

Fourth Quarter FY 2020 Financial Report (unaudited; figures subject to adjustment)

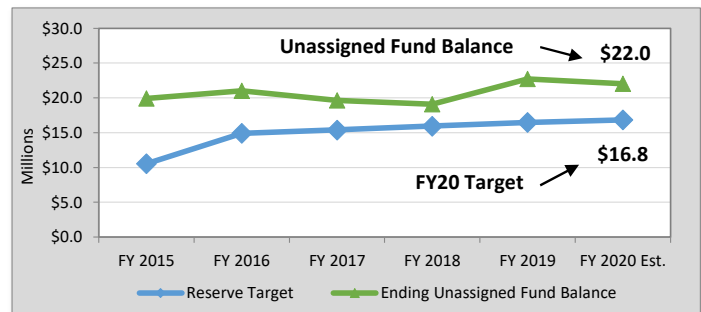
Category	Current Year (in thousands)				Prior Yr. (in thousands)		
	FY20 Adp.	FY20 Amd.	Actual 6/30/20	% Amd.	FY19 Amd.	Actual 6/30/19	% Act.
Revenue							
Property Taxes	43,487	43,487	42,552	98%	42,725	42,168	99%
From Other Gov't.	21,911	22,711	23,201	102%	21,005	22,774	108%
Fines /Forfeitures	1,361	1,710	1,510	88%	1,243	1,578	127%
Use of Money/Property	1,724	1,724	2,364	137%	1,489	2,013	135%
Charges for Services	7,161	7,161	5,472	76%	7,431	7,779	105%
Licenses/Permits	3,071	3,411	3,595	105%	3,060	3,464	113%
Other Revenue	5,525	5,525	5,204	94%	6,309	6,279	100%
Total Revenue (\$)	84,240	85,729	83,896	98%	83,263	86,056	103%
Expenditures							
Personnel	51,565	51,733	51,146	99%	51,420	49,833	97%
Operating	14,820	15,565	13,092	84%	15,384	13,954	91%
Capital Outlay	1,603	2,416	2,097	87%	3,157	2,488	79%
Other	2,247	2,295	2,307	101%	2,114	2,098	99%
CIP Transfer	6,800	9,800	9,800	100%	8,448	8,448	100%
Transfers Out	6,202	6,202	6,202	100%	6,429	6,429	100%
Total Expenditures (\$)	83,237	88,011	84,644	96%	86,953	83,251	96%

General Fund Summary

The 4Q brought unprecedented challenges and changes for the city due to the COVID-19 pandemic. Thanks to the city's strong financial position going into this pandemic, combined with restrictions on non-essential spending and the continued strength of our major revenue sources, the General Fund ended FY20 with an unassigned fund balance well above the policy target. This balance will help mitigate the financial risks of this continuing pandemic.

General Fund Unassigned Fund Balance

The unaudited ending FY20 unassigned fund balance is \$22 million, which is \$5.1 million or 6% above the FY21 policy target. This ending balance takes into account the \$100,000 that the Mayor and Council committed for consultant funding related to planning for the RedGate property with the adoption of the FY21 budget ordinance. The FY21 adopted budget also included a planned addition to reserves of \$970,000 which, if needed during the year, can be used to offset additional expenditures or lower revenues without the need for other cuts or uses of reserves.



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.

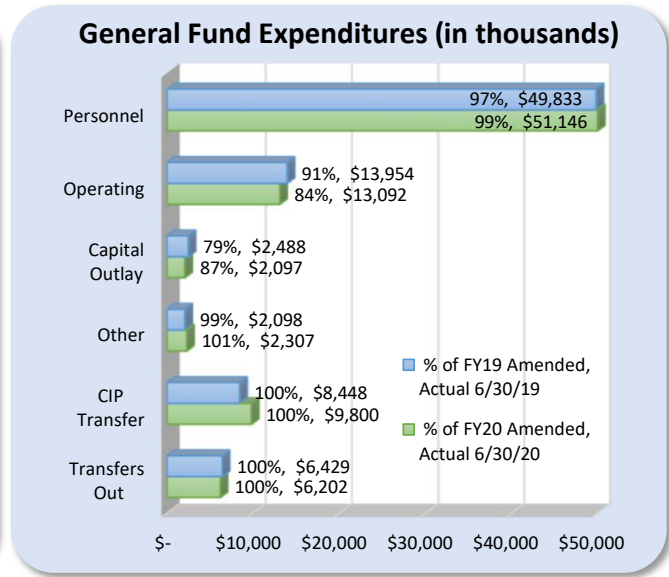
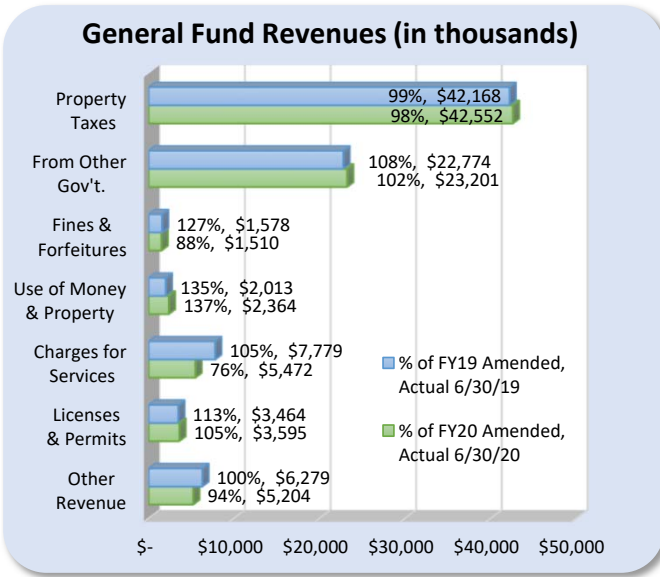
General Fund Contingency Usage through 4Q	Amount
Adopted FY20 General Fund Contingency	350,000
Sister City Event	(22,950)
Restore Hometown Holidays to two-day event	(48,000)
Montgomery County Rockville Goes Purple events	(592)
Add power to dais in Mayor and Council Chambers	(4,262)
Glenview Mansion porch design and repair	(99,500)
Outside legal fees	(50,000)
Actuarial study of benefits claims	(10,000)
Additional funding for Caregiver Agencies	(55,000)
Additional body cameras	(10,000)
King Farm Farmstead alarm work	(22,580)
FY20 Contingency Remaining (\$)	27,116

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	4Q Only	YTD FY20
Gross unspent funds from vacancies	438,262	1,540,109
Vacancy-related costs/savings	(130,649)	(477,687)
Net Unspent Funds	307,613	1,062,422
<i>Uses of Net Unspent Funds</i>		
Workers Comp collateral	-	(400,000)
COVID-19 Premium Pay*	(662,422)	(662,422)
Net Unspent Funds Remaining (\$)	(354,809)	-

*The total General Fund cost of COVID-19 premium pay was \$762,256. The additional funding for this expense came from unspent overtime/temporary employee funding.



General Fund Revenues by Category

Property Taxes totaled \$42.6 million for FY20, or 98% of the amended budget. Property taxes make up 52% of the General Fund budget; staff expect this revenue source to remain stable in FY21.

Revenue **From Other Governments** totaled \$23.2 million for FY20, exceeding the amended budget by \$0.5 million mainly due to income tax revenue. For FY20 income tax revenue totaled \$16 million, compared with \$15.6 million in FY19, making FY20 its highest year on record. This revenue source, which makes up 17.6% of the FY21 adopted budget, was budgeted conservatively at \$14.9 million for FY21. This category also includes admissions and amusement tax revenue, which was budgeted at \$1.4 million for FY20, but came in under budget at just over \$1 million due to pandemic-related closures and changes. Admission and amusement revenue is budgeted at just over \$1 million for FY21.

Revenue from **Fines & Forfeitures** totaled \$1.5 million for FY20, coming in under target and down from FY19 due to redlight camera citation revenue. With significantly reduced travel during the pandemic, this revenue source declined in 4Q. Redlight camera citation revenue is budgeted at \$1.6 million for FY21, which is less than 2% of the General Fund budget.

Use of Money & Property revenue totaled \$2.4 million for FY20, exceeding the amended budget. The additional revenue comes from interest earnings as well as the payment from the County of \$216,000 for the use of 6 Taft Ct. as a temporary location for a men's homeless shelter. The FY21 budget anticipates a reduction in revenue from interest earnings.

Charges for Services revenue totaled \$5.5 million for FY20, or 76% of the amended budget. With city facilities and recreation programming either shut down or severely limited, this revenue category was the most significantly impacted of all General Fund revenues. In addition to recreation revenue this category also receives revenue related to development activity. This category is budgeted at \$7.4 million for FY21, or 9% of the total FY21 General Fund budget.

Licenses & Permits revenue totaled \$3.6 million for FY20, compared to \$3.5 million for FY19, with the largest positive variance due to building permit revenue.

Other Revenue totaled \$5.2 million in FY20, or 94% of the amended budget due to a 4Q drop in hotel tax revenue related to travel restrictions caused by the pandemic. Hotel tax revenue was reduced in the FY21 adopted budget to \$790,000, which is less than 1% of the FY21 adopted General Fund budget.

General Fund Expenditures by Category

Total **Personnel** spending totaled \$51.1 million in FY20, or 99% of the total personnel budget. This total includes over \$760,000 in premium pay to essential employees in 4Q, funded by savings from vacant positions as well as unspent overtime and temporary employee funding.

Operating expenditures totaled \$13.1 million in FY20 or 84% of the total operating budget. Whenever possible staff cancelled or deferred spending in this category during 4Q. This category includes utilities, for which the city paid over \$200,000 less in FY20 than in FY19, primarily due to facility closures.

Capital Outlay expenditures totaled \$2.1 million for FY20. This funding covers one-time equipment purchases including vehicle replacements, and varies from year to year based on needs and replacement schedules. Purchases in this category often have longer lead-times than purchases in other categories, so most capital outlay purchases were started prior to the pandemic.

Other expenditures totaled \$2.3 million for FY20, or 101% of the amended budget. This category includes funding to caregiver and outside agencies, including REDI. An additional \$55,000 in COVID relief funds were given to caregiver agencies in 4Q.

The **CIP Transfer** totaled \$9.8 million for FY20, and included an increase to the CIP transfer of \$3 million approved on the March 2020 budget amendment to support the Maintenance and Emergency Operations Facility (GD19) CIP project.

The **Transfers Out** category totaled \$6.2 million for FY20. This category 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	%	FY19	Actual	%
	Adp.	Amd.	6/30/20	Amd.	Amd.	6/30/19	Act.
Total Revenue (\$)	14,276	14,276	13,931	98%	13,760	12,961	94%
<i>Expenses</i>							
Personnel	3,784	3,784	3,918	104%	3,737	3,772	101%
Operating	2,066	2,190	1,907	87%	2,526	2,080	82%
Capital Outlay ¹	115	115	117	101%	271	306	113%
Admin/Other/Interest	5,779	5,779	5,771	100%	5,686	5,568	98%
Total Expenses (\$)	11,743	11,868	11,713	99%	12,220	11,726	96%

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 originally adopted by the Mayor and Council in May 2018 to bring the Water Fund into compliance with the city's Financial Management Policies. Staff are working with the city's utility rate consultant to develop a recommendation for future rate

adjustments that will improve the health the Fund while aligning the City's cost of service with property type or classification. The recommended rates and rate structure will be publicly presented to the Mayor and Council in January 2021.

SEWER FUND

	Current Year (in thousands)				Prior Year (in thousands)		
	FY20	FY20	Actual	%	FY19	Actual	%
	Adp.	Amd.	6/30/20	Amd.	Amd.	6/30/19	Act.
Total Revenue (\$)	15,526	15,526	15,812	102%	14,646	14,979	102%
<i>Expenses</i>							
Personnel	1,920	1,920	1,915	100%	1,936	1,914	99%
Operating	3,886	3,927	3,462	88%	4,053	3,709	92%
Capital Outlay ¹	189	551	515	93%	441	14	3%
Admin/Other/Interest	7,587	7,587	7,491	99%	7,471	7,341	98%
Total Expenses (\$)	13,582	13,985	13,383	96%	13,901	12,979	93%

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 originally adopted by the Mayor and Council in May 2018 to bring the Sewer Fund into compliance with the city's Financial Management Policies. Staff are working with the city's utility

rate consultant to develop a recommendation for future rate adjustments that will improve the health the Fund while aligning the city's cost of service with property type or classification. The recommended rates and rate structure will be publicly presented to the Mayor and Council in January 2021.

REFUSE FUND

	Current Year (in thousands)				Prior Year (in thousands)		
	FY20	FY20	Actual	%	FY19	Actual	%
	Adp.	Amd.	6/30/20	Amd.	Amd.	6/30/19	Act.
Total Revenue (\$)	6,241	6,241	6,298	101%	6,208	6,309	102%
<i>Expenses</i>							
Personnel	3,043	3,133	3,072	98%	2,856	2,695	94%
Operating	2,021	2,021	1,859	92%	1,838	1,675	91%
Capital Outlay ¹	511	511	143	28%	443	0	0%
Admin/Other/Interest	1,570	1,570	1,505	96%	1,841	1,835	100%
Total Expenses (\$)	7,144	7,234	6,579	91%	6,978	6,205	89%

The amount of recycling and refuse material collected has increased during the pandemic as residents use extra time at home to clean out clutter and complete home improvement projects. Total refuse materials collected increased by 18% from March through June compared to the same time in 2019, and staff have had to add extra trips for recyclable materials that have continued into 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	%	FY19	Actual	%
	Adp.	Amd.	6/30/20	Amd.	Amd.	6/30/19	Act.
Total Revenue (\$)	6,085	6,085	5,650	93%	5,852	6,996	120%
<i>Expenses</i>							
Personnel	2,678	2,678	2,643	99%	2,401	2,355	98%
Operating	821	830	673	81%	833	638	77%
Capital Outlay ¹	25	25	1	6%	2	1	64%
Admin/Other/Interest	1,731	1,731	1,723	100%	1,720	1,628	95%
Total Expenses (\$)	5,254	5,263	5,040	96%	4,956	4,622	93%

Revenue ended the year lower in FY20 than in FY19 due to the timing of permitting activity related to several large developments.

FY20 saw the highest utilization in the history of the city's RainScapes Program, which offers rebates to homeowners for qualifying projects. This increase in program utilization is consistent with increased home improvement activity during the pandemic, and has continued into 1Q FY21.

PARKING FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY20	FY20	Actual	%	FY19	Actual	%
	Adp.	Amd.	6/30/20	Amd.	Amd.	6/30/19	Act.
Total Revenue (\$)	2,493	2,493	2,311	93%	2,547	2,621	103%
<i>Expenses</i>							
Personnel	304	304	281	92%	302	232	77%
Operating	102	102	141	139%	96	108	113%
Capital Outlay ¹	0	0	0	0%	0	0	0%
Admin/Other/Int.	1,556	3,683	3,189	87%	1,583	1,642	104%
Total Expenses (\$)	1,962	4,089	3,610	88%	1,981	1,983	100%

Parking Fund revenue includes a transfer from the General Fund; this transfer totaled \$1.1 million, equal to FY19. Revenue from parking meters and parking violations during 4Q was significantly lower than in prior years due to COVID-19 closures and related shifts in commuting and shopping habits. Staff is concerned about the impact of a continued decline in parking usage revenue on the General Fund.

Expenses for FY20 include 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.

4Q CIP Transfers	Amount (\$)	Fund	Reason for Transfer
Skate Park (RJ16)	216,740	Capital Projects	Additional funding needed for Skate Park stormwater management and contingency
Bridge Rehabilitation (TB16)	(216,740)		
Sidewalks (TF16)	100,000	Capital Projects	Install new sidewalks on sections of Wainwright and Halpine Avenues
Bridge Rehabilitation (TB16)	(100,000)		
Pedestrian/Bicycle Safety (4B71)	63,000	Capital Projects	Additional crosswalk installations and intersection reconfigurations
Bridge Rehabilitation (TB16)	(63,000)		

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