Transfer	6,800	9,800	7,350	75%	8,448	6,336	75%
Transfers Out	6,202	6,202	4,651	75%	6,429	4,844	75%
Total Expenditures (\$)	83,237	88,011	63,794	72%	83,251	60,665	73%

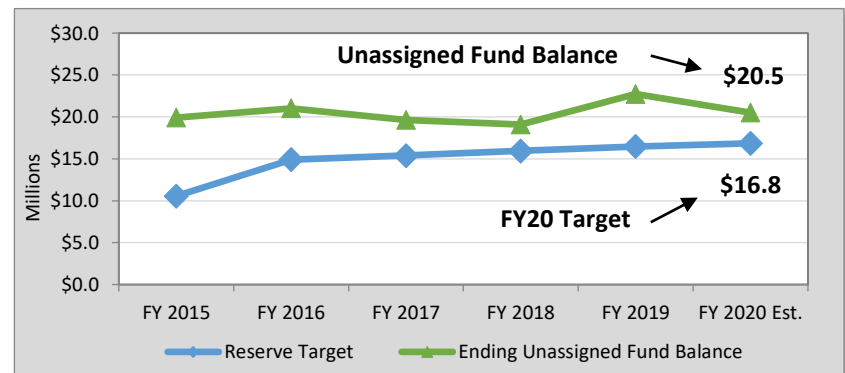
General Fund Summary

Overall, General Fund revenues and expenditures are consistent with staff expectations and remain in line with the budget through 3Q. Notable variations are discussed on the next page.

The fiscal impacts of COVID-19 are not seen in this report, as facility closures did not begin until the end of 3Q. Staff are continuing to monitor the fiscal impacts of this unprecedented situation. Fiscal impacts of staffing changes related to COVID-19 are being reported to the Mayor and Council on a monthly basis.

General Fund Unassigned Fund Balance

The unassigned fund balance at the start of FY20 was \$22.7 million. The Mayor and Council appropriated \$2.1 million of this balance on the March budget amendment to increase the CIP transfer to add funding to the Maintenance and Emergency Operations Facility (GD19) CIP project. In addition to the amendment, the FY21 budget ordinance commits \$100,000 for planning of RedGate. These uses bring the unassigned fund balance to \$20.5 million, or \$3.7 million above the FY20 reserve target.



General Fund 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.

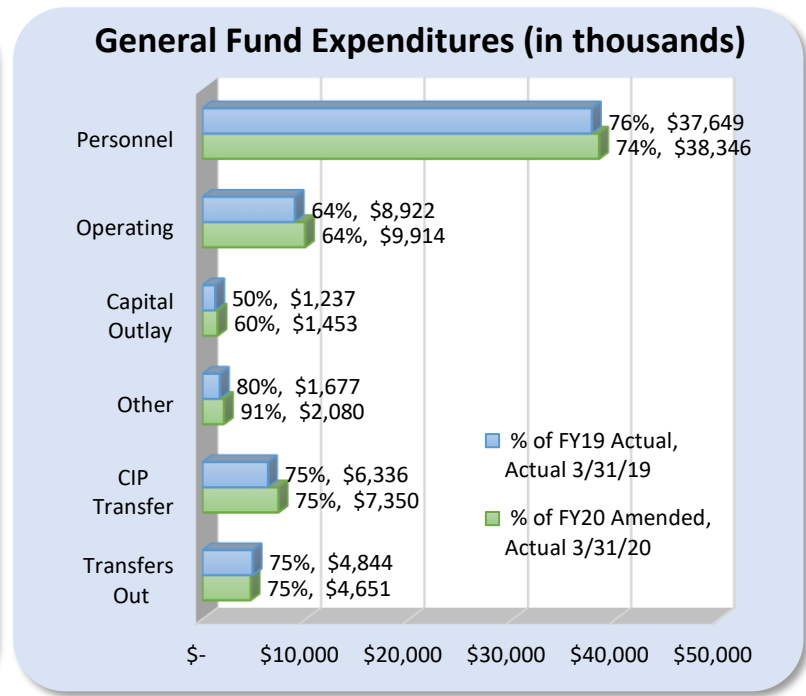
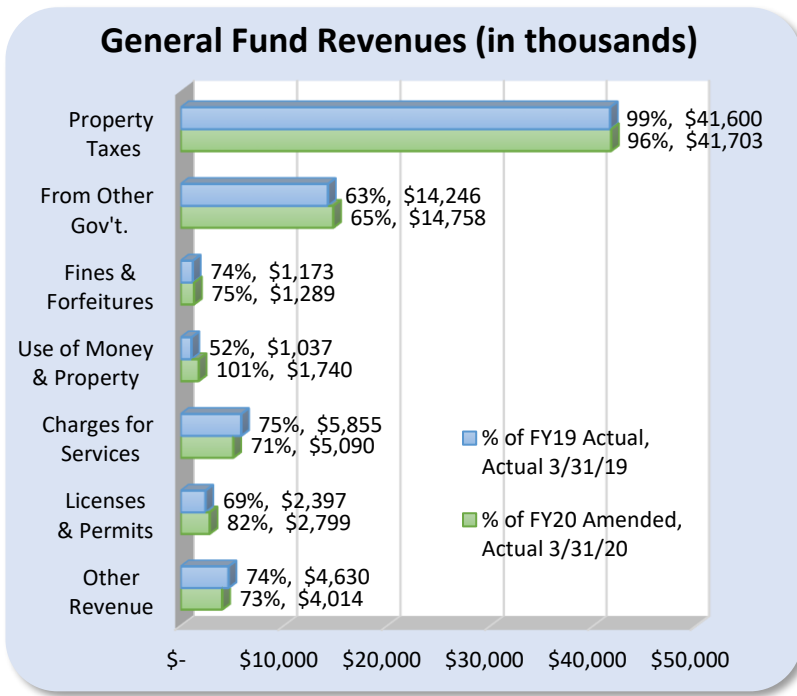
General Fund Contingency Usage through 3Q	Amount
Adopted FY20 General Fund Contingency	350,000
Sister City Event	(22,950)
Restore Hometown Holidays to two-day event	(48,000)
Montgomery County Rockville Goes Purple events	(592)
Add power to dais in Mayor and Council Chambers	(4,262)
Glenview Mansion porch design and repair	(99,500)
Outside legal fees	(50,000)
Actuarial study of benefits claims	(10,000)
FY20 Contingency Remaining (\$)*	114,696

*In addition to the uses above, an additional \$55,000 has been used to provide additional funding for caregiver agencies bringing the balance as of 5/8/20 to \$59,696.

Unspent Personnel Funds

Unspent funds related to vacant General Fund positions are tracked and reported quarterly, along with any uses of these funds. Historically, in addition to vacancy-related costs, these funds have been used for weather-related needs such as snow removal.

Unspent Personnel Funds	3Q Only	YTD FY20
Gross unspent funds from vacancies	407,771	1,101,847
Vacancy-related costs/savings	(216,449)	(347,038)
Net Unspent Funds	191,322	754,809
<i>Uses of Net Unspent Funds</i>		
Workers Comp collateral	(400,000)	(400,000)
Net Unspent Funds Remaining (\$)	(208,678)	354,809



General Fund Revenues by Category

Property Taxes totaled \$41.7 million for 3Q, or 96% of the amended budget. The most significant variance in this category compared with last year is in property tax appeals, which reduces real property tax revenue. In all of FY19 there were just under \$25,000 worth of appeals, whereas there have been over \$220,000 to date in FY20.

Revenue **From Other Governments** totaled \$14.8 million for 3Q, compared to \$14.2 million in 3Q FY19. Income tax totaled \$9.7 million for 3Q, compared to \$8.5 million in 3Q FY19. This category also includes admissions and amusement tax revenue, which was budgeted at \$1.4 million for FY20, but will be greatly impacted in 4Q due to closures related to COVID-19. The City received \$0.6 million in admissions and amusement tax revenue through 3Q, compared to \$0.8 million through 3Q FY19.

Revenue from **Fines & Forfeitures** totaled \$1.3 million for 3Q, approximately \$100,000 ahead of 3Q FY19 due to revenue from redlight camera citations.

Use of Money & Property revenue totaled \$1.7 million for 3Q, exceeding the amended budget. The additional revenue comes from interest earnings as well as a one-time payment from the County of \$216,000 for the use of 6 Taft Ct. as a temporary location for a men's homeless shelter.

Charges for Services revenue totaled \$5.1 million for 3Q, compared with \$5.9 million in 3Q FY19. This variance is due to public works fees paid for a large development project in FY19.

Licenses & Permits revenue totaled \$2.8 million for 3Q, compared to \$2.4 million for 3Q FY19, with the variance due to building permit revenue. The estimate for this revenue source was increased on the March budget amendment.

Other Revenue totaled \$4 million in 3Q, down from \$4.6 million in 3Q FY19 mainly due to the decrease in administrative charges paid by other funds that resulted from full implementation of the City's internal cost allocation model.

General Fund Expenditures by Category

Total **Personnel** spending totaled \$38.3 million through 3Q, or 74% of the total personnel budget. Due to the timing of facility closures and pay cycles, the budget impact of the COVID-19 staffing strategy approved by the Mayor and Council will be seen in 4Q.

Operating expenditures totaled \$9.9 million in 3Q, or 64% of the total operating budget, tracking similarly to FY19. This category includes contractual services, utilities, and supplies. Staff will identify savings and delay non-essential spending when feasible in 4Q to better cushion the City for the financial impacts of COVID-19.

Capital Outlay expenditures totaled \$1.5 million for 3Q, compared to \$1.2 million in 3Q FY19. 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 \$2.1 million for 3Q, up from \$1.7 million in 3Q FY19 due an increase in funding paid to REDI and the decision to pay caregivers their 3Q and 4Q payments in the 3Q.

The **CIP Transfer** totaled \$7.4 million for 3Q. This category is expended quarterly based on the amended budget. An increase to the CIP transfer of \$3 million was included on the March budget amendment to support the Maintenance and Emergency Operations Facility (GD19) CIP project.

The **Transfers Out** category totaled \$4.7 million for 3Q. 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)		
	FY20	FY20	Actual	%	Actual	Actual	%
	Adp.	Amd.	3/31/20	Amd.	6/30/19	3/31/19	Act.
Total Revenue (\$)	14,276	14,276	8,776	61%	12,961	8,057	62%
<i>Expenses</i>							
Personnel	3,784	3,784	2,883	76%	3,772	2,875	76%
Operating	2,066	2,190	1,374	63%	2,080	1,511	73%
Capital Outlay ¹	115	115	98	85%	306	90	29%
Admin/Other/Interest	5,779	5,779	1,349	23%	5,568	1,426	26%
Total Expenses (\$)	11,743	11,868	5,704	48%	11,726	5,902	50%

Water Fund revenue appears low until the end of the year due to the timing of the receipt of quarterly bill payments.

A large portion of Water Fund spending occurs in the CIP.

The FY21 budget includes no water rate increases, which is a change from the plan adopted by the Mayor and Council to bring the Water Fund into compliance with the City's Financial Management Policies. Staff will work with the City's utility rate consultant

during FY21 to develop a recommendation for future rate adjustments that will improve the health of the Water Fund.

SEWER FUND

	Current Year (in thousands)				Prior Year (in thousands)		
	FY20	FY20	Actual	%	Actual	Actual	%
	Adp.	Amd.	3/31/20	Amd.	6/30/19	3/31/19	Act.
Total Revenue (\$)	15,526	15,526	9,563	62%	14,979	8,604	57%
<i>Expenses</i>							
Personnel	1,920	1,920	1,401	73%	1,914	1,476	77%
Operating	3,886	3,927	2,258	57%	3,709	2,598	70%
Capital Outlay ¹	189	551	515	93%	14	3	18%
Admin/Other/Interest	7,587	7,587	1,413	19%	7,341	1,436	20%
Total Expenses (\$)	13,582	13,985	5,587	40%	12,979	5,513	42%

Sewer Fund revenue appears low until the end of the year due to the timing of the receipt of quarterly bill payments.

Operating costs are lower than in FY19 due to a reconciliation credit of approximately \$250,000 for the City's share of Blue Plains operating and maintenance costs.

A large portion of Sewer Fund spending occurs in the CIP and goes toward the City's contribution to the Blue Plains Wastewater Treatment Facility.

The FY21 budget includes no sewer rate increases, which is a change from the plan adopted by the Mayor and Council to bring the Sewer Fund into compliance with the City's Financial Management Policies. Staff will work with the City's utility rate consultant during FY21 to develop a recommendation for future rate adjustments that will improve the health of the Sewer Fund.

REFUSE FUND

	Current Year (in thousands)				Prior Year (in thousands)		
	FY20	FY20	Actual	%	Actual	Actual	%
	Adp.	Amd.	3/31/20	Amd.	6/30/19	3/31/19	Act.
Total Revenue (\$)	6,241	6,241	6,224	100%	6,309	6,160	98%
<i>Expenses</i>							
Personnel	3,043	3,133	2,227	71%	2,695	2,036	76%
Operating	2,021	2,021	1,289	64%	1,675	1,033	62%
Capital Outlay ¹	511	511	0	0%	0	0	0%
Admin/Other/Interest	1,570	1,570	777	49%	1,835	1,023	56%
Total Expenses (\$)	7,144	7,234	4,293	59%	6,205	4,092	66%

The City's refuse fee is collected through property tax bills, with the majority of the revenue being received in 2Q.

Due to changes in the recyclables market, the City is evaluating options for the future of the City's recycling program, with the possibility of transitioning to a more affordable dual stream system. More information will be presented to the Mayor and Council in FY21.

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)		
	FY20	FY20	Actual	%	Actual	Actual	%
	Adp.	Amd.	3/31/20	Amd.	6/30/19	3/31/19	Act.
Total Revenue (\$)	6,085	6,085	5,502	90%	6,996	6,636	95%
<i>Expenses</i>							
Personnel	2,678	2,678	1,945	73%	2,355	1,796	76%
Operating	821	830	409	49%	638	404	63%
Capital Outlay ¹	25	25	1	6%	1	0	0%
Admin/Other/Interest	1,731	1,731	555	32%	1,628	602	37%
Total Expenses (\$)	5,254	5,263	2,910	55%	4,622	2,802	61%

The majority of SWM revenue is received in 2Q. Revenue is lower compared to last year due to several large developments paying SWM permit and waiver fees in FY19.

A large portion of SWM Fund spending occurs in the multi-year CIP.

PARKING FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY20	FY20	Actual	%	Actual	Actual	%
	Adp.	Amd.	3/31/20	Amd.	6/30/19	3/31/19	Act.
Total Revenue (\$)	2,493	2,493	1,884	76%	2,621	1,929	74%
<i>Expenses</i>							
Personnel	304	304	194	64%	232	170	73%
Operating	102	102	130	128%	108	44	40%
Capital Outlay ¹	0	0	0	0%	0	0	0%
Admin/Other/Int.	1,556	3,683	2,417	66%	1,642	608	37%
Total Expenses (\$)	1,962	4,089	2,741	67%	1,983	822	41%

Parking Fund revenue includes a transfer from the General Fund; this transfer totaled \$825,000 through 3Q, equal to FY19.

Expenses are higher compared to last year due to costs associated with the 2019B bond refunding. This refunding saves the Parking Fund over \$2.5 million in debt service costs over the remaining life of the bonds.

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.

3Q CIP Transfers	Amount (\$)	Fund	Reason for Transfer
WTP Safety Improvements (UB19)	30,000	Water	Fund a preliminary design process to determine the best option to improve chlorine gas safety conditions at the WTP.
Water Main Rehab & Improvement (UC16)	(30,000)		

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