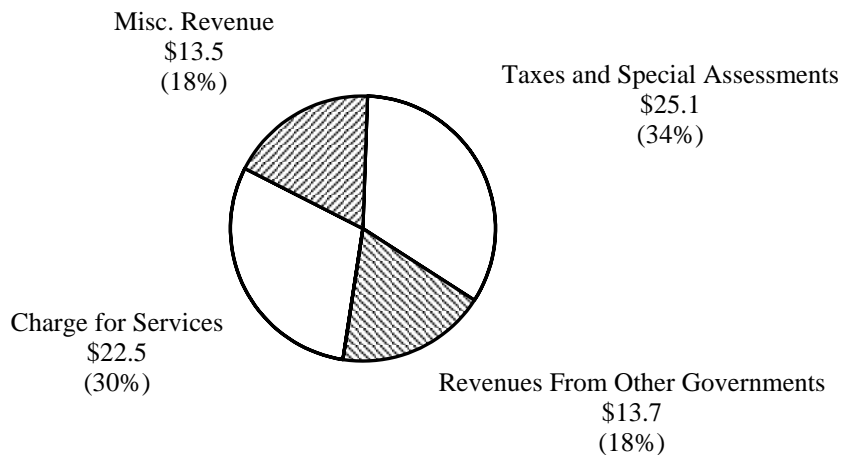


FY 2002-FY 2005 All Funds Summary

This table represents a financial summary of all of the operating fund revenues that comprise the City's financial accounting system. A fund, the separate accounting entity created to track specific revenue and expenditure activity, is the basic component of governmental finance. Below is a graphic summary of the all funds revenues.

All Funds Revenues:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Taxes/Special Assessments	\$20,388,963	\$21,496,983	\$23,261,000	\$25,114,000	7.97%
Licenses, Permits, and Fees	2,952,296	2,791,366	1,924,150	2,011,500	4.54%
Revenue-Other Governments	13,356,309	13,484,553	12,998,244	13,745,322	5.75%
Charges for Services	19,600,756	19,349,949	20,878,125	22,425,844	7.41%
Fines and Forfeitures	8,443	439,931	1,004,451	1,123,954	11.90%
Use of Money and Property	1,046,931	971,749	914,154	920,685	0.71%
Other Revenue	6,917,786	5,519,517	5,444,588	6,204,206	13.95%
Appropriated Fund Balance	<u>0</u>	<u>0</u>	<u>3,765,185</u>	<u>3,353,497</u>	<u>-10.93%</u>
Total Revenues	<u>\$64,271,484</u>	<u>\$64,054,048</u>	<u>\$70,189,897</u>	<u>\$74,899,008</u>	<u>6.71%</u>

Total All Funds Revenues of \$74,899,008 (Chart is in millions)



Misc. Revenue includes: Licenses, Permits, and Fees \$2.0 million or 3%; Fines and Forfeitures \$1.1 million or 2%; Use of Money and Property \$0.9 million or 1%; Other Revenue \$6.2 million or 8%; and Appropriated Fund Balance/Retained Earnings \$3.4 million or 4%.

FY 2002-FY 2005 All Funds Summary

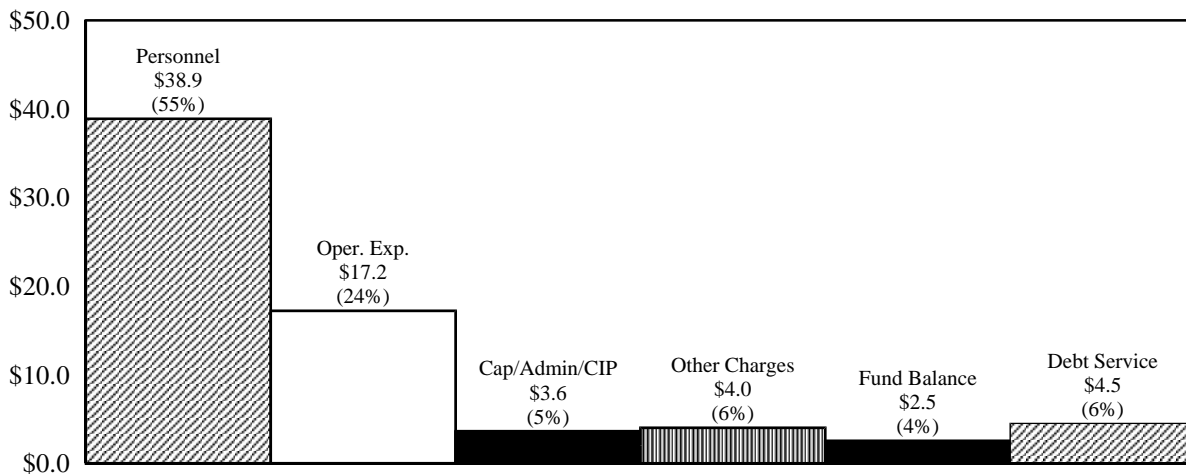
— Continued —

This table represents a financial summary of all of the operating fund expenditures that comprise the City's financial accounting system. A fund, the separate accounting entity created to track specific revenue and expenditure activity, is the basic component of governmental finance. Below is a graphic summary of the all funds expenditures.

All Funds Expenditures:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Personnel	\$31,023,948	\$33,945,929	\$36,515,961	\$38,883,472	6.48%
Operating Expenditures	13,114,060	13,653,583	16,968,350	16,817,390	-0.89%
Capital Outlays	1,117,365	635,098	1,078,931	1,300,272	20.51%
Administrative Charges	1,203,285	1,231,384	1,293,327	1,382,127	6.87%
Other Charges	3,268,683	3,869,406	4,015,648	3,948,132	-1.68%
Contributions to CIP	4,700,000	2,991,248	1,299,000	1,185,496	-8.74%
Add. Fund Bal./Net Assets	0	0	1,624,233	2,356,914	45.11%
Debt Service	<u>4,737,079</u>	<u>3,929,015</u>	<u>3,762,218</u>	<u>4,691,631</u>	<u>24.70%</u>
Subtotal	\$59,164,420	\$60,255,663	\$66,557,668	\$70,565,434	6.02%
Debt Service Fund ⁽¹⁾	<u>3,238,190</u>	<u>2,836,345</u>	<u>3,632,229</u>	<u>4,333,574</u>	<u>19.31%</u>
Total Expenditures	<u>\$62,402,610</u>	<u>\$63,092,008</u>	<u>\$70,189,897</u>	<u>\$74,899,008</u>	<u>6.71%</u>

⁽¹⁾ The Debt Service Fund receives transfers from other funds to pay off general obligation bonds. Since these transfers are already counted as debt service expenditures in originating funds, there is essentially a double-counting effect when the Debt Service Fund records the same expenditures. For this reason, the Debt Service Fund is isolated

Total All Funds Expenditures of \$74,899,008 (Chart is in millions)



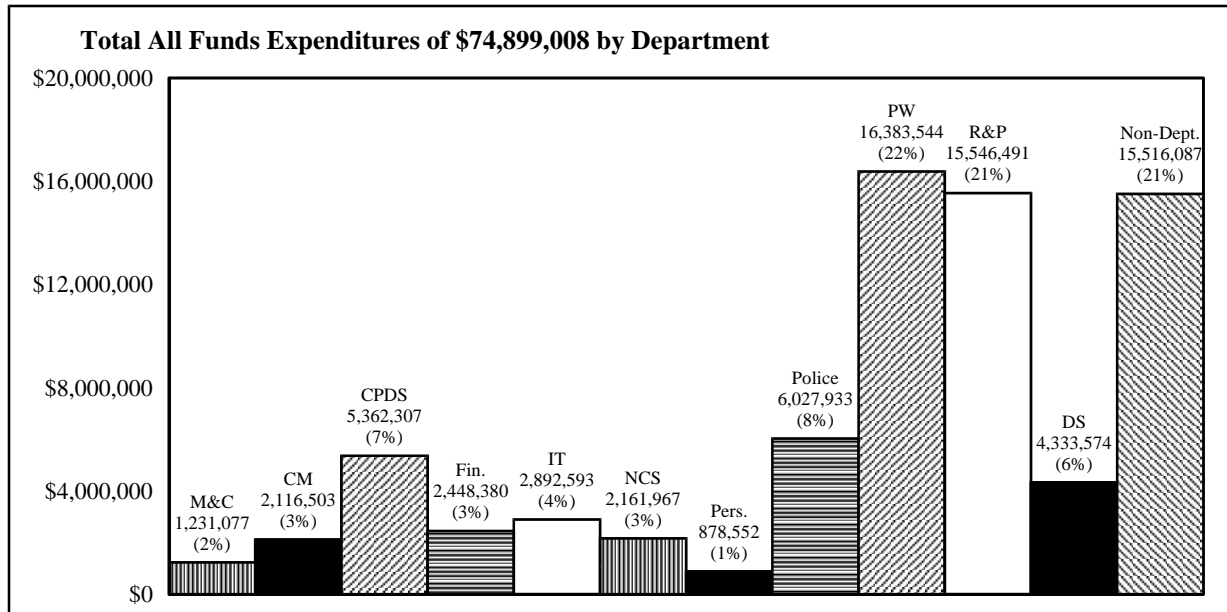
Note: The Debt Service Fund receives transfers from other funds to pay off general obligation bonds. Since these transfers are already listed as Debt Service expenditures within originating funds, there is essentially a double-counting effect when the Debt Service Fund records the same expenditure. For this reason, the Debt Service Fund amount of \$4,333,574 is not included in this graph.

FY 2002-FY 2005 All Funds Summary by Department

The table below summarizes the budgets, by department, for all funds combined.

All Funds Expenditures by Department:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Mayor and Council	\$1,294,185	\$1,184,345	\$1,338,640	\$1,231,077	-8.04%
City Manager	1,835,755	2,002,839	2,059,807	2,116,503	2.75%
Community Plan./Devel.	3,113,290	3,335,861	4,108,545	5,362,307	30.52%
Finance	1,958,695	2,120,632	2,272,310	2,448,380	7.75%
Information and Technology	2,822,652	2,692,000	3,076,605	2,892,593	-5.98%
Neighborhood/Comm. Serv.	1,548,399	1,824,538	2,076,442	2,161,967	4.12%
Personnel	820,655	811,520	870,350	878,552	0.94%
Police	4,568,666	4,982,772	5,565,112	6,027,933	8.32%
Public Works	12,888,852	14,083,966	15,902,045	16,383,544	3.03%
Recreation and Parks	13,211,982	13,926,119	14,922,658	15,546,491	4.18%
Non-Departmental	<u>15,101,289</u>	<u>13,291,071</u>	<u>14,365,154</u>	<u>15,516,087</u>	<u>8.01%</u>
Subtotal	\$59,164,420	\$60,255,663	\$66,557,668	\$70,565,434	6.02%
Debt Service Fund ⁽¹⁾	<u>3,238,190</u>	<u>2,836,345</u>	<u>3,632,229</u>	<u>4,333,574</u>	<u>19.31%</u>
Totals by Department	<u>\$62,402,610</u>	<u>\$63,092,008</u>	<u>\$70,189,897</u>	<u>\$74,899,008</u>	<u>6.71%</u>

⁽¹⁾ The Debt Service Fund receives transfers from other funds to pay off general obligation bonds. Since these transfers are already counted as debt service expenditures in originating funds, there is essentially a double-counting effect when the Debt Service Fund records the same expenditures. For this reason, the Debt Service Fund is isolated.



FY 2005 Departments by Fund Type

The chart below shows the relationship between the departments within the City's organization and the different fund types within the City's financial structure.

Department	General Fund	Total %	Enterprise Funds ⁽¹⁾	Total %	Special Revenue Funds ⁽²⁾	Total %	Department Total	Total %
Mayor/Council	\$1,211,077	2.47%	\$20,000	0.10%	\$0	0.00%	\$1,231,077	1.74%
City Manager	2,116,503	4.33%	0	0.00%	0	0.00%	2,116,503	3.00%
Comm Planning	4,589,425	9.38%	0	0.00%	772,882	62.85%	5,362,307	7.60%
Finance	1,604,872	3.28%	843,508	4.13%	0	0.00%	2,448,380	3.47%
Information/Tech	2,892,593	5.91%	0	0.00%	0	0.00%	2,892,593	4.10%
Neighborhood Services	2,073,287	4.24%	0	0.00%	88,680	7.21%	2,161,967	3.06%
Personnel	878,552	1.80%	0	0.00%	0	0.00%	878,552	1.25%
Police	5,924,488	12.11%	103,445	0.51%	0	0.00%	6,027,933	8.54%
Public Works	5,533,419	11.31%	10,850,125	53.19%	0	0.00%	16,383,544	23.22%
Recreation/Parks	14,046,642	28.70%	1,131,665	5.55%	368,184	29.94%	15,546,491	22.03%
Non-Departmental	4,232,054	8.65%	6,592,402	32.32%	0	0.00%	10,884,456	15.42%
Debt Service	<u>3,833,133</u>	<u>7.83%</u>	<u>858,498</u>	<u>4.21%</u>	<u>0</u>	<u>0.00%</u>	<u>4,691,631</u>	<u>6.65%</u>
Subtotal	\$48,936,045	100.00%	\$20,399,643	100.00%	\$1,229,746	100.00%	\$70,565,434	100.00%
					Debt Service Fund ⁽³⁾		<u>4,333,574</u>	
					Total All Funds By Department		<u>\$74,899,008</u>	

⁽¹⁾ Enterprise Funds are designed to operate self-sufficiently through charges to customers. These funds include the Water, Sewer, Refuse, Parking, Stormwater Management, and RedGate Golf Course Funds.

⁽²⁾ The Special Revenue Funds are supported by specially restricted revenues and by general tax revenues. These funds include the Special Activities and Community Development Block Grant Funds.

⁽³⁾ The Debt Service Fund receives transfers from other funds to pay off general obligation bonds. Since these transfers are already counted as debt service expenditures in the originating funds, there is essentially a double-counting effect when the Debt Service Fund records the same expenditures. For this reason, the Debt Service Fund is isolated.

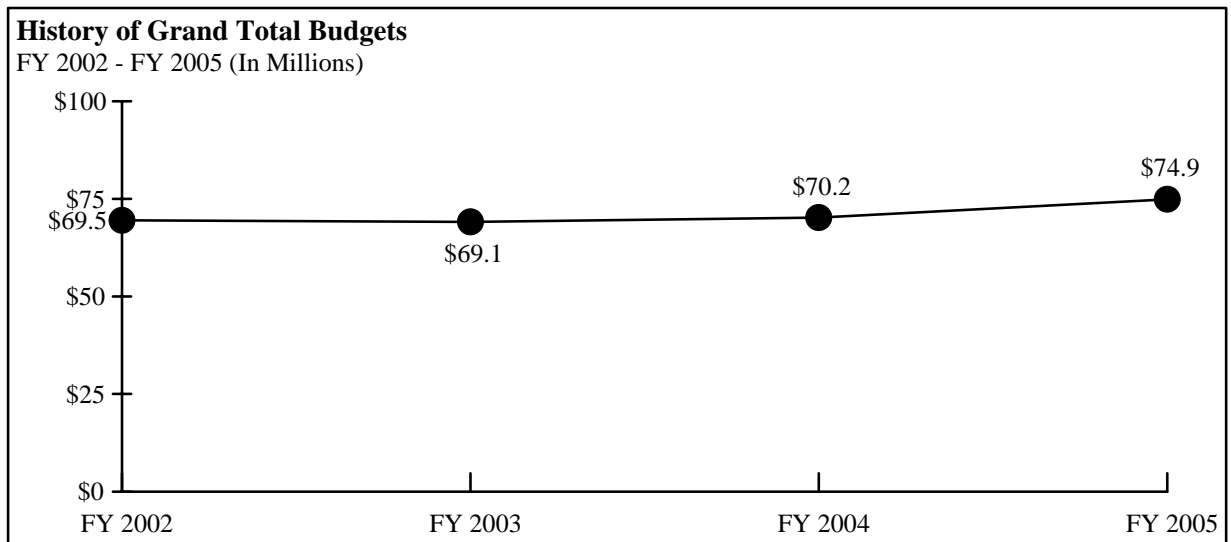
History of Budgeted and Actual Expenditures by Fund FY 2002 – FY 2005

The chart below provides a historical look at the budget versus actual expenditures for each of the City's funds. The FY 2004 Modified column reflects the budget as it was presented to the Mayor and Council in May 2004. The last column shows the percent change between the FY 2002 budget and FY 2005 budget.

Fund	FY 2002 Actual	FY 2002 Budget	FY 2003 Actual	FY 2003 Budget	FY 2004 Modified	FY 2005 Adopted	FY 2002- FY 2005 Change
General	\$43,844,591	\$45,939,045	\$44,128,944	\$46,278,564	\$45,739,898	\$48,936,045	6.52%
Water Facility	4,176,821	4,226,326	4,508,423	4,509,194	5,010,626	5,041,288	19.28%
Sewer	3,999,118	5,555,457	4,467,109	5,548,927	6,170,518	6,620,494	19.17%
Refuse	3,996,395	4,222,208	4,400,509	4,400,640	4,785,470	5,133,008	21.57%
Property Mgmt ⁽¹⁾	0	14,100	0	13,225	148,027	0	-100.00%
Parking	198,580	522,218	63,860	284,920	906,869	1,050,654	101.19%
SWM	681,515	1,288,667	682,749	1,063,922	1,108,274	1,097,369	-14.84%
Golf Course	1,369,296	1,416,798	1,331,337	1,538,941	1,389,936	1,456,830	2.83%
Special Activities	379,702	896,319	271,375	595,735	465,030	456,864	-49.03%
CDBG	518,402	805,998	401,357	820,138	833,020	772,882	-4.11%
Debt Service	<u>3,238,190</u>	<u>4,634,144</u>	<u>2,836,345</u>	<u>4,083,737</u>	<u>3,632,229</u>	<u>4,333,574</u>	<u>-6.49%</u>
Grand Total	<u>\$62,402,610</u>	<u>\$69,521,280</u>	<u>\$63,092,008</u>	<u>\$69,137,943</u>	<u>\$70,189,897</u>	<u>\$74,899,008</u>	<u>7.74%</u>

⁽¹⁾ The Property Management Fund was closed in FY 2004.

The graph below compares the grand total budgets for all funds combined from FY 2002 – FY 2005.



FY 2004-FY 2005 Budget Comparison by Fund

The following table compares the FY 2004 modified budget to the FY 2005 proposed budget for all funds.

Fund	FY 2004⁽¹⁾ Modified	FY 2005 Adopted	FY 2004–2005 Change
General	\$45,739,898	\$48,936,045	6.99%
Water Facility	5,010,626	5,041,288	0.61%
Sewer	6,170,518	6,620,494	7.29%
Refuse	4,785,470	5,133,008	7.26%
Property Management ⁽²⁾	148,027	0	-100.00%
Parking	906,869	1,050,654	15.86%
Stormwater Management	1,108,274	1,097,369	-0.98%
RedGate Golf Course	1,389,936	1,456,830	4.81%
Special Activities	465,030	456,864	-1.76%
Community Development Block Grant	<u>833,020</u>	<u>772,882</u>	<u>-7.22%</u>
Subtotal	\$66,557,668	\$70,565,434	6.02%
Debt Service ⁽³⁾	<u>3,632,229</u>	<u>4,333,574</u>	<u>19.31%</u>
Grand Total	<u>\$70,189,897</u>	<u>\$74,899,008</u>	<u>6.71%</u>

(1) *These totals reflect the FY 2004 budget as presented to the Mayor and Council in May 2004 and include the reappropriation of prior year encumbrances and other adjustments.*

(2) *The Property Management Fund was closed during FY 2004.*

(3) *The Debt Service Fund receives transfers from other Funds to pay off general obligation bonds. Since these transfers are already listed as Debt Service expenditures within originating funds, there is essentially a double counting when the Debt Service Fund records the same expenditures. For this reason, the Debt Service Fund is isolated.*

FY 2004 Budget Versus Modified

Modifications to the budget are typically needed to reflect new grants, changes to revenue estimates, and encumbrances rolled over from FY 2003 to FY 2004. The total of all the modifications between the budget adopted in June 2003 and the budget presented in May 2004 is reflected below under the heading FY 2004 Adjustments.

Fund	FY 2004 Budget (June 2003)	FY 2004 Adjustments	FY 2004 Modified (May 2004)
General	\$45,182,713	\$557,185	\$45,739,898
Water Facility	5,001,789	8,837	5,010,626
Sewer	6,170,518	0	6,170,518
Refuse	4,785,470	0	4,785,470
Property Management	148,027	0	148,027
Parking	906,869	0	906,869
Stormwater Management	908,274	200,000	1,108,274
RedGate Golf Course	1,376,846	13,090	1,389,936
Special Activities	383,844	81,186	465,030
Community Development Block Grant	<u>760,000</u>	<u>73,020</u>	<u>833,020</u>
Subtotal	\$65,624,350	\$933,318	\$66,557,668
Debt Service ⁽¹⁾	<u>4,125,208</u>	<u>-492,979</u>	<u>3,632,229</u>
Grand Total	<u>\$69,749,558</u>	<u>\$440,339</u>	<u>\$70,189,897</u>

⁽¹⁾ *The Debt Service Fund receives transfers from other funds to pay off general obligation bonds. Since these transfers are already listed as Debt Service expenditures within originating funds, there is essentially a double counting when the Debt Service Fund records the same expenditures. For this reason, the Debt Service Fund is isolated.*

Statement of Projected Unreserved Equity in City Funds

The schedule below depicts the anticipated beginning and ending unreserved fund balance (or, in the case of an enterprise fund, net assets) for each of the City's 11 funds. Unreserved fund balance is the accumulated total of all prior years' actual revenues in excess of expenditures, commonly referred to as "surplus." It has not been committed or "reserved" for encumbrances, self-insurance, or other purposes. Fund balance and net assets are a result of using Generally Accepted Accounting Principles. The projected year-end fund balance of \$7,510,011 in the General Fund amounts to 15.8 percent of annual revenue, in accordance with the approved fiscal policies.

Fund	Projected Undesignated Fund Balance June 30, 2004	Plus Projected Revenues FY 2005	Less Projected Expenditures FY 2005	Projected Undesignated Fund Balance June 30, 2005	FY 2004-2005 Change
General	\$7,010,011	\$48,936,045	\$48,436,045	\$7,510,011	7.1%
Water Facility ⁽¹⁾	5,196,725	4,914,359	5,041,288	5,069,796	-2.4%
Sewer ⁽¹⁾	7,350,209	6,620,494	5,330,910	8,639,793	17.5%
Refuse ⁽¹⁾	120,850	4,558,174	5,133,008	(453,984)	-475.7%
Parking ⁽¹⁾	1,043,170	1,050,654	256,653	1,837,171	76.1%
Stormwater Management ⁽¹⁾	9,498,656	540,362	1,097,369	8,941,649	-5.9%
RedGate Golf Course ⁽¹⁾	(350,084)	1,407,540	1,456,830	(399,374)	-14.1%
Special Activities	328,534	128,330	456,864	0	-100.0%
Comm. Devel. Block Grant	0	772,882	772,882	0	0.00%
Debt Service	3,492,890	16,731,499	16,835,894	3,388,495	-3.0%
Capital Projects	<u>694,346</u>	<u>46,557,731</u>	<u>47,376,678</u>	<u>(124,601)</u>	<u>-117.9%</u>
Grand Total	<u>\$34,385,307</u>	<u>\$132,218,070</u>	<u>\$132,194,421</u>	<u>\$34,408,956</u>	<u>0.1%</u>

(1) Fund Balance in these Enterprise Funds is referred to as "Net Assets." The amounts shown above are a new category called "Unrestricted Net Assets." Total Net Assets compared to Unrestricted Net Assets" as of 6/30/03 were as follows:

	Total Net Assets	Unrestricted Net Assets
Water Fund	\$16,077,105	\$ 5,757,539
Sewer Fund	23,638,320	6,360,047
Refuse Fund	1,269,238	808,376
Parking Fund	1,029,873	704,821
Stormwater Management Fund	13,635,792	10,022,559
RedGate Golf Course Fund	1,938,618	(335,356)

Statement of Projected Cash in City Funds

The schedule below depicts the anticipated beginning and ending cash balances for each of the City's 11 funds. This schedule differs from the schedule on the facing page (which depicts unreserved fund balance or net assets). The cash balances reflected below are the projected balances in the cash and investment accounts of the City as of fiscal year end. Fund balance (or net assets for the enterprise funds) is the difference between all assets and liabilities for each fund and is calculated in accordance with Generally Accepted Accounting Principles (GAAP) for governmental entities. Fund balance can differ from cash balance because cash not yet received (receivables) or cash owed to others (payables or other liabilities) is reflected differently. Depreciation expense for capital items also creates differences between cash and fund balance. The projected cash balances at year end reflect assumptions about when cash will be dispersed or received; funds for capital improvements projects are appropriated in the year that contracts are signed, even though expenditures for large projects may occur over a multi-year period.

Fund	Projected Cash Balance June 30, 2004	Plus Projected Cash In FY 2005	Less Projected Cash Out FY 2005	Projected Cash Balance June 30, 2005	FY 2004-2005 Change
General	\$10,591,331	\$47,699,049	\$48,936,045	\$9,354,335	-11.7%
Water Facility	903,365	9,706,826	8,121,614	2,488,577	175.5%
Sewer	2,747,524	8,664,535	9,982,987	1,429,072	-48.0%
Refuse	(572,002)	4,787,142	5,027,010	(811,870)	-41.9%
Parking ⁽¹⁾	4,588,729	26,240,793	28,479,435	2,350,087	-48.8%
Stormwater Management	9,357,457	892,912	1,992,177	8,258,192	-11.75%
RedGate Golf Course ⁽²⁾	(382,810)	1,407,540	1,396,585	(371,855)	2.9%
Special Activities	328,534	128,330	456,864	0	-100.0%
Comm. Development Block Grant	0	772,882	772,882	0	0.0%
Debt Service	3,906,793	16,781,499	16,885,893	3,802,399	-2.7%
Capital Projects ⁽³⁾	<u>(1,188,018)</u>	<u>45,434,648</u>	<u>47,376,678</u>	<u>(3,130,048)</u>	<u>-163.5%</u>
Grand Total	<u>\$30,280,903</u>	<u>\$162,516,156</u>	<u>\$169,428,170</u>	<u>\$23,368,889</u>	<u>-22.8%</u>

(1) Based on adopted operating budget and an estimate of capital expenditures and debt issuance for the parking garages during FY 2005.

(2) Reflects investment in carts that will be paid back over a multi-year period as revenue is received.

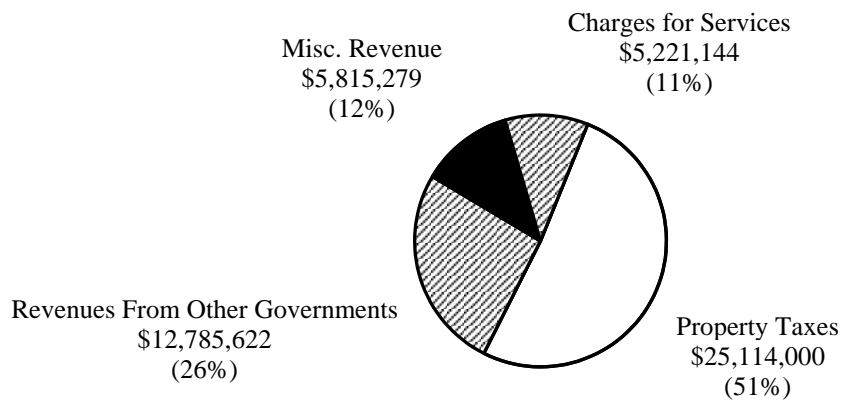
(3) Reflects Federal funds of \$3.23 million owed at 6/30/04 and \$4.35 million owed at 6/30/05.

General Fund Revenues, All Sources, FY 2002 - FY 2005

Total FY 2005 General Fund revenues are budgeted at \$48,936,045, a 7.6 percent increase over the modified FY 2004 budget, net of the appropriated fund balance. The FY 2004 modified budget column represents the budget appropriation presented to the Mayor and Council in May 2004. The chart below compares revenues by source from FY 2002 – FY 2005. The pages that follow provide detailed information on the City's major General Fund revenue sources and comparative data by source for all General Fund revenue.

General Fund Revenues (all sources):	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Property Taxes	\$20,388,964	\$21,496,983	\$23,261,000	\$25,114,000	7.97%
Licenses and Permits	2,095,586	2,360,680	1,674,150	1,811,500	8.20%
Revenue from Other Gov'ts	12,641,913	12,845,634	11,800,406	12,785,622	8.35%
Charges for Services	5,271,444	4,828,296	5,061,031	5,221,144	3.16%
Fines and Forfeitures	8,443	157,787	387,400	610,000	57.46%
Use of Money and Property	464,008	269,260	227,922	290,900	27.63%
Other Revenue	1,401,964	1,435,735	1,807,795	1,768,333	-2.18%
Appropriated Fund Balance	<u>0</u>	<u>0</u>	<u>1,520,194</u>	<u>1,334,546</u>	<u>-12.21%</u>
Total Revenues/Fund Bal.	<u>\$42,272,322</u>	<u>\$43,394,375</u>	<u>\$45,739,898</u>	<u>\$48,936,045</u>	<u>6.99%</u>

Total General Fund Revenue of \$48,936,045



Misc. Revenue includes: Licenses and Permits \$1,811,500 or 4%; Fines and Forfeitures \$610,000 or 1%; Use of Money and Property \$290,900 or less than 1%; Other Revenues \$1,768,333 or 4%; and Appropriated Fund Balance \$1,334,546 or 3%.

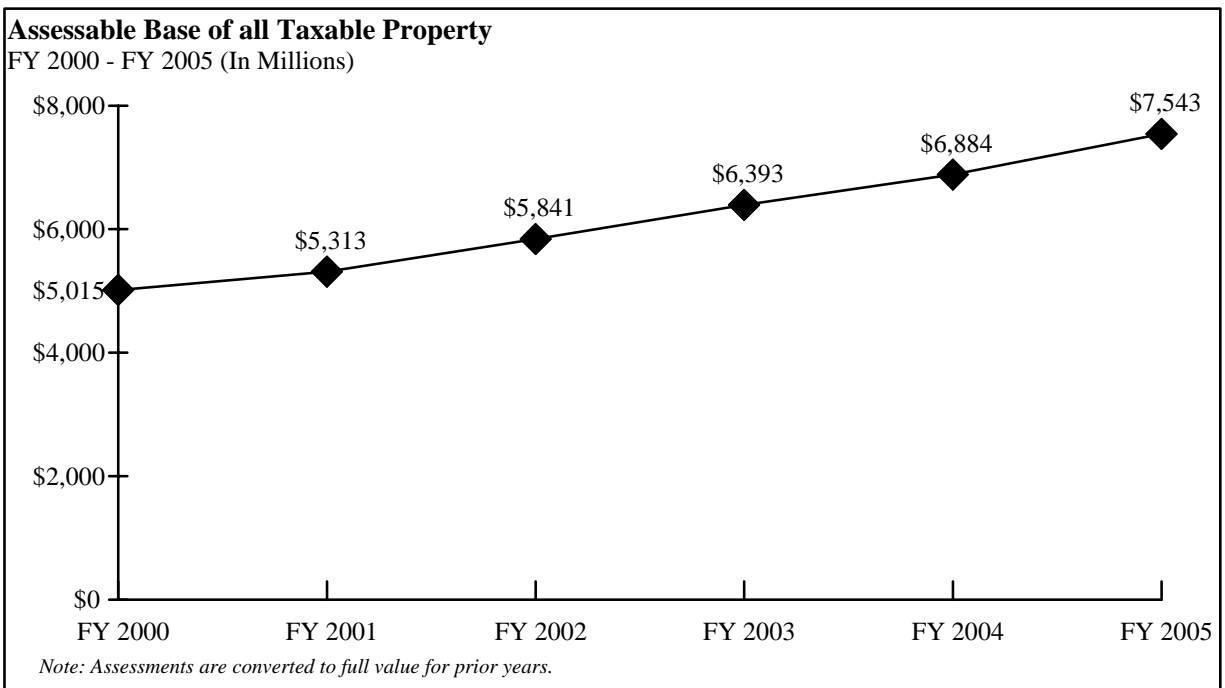
General Fund Revenues, Detail of Major Revenue Sources

Property Taxes – General

This category of revenue consists of taxes on the assessed value of real estate (including land, structures, and improvements) and taxes on the assessed value of inventory, furniture, and fixtures of business establishments. The tax rate is the amount levied per \$100 of assessed value, as determined by the State of Maryland Department of Assessments and Taxation. The Mayor and Council establish the tax rate each year in order to finance General Fund activities. In FY 2005, property taxes constitute 53 percent of the City's General Fund budget, net of appropriated fund balance.

The assessable base of all taxable property fluctuates because of changes to the fair cash value of the existing base or because of the addition of new residential or commercial properties. The current projected increase in the tax base is fueled by a combination of development activities and reassessments of existing property.

In Maryland, real property is reassessed every three years. Any increases to the assessed value are phased in over a three-year period and homeowners are further protected by a cap that limits the increase in any one year to 10 percent of the current assessed value.



General Fund Revenues, Detail of Major Revenue Sources

— Continued —

Property Taxes – Full Value Assessments

As the result of a change to State law, all real property in the City is assessed at 100 percent of value, beginning in FY 2002, rather than the 40 percent assessment rate used prior to FY 2002. For comparative purposes, assessment levels and tax rates for real property in prior years have been restated at their equivalent full value.

Personal property has always been assessed at full value. State law now specifies that personal property shall be taxed at 2.5 times the real property rate ($\$0.322 \times 2.5 = \0.805).

Real Property Tax Rate per \$100 of Assessed Value FY 1996 – FY 2005 (Restated at equivalent full value)

FY 1996 = \$0.328	FY 2001 = \$0.322
FY 1997 = \$0.328	FY 2002 = \$0.322
FY 1998 = \$0.328	FY 2003 = \$0.322
FY 1999 = \$0.326	FY 2004 = \$0.322
FY 2000 = \$0.322	FY 2005 = \$0.322

Personal Property Tax Rate per \$100 of Assessed Value FY 1996 – FY 2005

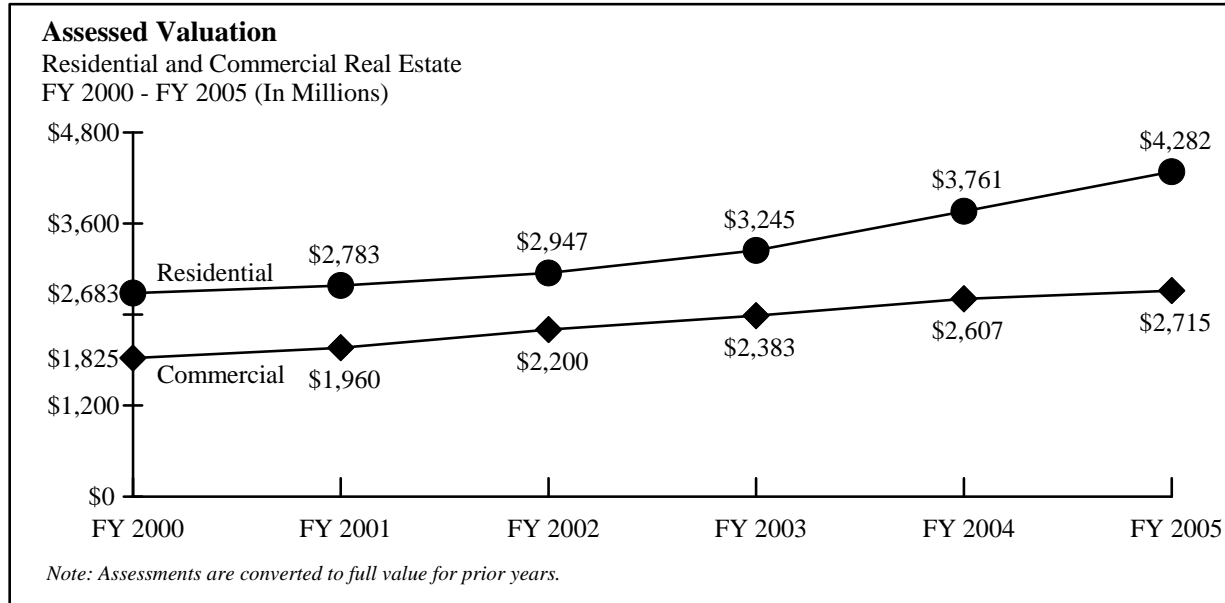
FY 1996 = \$0.82	FY 2001 = \$0.805
FY 1997 = \$0.82	FY 2002 = \$0.805
FY 1998 = \$0.82	FY 2003 = \$0.805
FY 1999 = \$0.815	FY 2004 = \$0.805
FY 2000 = \$0.815	FY 2005 = \$0.805

General Fund Revenues, Detail of Major Revenue Sources

— Continued —

Taxes on Real Property

This category of property taxes represents taxes on the assessed value of real property, which includes land, structures, and improvements. Real property taxes are levied on both residential and commercial real estate. In FY 2005, real property taxes constitute 46.0 percent of the General Fund budget, net of appropriated fund balance.



Assessed Value of Real Property History, Projections, and Percent Change for FY 2000-FY 2005:

FY 2000 Estimate ⁽¹⁾	\$4,603,057,145	5.21%
FY 2001 Actual	\$4,881,473,288	6.05%
FY 2002 Actual	\$5,365,409,658	9.91%
FY 2003 Actual	\$5,921,959,542	10.37%
FY 2004 Estimate	\$6,493,697,163	9.65%
FY 2005 Budget	\$7,142,637,787	9.99%

⁽¹⁾ The FY 2000 information was not provided by Montgomery County as a result of the implementation of their new tax billing system.

Assumptions:

The FY 2005 budget for taxes on real property is based on the following information sources and assumptions:

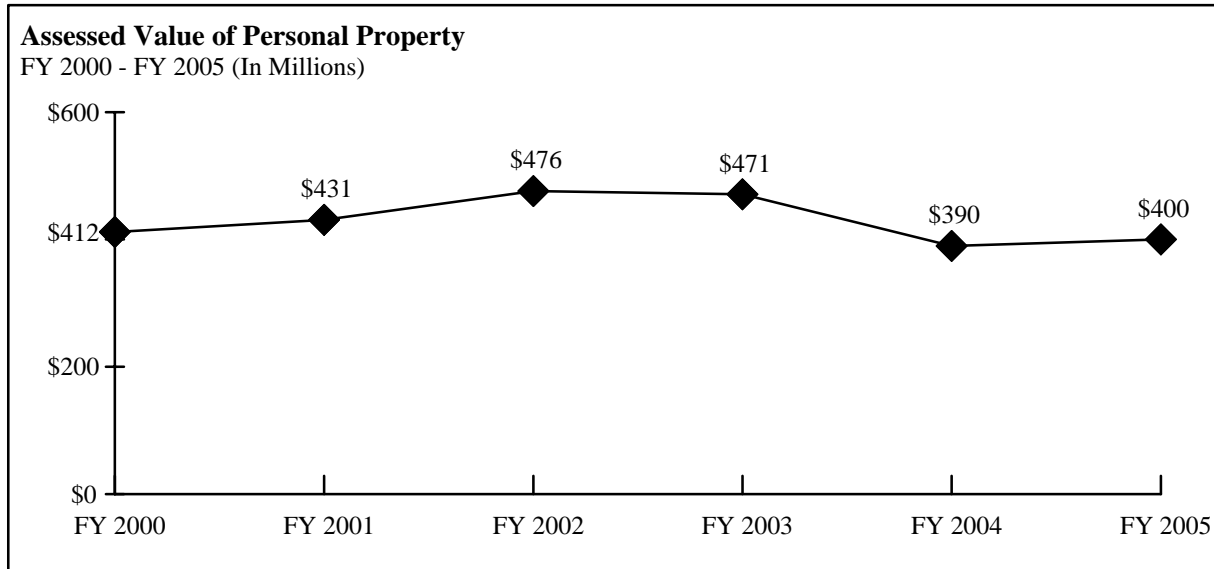
- The calculation of the assessed value begins with an estimate prepared by the State of Maryland of the assessed value of all property that will be on the tax rolls as of the beginning of the City's FY 2005, based on assessments conducted as of January 1, 2004.
- The City's estimate of the amount of residential and commercial development that would be completed and assessed during the remainder of FY 2004 and throughout FY 2005 at the King Farm and Fallsgrove developments, in Town Center, and at various infill sites is added to this base amount. The projection assumes the addition of the following new property during FY 2005: 637,992 square feet of commercial space, 514 multi-family units, 69 single family dwellings, and 275 townhouses.
- The estimate of tax revenue is based on multiplying the assessed value times the tax rate, taking into consideration when during the year the tax on new property is levied, the impact of appeals and late payments, and the possibility of less than anticipated growth.
- The classification of assessed value into residential and commercial categories is only provided at the beginning of the tax year and does not include new property added during the year.

General Fund Revenues, Detail of Major Revenue Sources

— Continued —

Taxes on Personal Property

The Personal Property category consists of taxes on the value of inventory, furniture, and fixtures of commercial establishments, both incorporated and unincorporated. In FY 2005, personal property taxes constitute 6.7 percent of the City's General Fund budget, net of appropriated fund balance.



Assessed Value of Personal Property History, Projections, and Percent Change for FY 2000-FY 2005:

FY 2000 Estimate ⁽¹⁾	\$411,871,570	0.64%
FY 2001 Actual	\$431,263,580	4.71%
FY 2002 Actual	\$475,731,730	10.31%
FY 2003 Actual	\$471,400,091	-0.91%
FY 2004 Estimate	\$390,252,000	-17.21%
FY 2005 Budget	\$400,000,000	2.50%

⁽¹⁾ The FY 2000 information was not provided by Montgomery County as a result of the implementation of their new tax billing system.

Assumptions:

The projection is based on an estimate of FY 2004 billings from the State Department of Assessments and Taxation. As a result of low investment by businesses in calendar year 2002 (2002 tax filings are certified by the State during FY 2004), the personal property tax has declined by five to six percent statewide. The drop in Rockville receipts is projected to be much steeper because of the number of high-tech businesses that depreciate their equipment on an accelerated schedule; as a result, a decrease in new investment has a larger impact. The impact of appeals, late payments, and the collection rate is taken into consideration in the estimate.

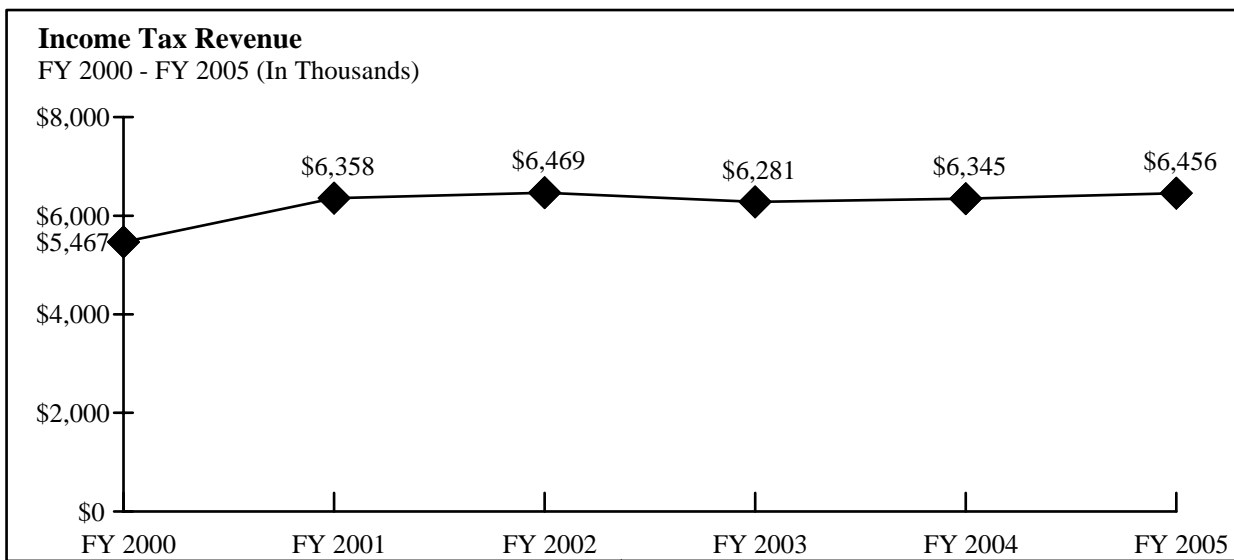
General Fund Revenues, Detail of Major Revenue Sources

— Continued —

Income Tax Revenue

This category of revenue consists of the City's share of income taxes received by the State of Maryland for returns filed from Rockville. Revenue from income tax payments increased substantially between FY 1997 and FY 2001, as the result of employment growth, population growth, and growth in income from capital gains. In FY 2005, income taxes constitute 13.7 percent of the City's General Fund budget, net of appropriation of fund balance. The income tax is the second largest source of revenue to the General Fund, and is expected to equal about 26 percent of the property tax in FY 2005.

Maryland counties are able to impose an income tax that is separate from the State income tax. Municipalities receive only a portion of the county tax collected returns within the municipality; the remainder goes to the county. As a result, the income tax constitutes a significantly higher percentage of Montgomery County's General Fund revenue.



Income Tax Revenue History, Projections, and Percent Change for FY 1999-FY 2004:

FY 2000 Adjusted ⁽¹⁾	\$5,466,540	6.39%
FY 2001 Adjusted ⁽¹⁾	\$6,358,239	16.31%
FY 2002 Actual	\$6,468,570	1.74%
FY 2003 Actual	\$6,281,463	-2.89%
FY 2004 Budget	\$6,345,000	1.01%
FY 2005 Budget	\$6,456,175	1.75%

⁽¹⁾ Actual revenue in FY 2000 was \$4,867,201 as the result of a significant shift in the number of late filers; additional revenue from late filers in the amount of \$599,339 was received in September 2000. Actual revenue in FY 2001 was \$6,957,578 before adjustment for the prior year's late filers.

Assumptions:

The projection assumes a 1.8 percent increase in estimated tax revenue in FY 2005 compared to the budget for FY 2004. The projections for FY 2003 through FY 2005 reflect a weaker economy for tax years 2002 through 2004, with substantially lower income from capital gains. Income taxes paid on capital gains were a major factor in the increases to this revenue source over the last several years and are the most volatile portion of the revenue stream. Recent information from the State indicates that the City's collections for calendar year 2002 were one-third of one percent below calendar year 2001 collections. Montgomery County's income tax rate was increased by 3.4 percent effective January 1, 2004.

General Fund Revenues, by Source, FY 2002-FY 2005

— Continued —

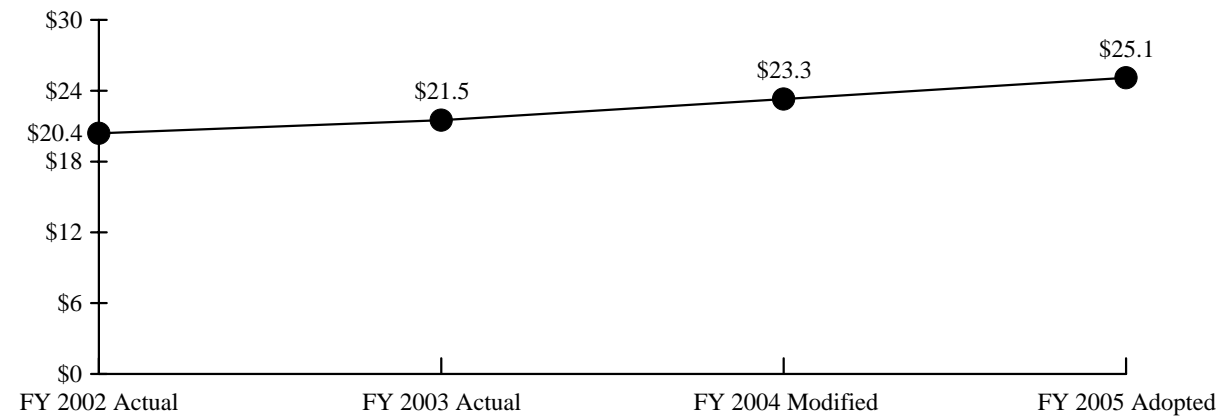
Property Taxes

The combined property tax receipts for FY 2005 are expected to amount to \$25,114,000, which is 7.97 percent more than the modified budget for FY 2004. Detailed information on property tax revenue is provided on the preceding pages.

Property Taxes:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Real Property – Revenues from taxes on assessed value of real estate including land, structures, and improvements.	\$16,790,514	\$17,929,767	\$20,216,000	\$21,894,000	8.30%
Real Property-TIF – Revenue from taxes on increases to the assessed value of real estate located within the Town Center Tax Increment Financing (TIF) district.	0	37,586	0	0	0.00%
Personal Property-Corporations – Revenue from taxes on assessed valuation of inventory, furnishings, and fixtures of incorporated businesses.	3,462,464	3,405,440	2,900,000	3,100,000	6.90%
Personal Property-Unincorporated Businesses – Revenue from taxes on assessed valuation of inventory, furnishings, and fixtures of unincorporated businesses.	12,278	38,805	25,000	35,000	40.00%
Interest on Taxes – Interest paid on delinquent taxes.	<u>123,708</u>	<u>85,385</u>	<u>120,000</u>	<u>85,000</u>	<u>-29.17%</u>
Total Property Taxes	<u>\$20,388,964</u>	<u>\$21,496,983</u>	<u>\$23,261,000</u>	<u>\$25,114,000</u>	<u>7.97%</u>

History of Property Tax Revenue

FY 2002 - FY 2005 (In Millions)



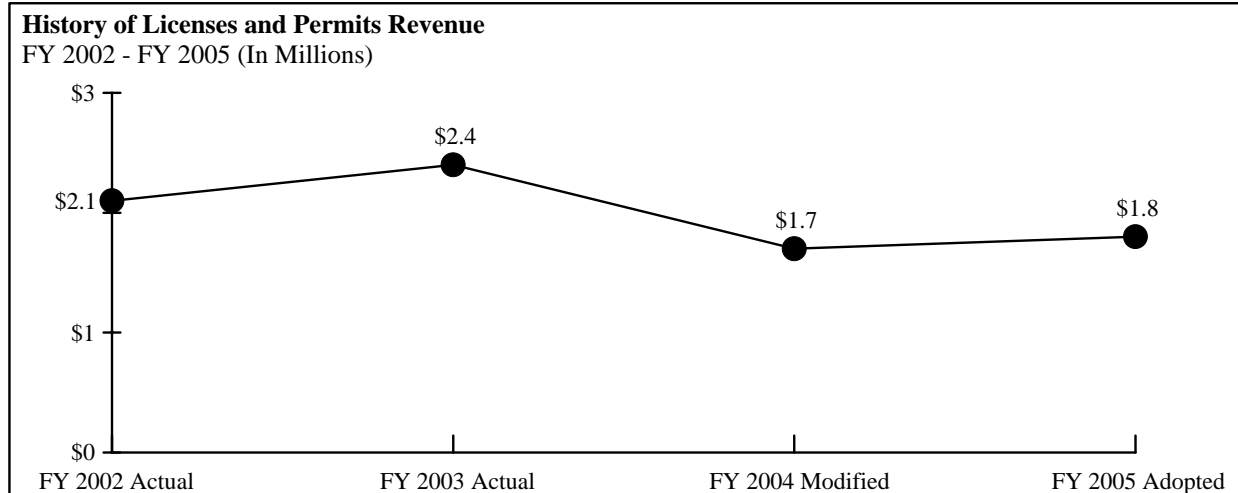
General Fund Revenues, by Source, FY 2002-FY 2005

— Continued —

Licenses and Permits

Building permit receipts have declined substantially from the levels received in FY 2002 and FY 2003 as the result of a decrease in development activity. The FY 2005 budget is based on estimated development activity during the fiscal year, including the Town Square development.

Licenses and Permits:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Traders Licenses – Fees collected from local businesses by the State and returned to the City.	\$92,835	\$90,965	\$95,000	\$91,000	-4.21%
Building Permits – Revenue from permits issued for building construction/electrical work, plumbing, sewer, water, and gas connections.	1,736,657	1,965,181	1,200,000	1,325,000	10.42%
Rental Licenses – Licensing fee for the annual unit inspection of single-family dwellings.	172,692	183,652	275,000	286,500	4.18%
Landlord and Tenant Fees – One-time revenue from permits issued to landlords for residential rentals.	12,590	15,360	12,150	13,000	7.00%
Animal Licenses – Revenue from the sale of dog and cat licenses to dog and cat owners within the City.	9,630	17,422	20,000	21,000	5.00%
Other Non-Business Licenses – Revenue from the issuance of local licenses and permits not elsewhere classified.	<u>71,182</u>	<u>88,101</u>	<u>72,000</u>	<u>75,000</u>	<u>4.17%</u>
Total Licenses and Permits	<u>\$2,095,586</u>	<u>\$2,360,681</u>	<u>\$1,674,150</u>	<u>\$1,811,500</u>	<u>8.20%</u>



General Fund Revenues, by Source, FY 2002-FY 2005

— Continued —

Revenue From Other Governments

Revenue from the police protection grants decreased due to the end of the federal COPS grant. Revenue from Youth and Family Services grants increased beginning in FY 2003 to reflect the addition of the Linkages to Learning program. Detailed information on projected income tax receipts is provided on the preceding pages. Revenue from gasoline and motor vehicle taxes were reduced in both FY 2004 and FY 2005 because of reductions to the amount paid by the State to local jurisdictions. The tax duplication increase is the result of one-time higher road maintenance costs in FY 2003.

Revenue From Other Governments:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Police Protection Grants – City’s share of State and federal funds for police protection.	\$695,621	\$525,598	\$592,173	\$562,075	-5.08%
State Grants – State funds for a Victims Advocate.	19,521	51,064	0	2,925	100.00%
County Grants – County funds for telecommunications and other grants.	0	102,000	1,700	0	-100.00%
Youth, Family, and Community Services Grants – County and State payments to support Youth Services programs.	116,815	304,127	279,696	283,390	1.32%
Recreation Grants – Grants from the State and corporations for various recreation programs including Senior Center grants.	50,645	59,226	45,625	37,985	-16.75%
Income Taxes – City’s share of income tax received by the State for returns filed from Rockville.	6,468,570	6,281,463	6,345,000	6,456,175	1.75%
Gasoline and Motor Vehicle Taxes – City’s share of gasoline tax and vehicle registrations collected by the State.	2,559,709	2,564,114	1,789,506	2,158,695	20.63%
Admissions and Amusements Receipts – Taxes on admissions are returned to municipalities by the State on the basis of the amount collected.	1,056,024	1,079,393	1,106,500	1,139,912	3.02%
Tax Duplication Rebate – Revenue sharing from the County as a partial reimbursement to municipalities for tax duplication.	1,416,161	1,482,285	1,258,500	1,698,450	34.96%
Traffic Signal Maintenance Fees – Reimbursement from the State for maintenance of traffic signals in the city limits of Rockville.	5,054	11,827	5,000	5,000	0.00%
Cable Franchise Fees – City’s share of Montgomery County’s cable franchise fee, plus County cable operating grant.	240,528	371,272	363,441	427,750	17.69%
Payment in Lieu of Taxes – Revenue received from Montgomery County in lieu of financial corporation taxes.	<u>13,265</u>	<u>13,265</u>	<u>13,265</u>	<u>13,265</u>	<u>0.00%</u>
Total Revenue-Other Governments	<u>\$12,641,913</u>	<u>\$12,845,634</u>	<u>\$11,800,406</u>	<u>\$12,785,622</u>	<u>8.35%</u>

General Fund Revenues, by Source, FY 2002-FY 2005

— Continued —

Charges for Services

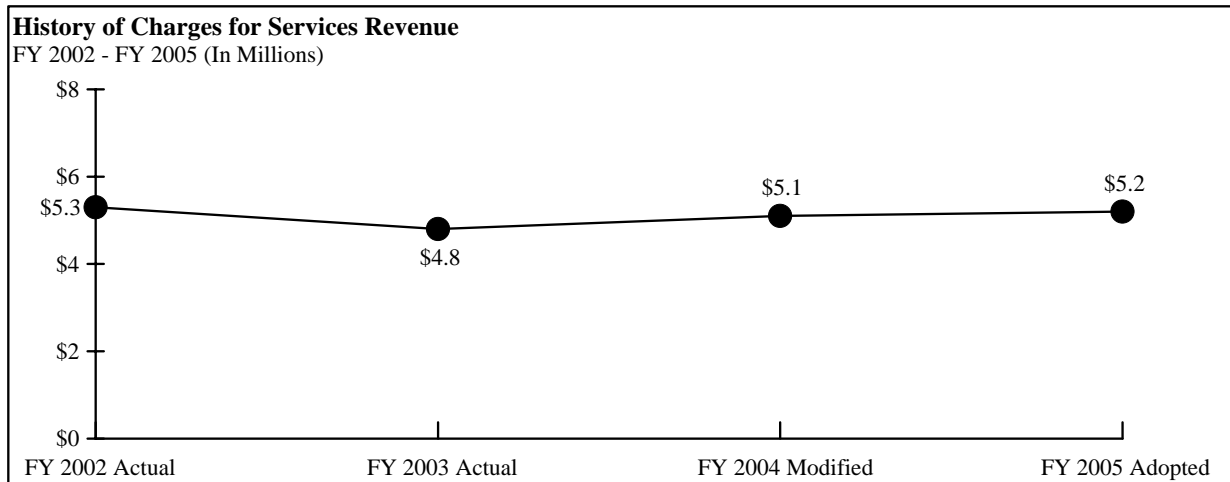
Public Works permit fees decreased beginning in FY 2003 due to the completion of major new development projects in the City. Fire Review and Safety fees are expected to decrease due to a decline in development. Special Event Fees will decrease in FY 2005 due to the temporary postponement of events held in the Town Center as a result of the Town Square redevelopment. Recreation program fees have increased as the result of a major cost recovery analysis completed in FY 2004.

Charges for Services:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Zoning Fees – Charges for services relating to zoning such as map enhancements, text amendments, and use permits.	\$149,516	\$153,556	\$160,000	\$160,000	0.00%
Community Support-Police – Charges for community requests for police services at community/neighborhood events.	52,760	49,709	60,000	50,000	-16.67%
Sale of Materials – Revenue from City publications or souvenirs.	13,654	15,393	15,000	15,400	2.67%
Sale of Land – Revenue received from the sale of land.	0	15,000	0	0	0.00%
Fire Safety Fees – Revenue from fire inspection and permits.	220,994	267,876	136,655	144,000	5.37%
Fire Review Fees – Revenue from fire codes plans review.	62,335	79,323	38,205	25,000	-34.56%
Public Works Permits – Fees paid by private contractors for design review and inspection services for work within rights-of-way.	1,178,657	275,445	374,000	350,000	-6.42%
Swim Team Dues – Fees paid for the RMSC swim team.	70,609	126,382	115,000	150,000	30.43%
Recreation Membership Fees – Fees paid for memberships to recreation and swim centers.	397,906	487,077	510,300	511,460	0.23%
Recreation and Parks Concessions – Revenue received from concessions at City facilities.	20,652	15,513	2,727	3,200	17.35%
Facility Rental Fees – Revenue received from the rental of City facilities.	429,839	520,912	526,422	587,312	11.57%
Recreation Program Fees – Revenues from fees for various recreation programs and classes.	2,125,286	2,087,019	2,363,237	2,452,533	3.78%
Social Services Fees – Social services fees at the Senior Center.	26,320	22,362	24,540	26,130	6.48%
Special Events Fees – Corporate sponsorship of City events.	135,011	74,703	60,000	25,000	-58.33%

General Fund Revenues, by Source, FY 2002-FY 2005

— Continued —

Charges for Services:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Recreation Theme Park Tickets – Revenue from sale of tickets to area theme parks through the Maryland Recreation and Parks Association.	130,423	125,090	152,000	152,000	0.00%
F. Scott Fitzgerald Theatre Tickets – Revenue received from theatre ticket sales.	38,092	302,791	298,945	303,945	1.67%
Internal City Use of Facilities – Revenue received from the use of City facilities by City programs and events.	0	0	0	22,164	100.00%
Pool Merchandise Sales – Revenue received from merchandise sold at the Swim Center.	3,811	2,768	4,000	3,000	-25.00%
Pool Admission Charges – Revenue received from admissions to the Swim Center.	<u>215,579</u>	<u>207,379</u>	<u>220,000</u>	<u>240,000</u>	<u>9.09%</u>
Total Charges for Services	<u>\$5,271,444</u>	<u>\$4,828,298</u>	<u>\$5,061,031</u>	<u>\$5,221,144</u>	<u>3.16%</u>



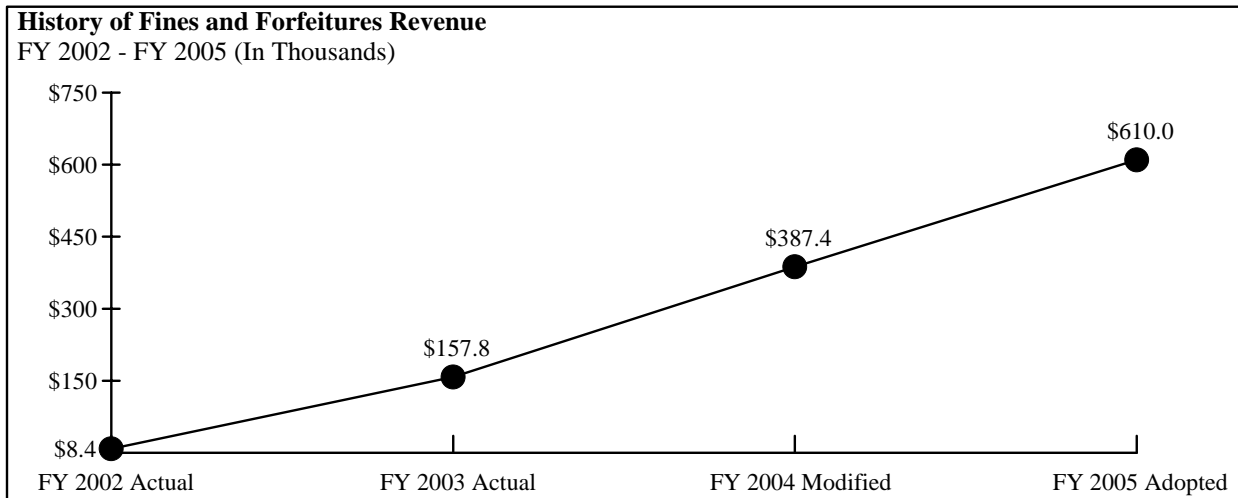
General Fund Revenues, by Source, FY 2002-FY 2005

— Continued —

Fines and Forfeitures

In FY 2003, revenue received from fines for red light infractions was added to the General Fund. Any net revenue from this program is contributed to the CIP to fund transportation and pedestrian improvements.

Fines and Forfeitures:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Municipal Infractions – Revenues received from fines for municipal infractions.	\$8,365	\$9,885	\$10,000	\$10,000	0.00%
Red Light Camera Revenue – Revenue received from fines for red light infractions.	0	147,881	377,400	600,000	58.98%
Confiscated Funds – Cash and personal items seized under current law by City Police during the commission of a crime.	<u>78</u>	<u>21</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>
Total Fines and Forfeitures	<u>\$8,443</u>	<u>\$157,787</u>	<u>\$387,400</u>	<u>\$610,000</u>	<u>57.46%</u>



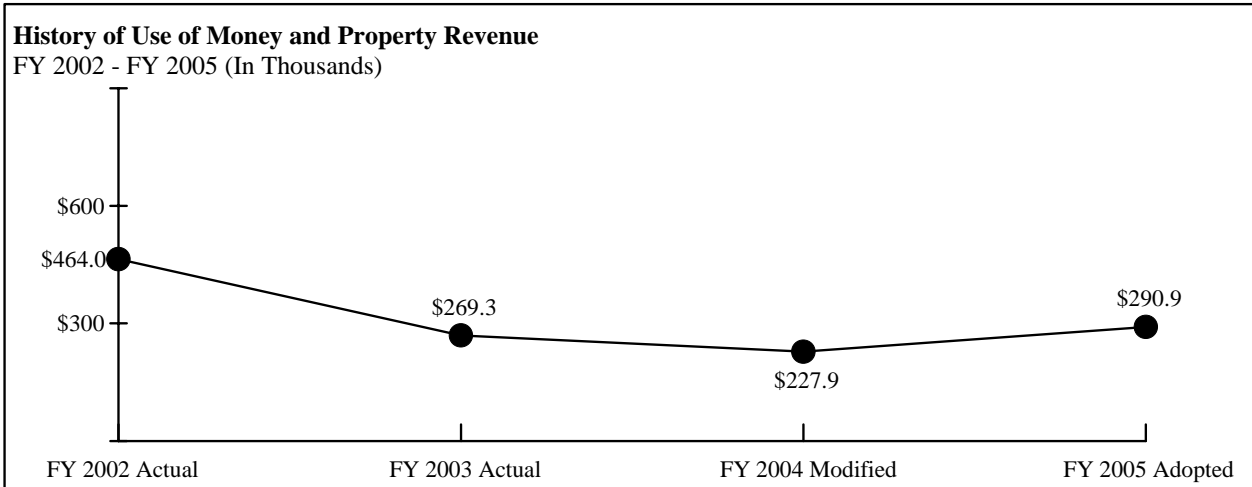
General Fund Revenues, by Source, FY 2002-FY 2005

— Continued —

Use of Money and Property

For the category of interest income, the City of Rockville generally estimates using a rate of 5.0 percent. Because of the persistence of extremely low rates, the FY 2004 modified budget reflects a rate of less than one percent and FY 2005 is proposed at 1.1 percent.

Use of Money and Property:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Interest Income – Interest received from the investment of City funds.	\$447,280	\$152,290	\$100,000	\$150,000	50.00%
Land Rental – Revenue from telecommunications companies for monopoles on City-owned property.	0	99,690	108,914	110,900	1.82%
Building Rental – Revenue from the rental of City-owned buildings located on the King Farm.	<u>16,728</u>	<u>17,280</u>	<u>19,008</u>	<u>30,000</u>	<u>57.83%</u>
Total Use of Money and Property	<u>\$464,008</u>	<u>\$269,260</u>	<u>\$227,922</u>	<u>\$290,900</u>	<u>27.63%</u>



General Fund Revenues, by Source, FY 2002-FY 2005

— Continued —

Other Revenue

Proceeds from the auction of used vehicles vary from year to year depending primarily on the number of vehicles being replaced. This same fluctuation pattern is evident for other miscellaneous revenues. This revenue category also includes charges to enterprise funds for centrally budgeted administrative costs. Each Fund pays for its share of the costs through a transfer into the General Fund. In FY 2005, the transfer from the Parking Fund was increased.

Other Revenue:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Community Contribution – Contributions from individuals and groups in the community to sponsor specific programs.	\$32,115	\$84,927	\$123,210	\$144,006	16.88%
Other Grant Revenue – Mid-year anticipated grant revenue (undesignated).	0	0	21,830	20,000	-8.38%
Sale of Vehicles – Proceeds from the vehicle auction.	48,042	9,326	50,000	40,000	-20.00%
Miscellaneous Revenues – Other revenues not categorized elsewhere.	118,522	110,098	319,428	182,200	-42.96%
Water Facility Fund – Charges for various direct services received from the General Fund.	357,918	360,656	371,476	382,620	3.00%
Sewer Fund – Charges for various direct services received from the General Fund.	195,646	201,515	207,560	213,787	3.00%
Refuse Fund – Charges for various direct services received from the General Fund.	370,258	381,366	392,807	404,591	3.00%
RedGate Golf Course Fund – Charges for various direct services received from the General Fund.	154,044	158,665	163,427	168,330	3.00%
Stormwater Management Fund – Charges for various direct services received from the General Fund.	125,419	129,182	133,057	137,049	3.00%
Parking Fund – Charges for various direct services received from the General Fund.	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>75,750</u>	<u>203.00%</u>
Total Other Revenues	<u>\$1,401,964</u>	<u>\$1,435,735</u>	<u>\$1,807,795</u>	<u>\$1,768,333</u>	<u>-2.18%</u>

Appropriated Fund Balance

This is not actual revenue. It is, however, a source of funding relied upon in balancing the budget. The City's policy is to use fund balance to provide funding for the reappropriation of encumbrances from the prior year, to fund one-time items, and to provide funding support for the Capital Improvements Program in the form of a transfer.

Appropriated Fund Balance:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Appropriated Fund Balance represents a portion of the City's unappropriated fund balance, which is accumulated by collecting revenues over estimates and/or under-spending appropriations.	<u>\$0</u>	<u>\$0</u>	<u>\$1,520,194</u>	<u>\$1,334,546</u>	<u>-12.21%</u>

General Fund Expenditures

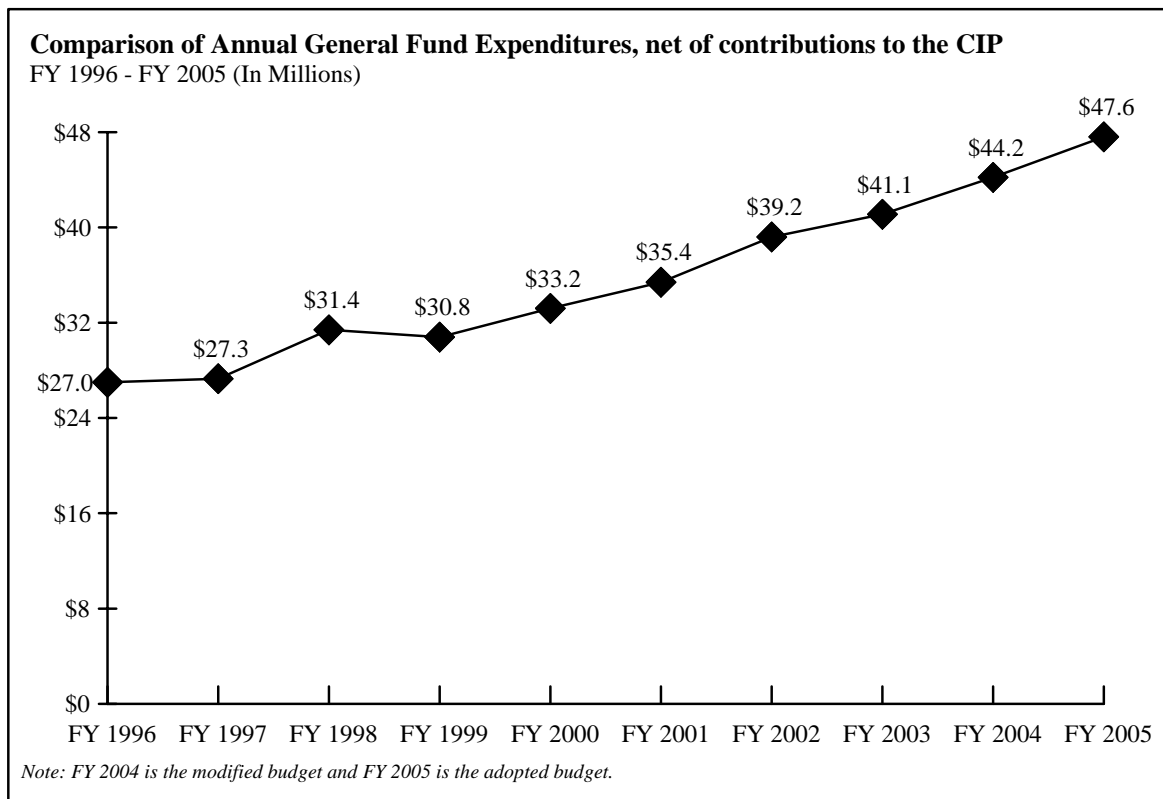
The General Fund is the primary operating fund of the City and is used to account for the normal recurring activities. Many of the City administrative functions are supported through this fund. The major revenue sources for the General Fund are property taxes, income taxes, gasoline and motor vehicle taxes, tax duplication payments from Montgomery County, and charges or user fees for services. The FY 2004 modified budget reflects the budget as it was presented to the Mayor and Council in May 2004.

Expenditures:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Personnel	\$25,025,791	\$27,645,055	\$29,593,431	\$31,529,062	6.54%
Operating Expenditures	8,080,423	8,739,122	10,090,050	10,931,274	8.34%
Capital Outlays	1,041,274	431,029	659,525	523,562	-20.62%
Other Charges	847,103	938,426	977,209	933,518	-4.47%
Contribution to the CIP	4,700,000	2,991,248	1,299,000	1,185,496	-8.74%
Debt Service	<u>4,150,000</u>	<u>3,384,064</u>	<u>3,120,683</u>	<u>3,833,133</u>	<u>22.83%</u>
Total Expenditures	<u>\$43,844,591</u>	<u>\$44,128,944</u>	<u>\$45,739,898</u>	<u>\$48,936,045</u>	<u>6.99%</u>

Expenditures by Department:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Mayor and Council	\$1,261,077	\$1,165,496	\$1,318,640	\$1,211,077	-8.16%
City Manager	1,835,756	2,002,839	2,059,807	2,116,503	2.75%
Community Planning	2,594,888	2,934,505	3,275,525	4,589,425	40.11%
Finance	1,411,307	1,506,703	1,565,889	1,604,872	2.49%
Information and Technology	2,746,834	2,692,000	3,076,605	2,892,593	-5.98%
Neighborhood/Comm. Services	1,480,329	1,781,789	2,000,141	2,073,287	3.66%
Personnel	820,655	811,520	870,350	878,552	0.94%
Police	4,551,043	4,938,165	5,393,885	5,924,488	9.84%
Public Works	4,604,088	5,160,692	5,354,142	5,533,419	3.35%
Recreation and Parks	12,031,089	12,726,536	13,473,654	14,046,642	4.25%
Non-Departmental	<u>10,507,525</u>	<u>8,408,699</u>	<u>7,351,260</u>	<u>8,065,187</u>	<u>9.71%</u>
Total Expenditures	<u>\$43,844,591</u>	<u>\$44,128,944</u>	<u>\$45,739,898</u>	<u>\$48,936,045</u>	<u>6.99%</u>

FY 1996 - FY 2005 Comparison of Annual General Fund Expenditures

This line chart indicates General Fund expenditures for the ten year period ending FY 2005. The increase in FY 1998 reflects the decision to pay off the City's liability in the State of Maryland pension plan in the amount of \$1,842,908. This decision will save the City of Rockville taxpayers an estimated \$1,744,065 in avoided finance charges over the next 23 years. In FY 2002, the revenue and expenditures associated with the Swim Center were transferred to the General Fund from the Special Revenue Fund. The figures for FY 2004 and FY 2005 are budget numbers; in general, actual expenditures are lower than the budgeted amounts.



Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by legal and regulatory provisions to finance specific activities. Included in the special revenue funds are the Property Management, Special Activities, and Community Development Block Grant Funds. The Property Management Fund was closed during FY 2004.

Property Management Fund

The Property Management Fund was used to account for land sales within the City's redevelopment area. This land was purchased in 1976 when the urban renewal program was terminated. Proceeds from these land sales were used periodically for purposes that meet Community Development Block Grant (CDBG) eligibility criteria. The Fund was closed during FY 2004 because the Fund no longer had any assets that were required to be accounted for separately.

Property Management Fund Revenues:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Interest Income	\$0	\$11,517	\$2,027	\$0	-100.00%
Appropriated Fund Balance	<u>0</u>	<u>0</u>	<u>146,000</u>	<u>0</u>	<u>-100.00%</u>
Total Revenues	<u>\$0</u>	<u>\$11,517</u>	<u>\$148,027</u>	<u>\$0</u>	<u>-100.00%</u>

Property Management Fund Expenditures:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Operating Charges	\$0	\$0	\$146,000	\$0	-100.00%
Addition to Fund Balance	<u>0</u>	<u>0</u>	<u>2,027</u>	<u>0</u>	<u>-100.00%</u>
Total Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$148,027</u>	<u>\$0</u>	<u>-100.00%</u>

Property Management Fund by Department:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Non-Departmental	<u>\$0</u>	<u>\$0</u>	<u>\$148,027</u>	<u>\$0</u>	<u>-100.00%</u>
Totals by Department	<u>\$0</u>	<u>\$0</u>	<u>\$148,027</u>	<u>\$0</u>	<u>-100.00%</u>

As noted above, the Property Management Fund no longer exists as a separate fund. For this reason, no graphic information will follow this summary.

Special Revenue Funds

— Continued —

Special Activities Fund

The Special Activities Fund receives revenues from separate fundraising activities by such groups as the Rockville Seniors Inc, the Mansion Gift Shop Docents, and a variety of corporations and community service organizations. In FY 2003, the Telecommunications activities were moved to the Department of Information and Technology in the General Fund.

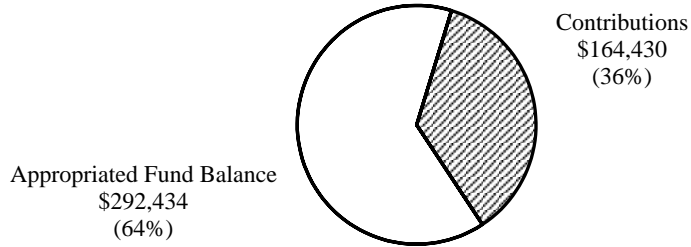
Special Activities Fund Revenues:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Mansion Rentals	\$15,065	\$15,280	\$15,000	\$15,000	0.00%
Donations	262,040	194,070	88,738	97,840	10.26%
State Grant	74,961	96,249	81,000	49,000	-39.51%
Telecommunications	91,445	0	0	0	0.00%
Interest Income	11,760	3,925	3,272	2,590	-20.84%
Appropriated Fund Balance	<u>0</u>	<u>0</u>	<u>277,020</u>	<u>292,434</u>	<u>5.56%</u>
Total Revenues	<u>\$455,271</u>	<u>\$309,524</u>	<u>\$465,030</u>	<u>\$456,864</u>	<u>-1.76%</u>

Special Activities Fund by Program:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Telecommunications	\$75,818	\$0	\$0	\$0	0.00%
Holiday Drive	12,641	21,960	51,992	46,221	-11.10%
REAP	4,894	13,031	16,169	38,459	137.86%
Strengthening Families/RISE	50,534	7,759	8,140	4,000	-50.86%
Recreation Fund	15,587	40,689	127,184	137,226	7.90%
Glenview Mansion Improv.	19,223	25,395	50,672	35,007	-30.91%
Senior Assistance	2,529	0	9,145	11,231	22.81%
Friends of the Arts	6,519	0	17,177	17,183	0.03%
Rockville Youth Orchestra	10,750	0	0	0	0.00%
Bikeway Program	79,358	83,894	109,865	102,667	-6.55%
Forest and Tree Preservation	78,663	60,084	52,280	39,993	-23.50%
Pepsi Sponsorship	23,186	16,684	18,469	18,521	0.28%
Croydon Creek Nature Center	<u>0</u>	<u>1,878</u>	<u>3,937</u>	<u>6,356</u>	<u>61.44%</u>
Total Expenditures	<u>\$379,702</u>	<u>\$271,374</u>	<u>\$465,030</u>	<u>\$456,864</u>	<u>-1.76%</u>

Special Activities Fund by Department:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Information and Technology	\$75,818	\$0	\$0	\$0	0.00%
Neighborhood/Comm. Services	68,069	42,750	76,301	88,680	16.22%
Recreation and Parks	<u>235,815</u>	<u>228,624</u>	<u>388,729</u>	<u>368,184</u>	<u>-5.29%</u>
Totals by Department	<u>\$379,702</u>	<u>\$271,374</u>	<u>\$465,030</u>	<u>\$456,864</u>	<u>-1.76%</u>

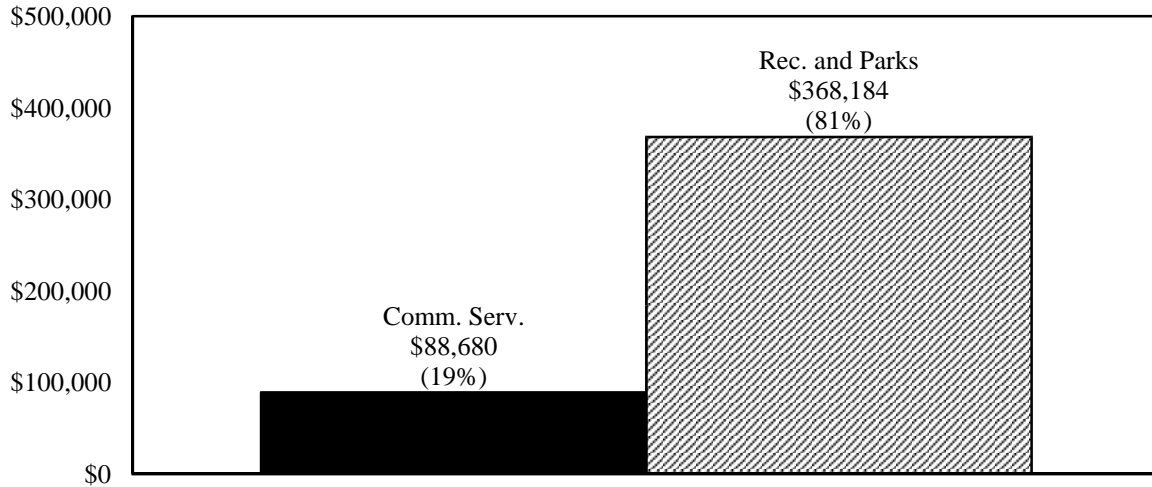
Special Revenue Funds Graphs

FY 2005 Special Activities Fund Revenues of \$456,864

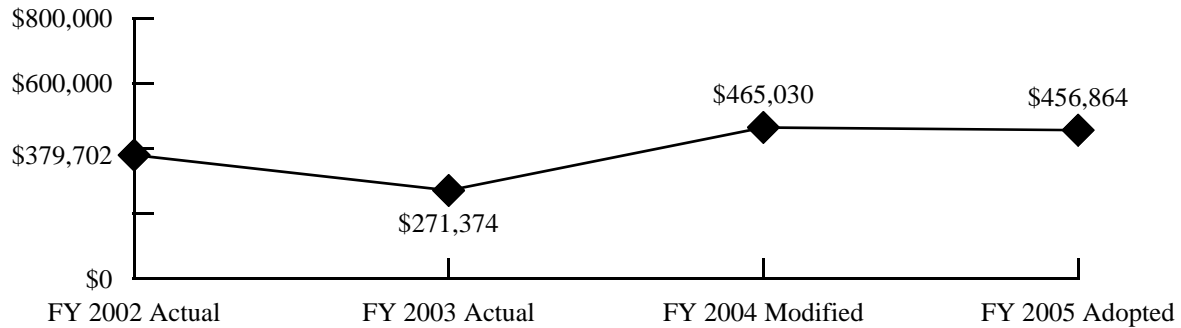


Contributions combines Rentals, Donations, Grants, and Interest Income.

FY 2005 Budget by Department (total \$456,864)



FY 2002 - FY 2005 Expenditure History



Special Revenue Funds

— Continued —

Community Development Block Grant Fund

The Community Development Block Grant (CDBG) Fund is a special revenue fund supported by a sub-grant of federal funds via Montgomery County. The annual budget for this fund consists of unexpended prior years' grants as well as the next year's anticipated grant and is based on the latest information available from Montgomery County.

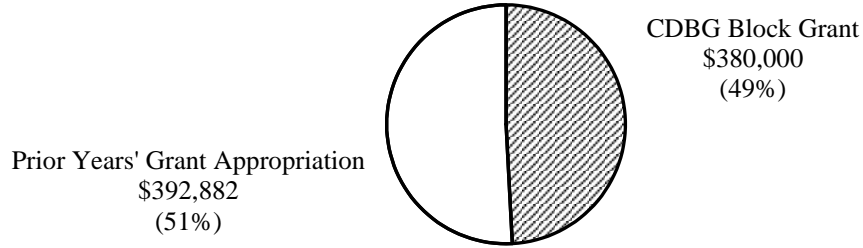
CDBG Fund Revenues:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
CDBG Block Grant	\$98,550	\$55,179	\$392,882	\$380,000	-3.28%
Prior Years' Appropriation	<u>419,852</u>	<u>346,178</u>	<u>440,138</u>	<u>392,882</u>	-10.74%
Total Revenues	<u>\$518,402</u>	<u>\$401,357</u>	<u>\$833,020</u>	<u>\$772,882</u>	<u>-7.22%</u>

CDBG Fund Expenditures:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Personnel	\$53,755	\$55,179	\$70,000	\$70,000	0.00%
Operating Expenditures	44,795	0	322,882	310,000	-3.99%
Prior Years' Expenditures	<u>419,852</u>	<u>346,178</u>	<u>440,138</u>	<u>392,882</u>	-10.74%
Total Expenditures	<u>\$518,402</u>	<u>\$401,357</u>	<u>\$833,020</u>	<u>\$772,882</u>	<u>-7.22%</u>

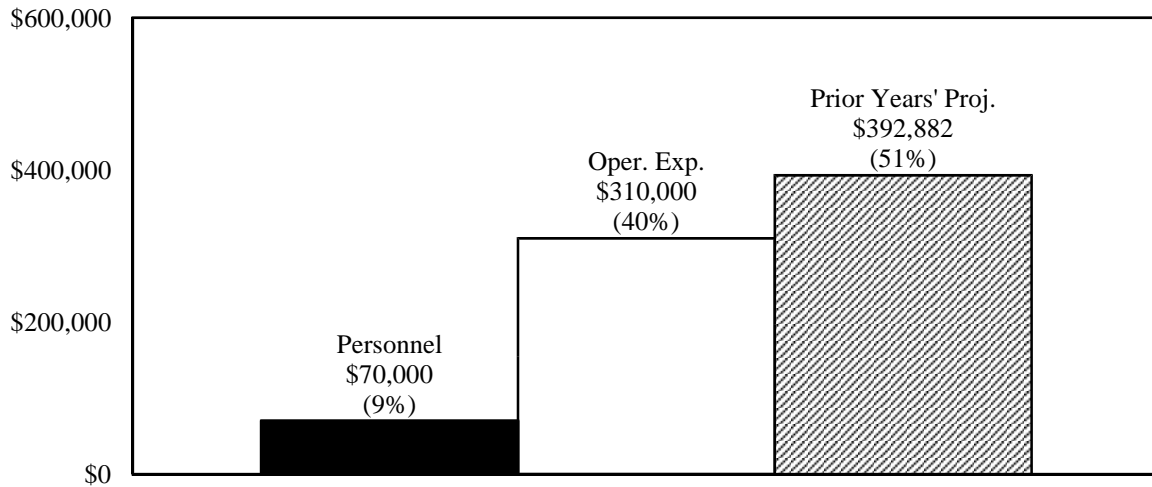
CDBG Fund by Department:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Community Planning/Devel.	<u>\$518,402</u>	<u>\$401,357</u>	<u>\$833,020</u>	<u>\$772,882</u>	-7.22%
Totals by Department	<u>\$518,402</u>	<u>\$401,357</u>	<u>\$833,020</u>	<u>\$772,882</u>	<u>-7.22%</u>

Special Revenue Funds Graphs

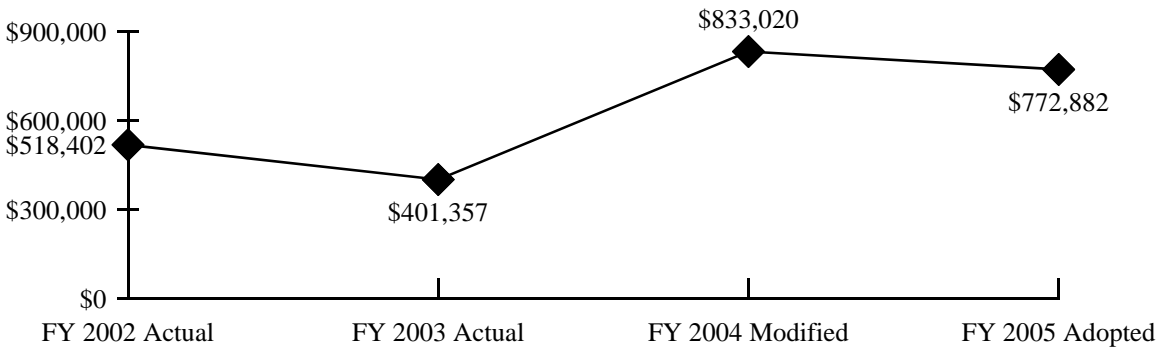
FY 2005 CDBG Fund Revenues of \$772,882



FY 2005 Budget by Type of Expenditure (total \$772,882)



FY 2002 - FY 2005 Expenditure History



Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The fund includes expenditures for the payment of principal and interest due and service charges on debt, other than that supported by enterprise fund revenue. Applicable graphic presentations and charts within the budget document present the Debt Service Fund separately after a subtotal has been reached. This is due to the fact that the Debt Service Fund represents the budgeting of transfers from other funds so that there is essentially a double-budgeting effect when the Debt Service Fund records the same expenditure. Any charts or graphs that include the Debt Service Fund within their total will be clearly designated as doing so.

The budget for the Debt Service Fund assumes the issuance of \$5.18 million of debt in the Capital Projects Fund during FY 2005. Of this amount, \$522,393 is for the purchase of vehicles in the General Fund. The term of this debt will not exceed the useful life of the vehicles.

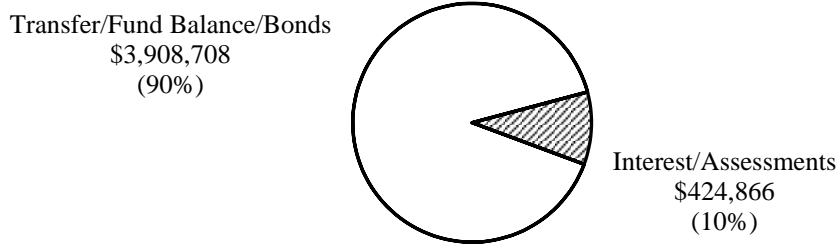
Debt Service Fund Revenues:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Interest Income	\$12,352	\$194,731	\$223,914	\$206,894	-7.60%
Assessments	460,332	257,065	202,632	217,972	7.57%
Transfer from General Fund	4,150,000	3,384,064	3,120,683	3,833,133	22.83%
Premium on Bonds Sold	0	137,595	0	0	0.00%
General Obligation Bonds-CIP	0	0	50,000	50,000	0.00%
Appropriated Fund Balance	<u>0</u>	<u>0</u>	<u>35,000</u>	<u>25,575</u>	<u>73.00%</u>
Total Revenues	<u>\$4,622,684</u>	<u>\$3,973,455</u>	<u>\$3,632,229</u>	<u>\$4,333,574</u>	<u>19.31%</u>

Debt Service Fund Expenditures:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Principal	\$2,407,652	\$2,026,136	\$2,696,027	\$3,149,989	16.84%
Interest	830,538	728,383	794,250	1,119,544	40.96%
Other Charges	0	81,826	141,952	64,041	-54.89%
Addition to Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>
Total Expenditures	<u>\$3,238,190</u>	<u>\$2,836,345</u>	<u>\$3,632,229</u>	<u>\$4,333,574</u>	<u>19.31%</u>

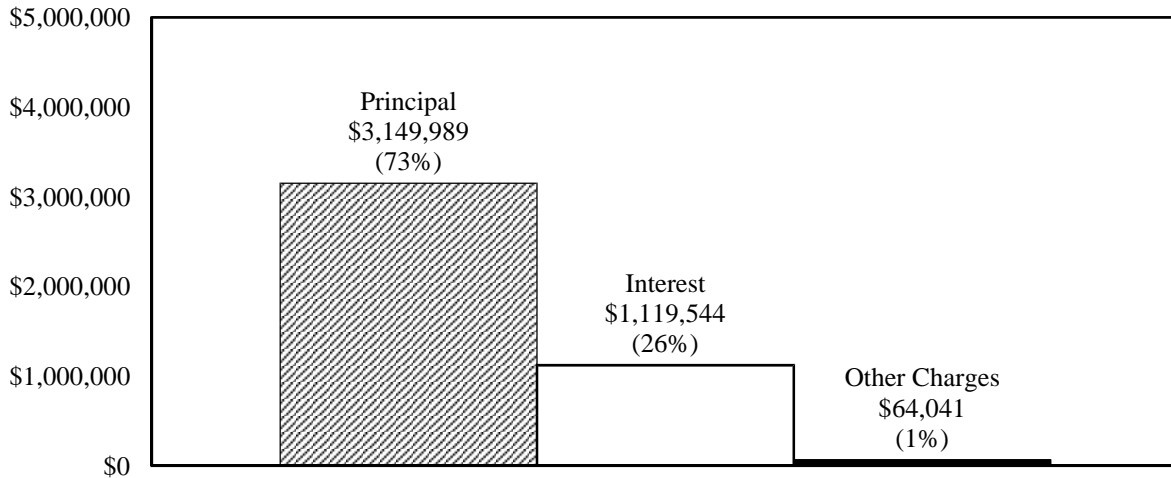
Debt Service Fund by Department:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Non-Departmental	<u>\$3,238,190</u>	<u>\$2,836,345</u>	<u>\$3,632,229</u>	<u>\$4,333,574</u>	<u>19.31%</u>
Totals by Department	<u>\$3,238,190</u>	<u>\$2,836,345</u>	<u>\$3,632,229</u>	<u>\$4,333,574</u>	<u>19.31%</u>

Debt Service Fund Graphs

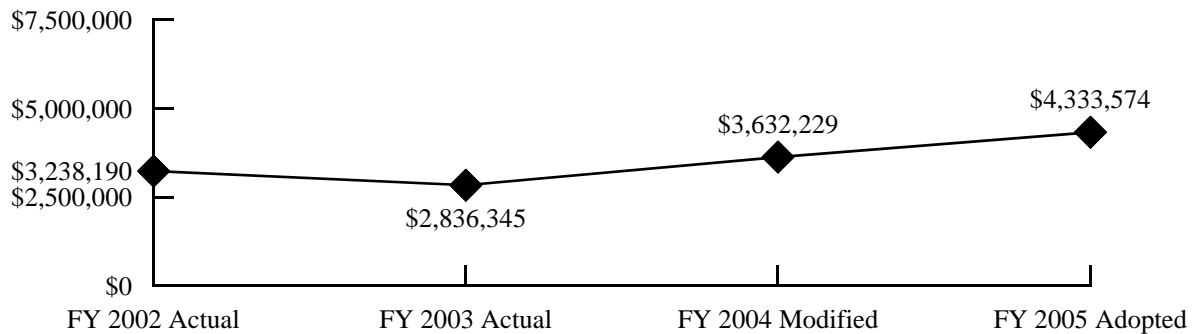
FY 2005 Debt Service Fund Revenues of \$4,333,574



FY 2005 Budget by Type of Expenditure (total \$4,333,574)



FY 2002 - FY 2005 Expenditure History



Debt Service Fund

— Continued —

Long-term Debt Summary

The following is a list of the bonds and notes included in the City's long-term debt at June 30, 2004:

<u>Description</u>	<u>Year of Issuance</u>	<u>Outstanding Principal</u>	<u>Interest Rate Range</u>	<u>Year of Final Maturity</u>
General long-term debt:				
General improvements	1998	\$1,240,000	3.50-4.30%	2013
General improvements— Equipment	1999	105,241	4.17-4.53%	2006
General improvements— Equipment	2000	327,886	4.17-4.53%	2007
General improvements	2002	2,198,625	4.00-4.65%	2021
General improvements	2003	9,684,598	2.00-3.85%	2023
General improvements— Refunding	2003	8,703,374	2.00-3.00%	2013
Bond anticipation notes	2004	11,415,000	4.00-5.00%	2029
General improvements	2004	<u>12,350,000</u>	3.00-3.25%	2006
Total general long-term debt		<u>\$46,024,724</u>		
 Enterprise funds long-term debt:				
General improvements	1999	\$2,251,092	3.21%	2019
General improvements	2000	1,696,837	3.64%	2020
General improvements	2002	1,355,979	1.90%	2023
General improvements	2002	2,986,375	4.00-4.65%	2021
General improvements	2003	3,040,401	2.00-3.875%	2023
General improvements— Refunding	2003	3,556,626	2.00-3.00%	2013
General improvements	2004	<u>7,900,000</u>	4.00-5.00%	2029
Total enterprise funds long-term debt		<u>\$22,787,310</u>		

On June 1, 2004, the government issued general obligation bonds and bond anticipation notes in the amount of \$31,665,000 to provide funds for the acquisition and construction of major capital facilities and the purchase of certain real property.

The City anticipates that all amounts required for payment of interest and principal on enterprise fund debt will be provided from the respective funds' revenues and that amounts required for payment of interest and principal on special assessment general improvement bonds will be provided from the collection of assessments levied against property owners; however, the bonds are further secured by the full faith and credit and unlimited taxing power of the City. There are no legal limits as to the amount of debt the City of Rockville can incur. The following pages show the amount of principal and interest payments due by fiscal year within each category, general and enterprise funds long-term debt.

Debt Service Fund

— Continued —

Long-term Debt Detail

The following is a list of the principal and interest payments due by fiscal year as of June 30, 2004:

General Long-Term Debt:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2005	\$3,126,989	\$1,401,472	\$4,528,461
2006	15,538,665	1,430,794	16,969,459
2007	3,114,221	961,967	4,076,188
2008	3,041,082	883,758	3,924,840
2009	1,948,476	802,753	2,751,229
2010	1,947,828	742,979	2,690,807
2011	1,704,362	679,696	2,384,058
2012	1,677,417	621,222	2,298,639
2013	1,527,536	561,601	2,089,137
2014	1,201,061	506,430	1,716,491
2015	1,201,061	462,681	1,672,742
2016	1,201,061	417,454	1,627,515
2017	1,201,061	370,748	1,580,809
2018	1,201,061	322,997	1,533,058
2019	1,201,061	274,104	1,484,165
2020	1,201,061	224,637	1,434,698
2021	1,201,140	174,030	1,384,170
2022	1,075,678	122,455	1,198,133
2023	1,071,903	76,450	1,148,353
2024	<u>570,000</u>	<u>28,500</u>	<u>598,500</u>
Totals	<u>\$46,024,724</u>	<u>\$11,066,727</u>	<u>\$57,091,451</u>

Enterprise Funds Long-Term Debt:

Water Facility Fund

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2005	\$660,220	\$267,923	\$928,143
2006	686,421	250,998	937,419
2007	700,418	233,399	933,817
2008	669,173	201,079	870,252
2009	393,405	159,855	553,260
2010	399,939	147,944	547,883
2011	360,283	135,436	495,719
2012	363,223	124,037	487,260
2013	341,492	112,493	453,985
2014	321,458	101,653	423,111
2015	331,561	91,551	423,112
2016	341,993	81,118	423,111
2017	352,763	70,347	423,110
2018	363,886	59,226	423,112
2019	375,371	47,742	423,113
2020	189,888	26,215	216,103
2021	50,087	13,049	63,136
2022	51,039	12,097	63,136
2023	<u>51,750</u>	<u>11,128</u>	<u>62,878</u>
Totals	<u>\$7,004,370</u>	<u>\$2,147,290</u>	<u>\$9,151,660</u>

Debt Service Fund

— Continued —

Long-term Debt Detail, continued

Enterprise Funds Long-Term Debt, continued:

Sewer Fund

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2005	\$659,871	\$321,761	\$981,632
2006	677,005	328,008	1,005,013
2007	680,471	309,079	989,550
2008	678,595	290,109	968,704
2009	578,825	270,434	849,259
2010	576,554	252,061	828,615
2011	523,565	232,731	756,296
2012	516,752	214,360	731,112
2013	482,687	195,745	678,432
2014	450,135	177,858	627,993
2015	450,136	160,737	610,873
2016	450,136	143,093	593,229
2017	450,136	124,930	575,066
2018	445,135	106,490	551,625
2019	445,136	87,904	533,040
2020	445,135	69,093	514,228
2021	445,370	49,922	495,292
2022	274,518	30,512	305,030
2023	273,478	18,866	292,344
2024	135,000	6,750	141,750
Totals	<u>\$9,638,640</u>	<u>\$3,390,443</u>	<u>\$13,029,083</u>

RedGate Golf Course Fund

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2005	\$5,945	\$12,603	\$18,548
2006	5,945	12,484	18,429
2007	5,945	12,365	18,310
2008	5,945	12,246	18,191
2009	24,804	12,116	36,920
2010	24,803	11,526	36,329
2011	24,803	10,869	35,672
2012	24,803	10,162	34,965
2013	24,804	9,418	34,222
2014	24,803	8,674	33,477
2015	24,803	7,930	32,733
2016	24,803	7,156	31,959
2017	24,804	6,349	31,153
2018	24,803	5,505	30,308
2019	24,803	4,637	29,440
2020	24,803	3,744	28,547
2021	24,804	2,827	27,631
2022	24,803	1,896	26,699
2023	24,618	954	25,572
Totals	<u>\$395,644</u>	<u>\$153,461</u>	<u>\$549,105</u>

Debt Service Fund

— Continued —

Long-term Debt Detail, continued

Enterprise Funds Long-Term Debt, continued:

Parking Fund

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2005	\$170,000	\$179,553	\$349,553
2006	125,000	220,803	345,803
2007	130,000	215,803	345,803
2008	135,000	210,603	345,603
2009	135,000	205,202	340,202
2010	140,000	199,802	339,802
2011	145,000	194,202	339,202
2012	150,000	188,402	338,402
2013	160,000	182,402	342,402
2014	165,000	176,003	341,003
2015	170,000	169,403	339,403
2016	180,000	162,390	342,390
2017	185,000	154,740	339,740
2018	195,000	146,785	341,785
2019	205,000	138,205	343,205
2020	210,000	129,185	339,185
2021	220,000	119,735	339,735
2022	230,000	109,560	339,560
2023	245,000	98,750	343,750
2024	255,000	86,500	341,500
2025	265,000	73,750	338,750
2026	280,000	60,500	340,500
2027	295,000	46,500	341,500
2028	310,000	31,750	341,750
2029	<u>325,000</u>	<u>16,250</u>	<u>341,250</u>
Totals	<u>\$5,025,000</u>	<u>\$3,516,778</u>	<u>\$8,541,778</u>

Refuse Fund

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2005	\$165,566	\$20,286	\$185,852
2006	167,415	16,707	184,122
2007	164,338	12,125	176,463
2008	166,337	7,668	174,005
2009	10,000	2,920	12,920
2010	10,000	2,000	12,000
2011	10,000	1,600	11,600
2012	10,000	1,200	11,200
2013	10,000	800	10,800
2014	<u>10,000</u>	<u>400</u>	<u>10,400</u>
Totals	<u>\$723,656</u>	<u>\$65,706</u>	<u>\$789,362</u>

Enterprise Funds

Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises where the cost of expenses, including both operations and capital, are financed or recovered primarily through user-related charges. The City of Rockville has designated the following individual operations as enterprise funds: Water Facility, Sewer, Refuse, Parking, Stormwater Management (SWM), and RedGate Golf Course. The results of a fee study performed by DMG-Maximus Inc. increased administration costs to all of the enterprise funds from the General Fund and increased revenues in the Water Facility, Sewer, and SWM Funds for various fee-generating activities. All enterprise funds are summarized below and on the pages that follow. The FY 2004 modified budget reflects the budget as it was presented to the Mayor and Council in May 2004.

Water Facility Fund

The Water Facility Fund is used to account for all financial activity associated with the treatment and distribution of potable water. The City provides water service to approximately 13,783 households within the City limits. The FY 2005 rate of \$2.07 per 1,000 gallons is a \$.08 increase over the FY 2004 rate.

The FY 2005 operating budget will use \$126,929 of appropriated net assets. Six-year cash flows are prepared to set water rates and to ensure that projected revenues can support operating and capital improvement expenses for the fund and that the fund can be maintained as an on-going concern.

Revenue projections for utility charges are based upon the City's growth forecast regarding development, potential development and significant infill projects planned for future years. The number of planned and current water accounts is multiplied by the estimated rates for the fund. The Water Facility Fund is projecting operating water revenues for FY 2005 of \$4,098,720 (computed by multiplying 13,783 accounts times the average yearly revenue per account of \$297.38). Note that operating revenue is net of connection charges, interest income, premium on bonds sold, and appropriated net assets. The Water Facility Fund will receive an additional amount of \$4,064,000 in the form of a loan from the State of Maryland to fund capital improvements projects in the FY 2005 CIP.

Water Facility Fund Revenues:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Sales of Materials	\$144,872	\$190,115	\$126,000	\$126,000	0.00%
Utility Charges	2,868,512	2,934,827	3,313,014	3,535,860	6.73%
Penalties	24,790	25,047	25,000	25,000	0.00%
Connection Charges	682,275	713,262	591,200	791,200	33.83%
Interest Income	147,760	67,237	54,018	21,452	-60.29%
Transfer From Sewer	223,030	229,720	236,612	304,773	28.81%
Transfer From Refuse	98,002	100,940	103,968	107,087	3.00%
Premium on Bonds Sold	0	0	0	2,987	100.00%
Appropriated Net Assets	<u>0</u>	<u>0</u>	<u>560,814</u>	<u>126,929</u>	<u>-77.37%</u>
Total Revenues	<u>\$4,189,241</u>	<u>\$4,261,148</u>	<u>\$5,010,626</u>	<u>\$5,041,288</u>	<u>0.61%</u>

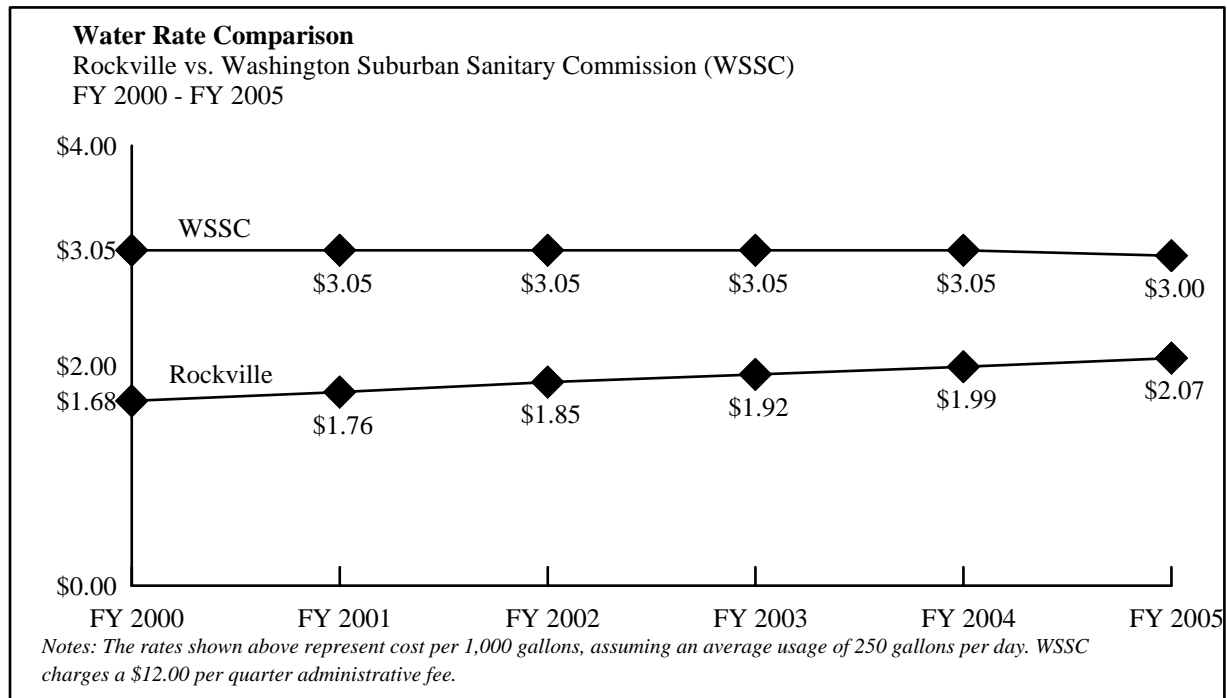
Enterprise Funds

— Continued —

Water Facility Fund, continued

Water Facility Fund Expenses:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Personnel	\$1,688,784	\$1,787,550	\$1,957,688	\$2,030,289	3.71%
Operating Expenses	820,839	859,000	1,081,224	1,088,409	0.66%
Capital Outlays	113,648	160,817	223,410	306,221	37.07%
Administrative Charges	357,918	360,656	371,476	382,620	3.00%
Other Charges	908,282	1,058,628	1,084,560	965,578	-10.97%
Debt Service	<u>287,350</u>	<u>281,772</u>	<u>292,268</u>	<u>268,171</u>	<u>-8.24%</u>
Total Expenses	<u>\$4,176,821</u>	<u>\$4,508,423</u>	<u>\$5,010,626</u>	<u>\$5,041,288</u>	<u>0.61%</u>

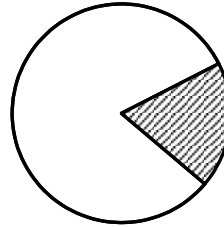
Water Facility Fund by Department:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Mayor and Council	\$9,179	\$0	\$0	\$0	0.00%
Finance	547,388	613,929	706,424	843,508	19.41%
Public Works	1,989,633	2,139,528	2,406,141	2,449,032	1.78%
Non-Departmental	<u>1,630,621</u>	<u>1,754,966</u>	<u>1,898,064</u>	<u>1,748,748</u>	<u>-7.87%</u>
Totals by Department	<u>\$4,176,821</u>	<u>\$4,508,423</u>	<u>\$5,010,629</u>	<u>\$5,041,288</u>	<u>0.61%</u>



Enterprise Funds Graphs

FY 2005 Water Facility Fund Revenues of \$5,041,288

Operating Revenue
\$4,098,720
(81%)

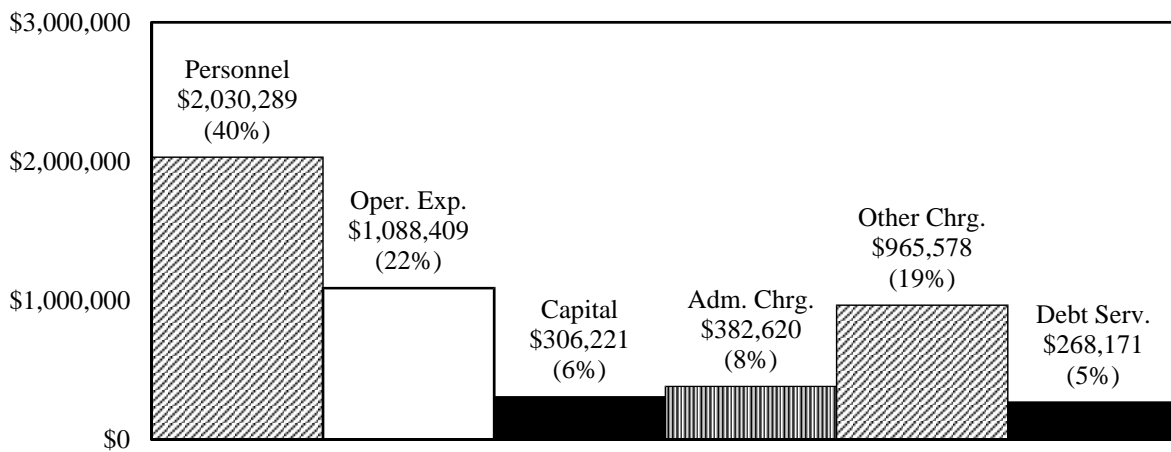


Other
\$942,568
(19%)

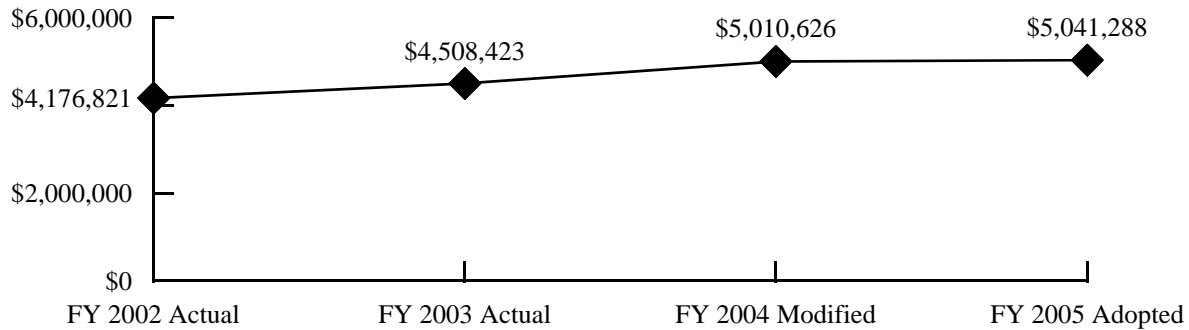
Operating Revenue includes: Sales of Materials \$126,000 or 2%; Utility Charges \$3,535,860 or 70%; Penalties \$25,000 or less than 1%; Transfer from Sewer Fund \$304,773 or 6%; and Transfer from the Refuse Fund \$107,087 or 2%.

Other includes: Connection Charges \$791,200 or 16%; Interest Income \$21,452 or less than 1%; Premium on Bonds Sold \$2,987 or less than 1%; Appropriated Retained Earnings \$126,929 or 3%.

FY 2005 Budget by Type of Expense (total \$5,041,288)



FY 2002 - FY 2005 Expense History



Enterprise Funds

— Continued —

Sewer Fund

The Sewer Fund accounts for the financial activity associated with the collection and treatment of sewage. Charges are based on water consumption unless the customer pays for separate metering. Nearly all of the capital costs in the Sewer Fund and a substantial portion of the operating costs are payments for the operation of and capital improvements to the Blue Plains Wastewater Treatment Plant. The 1998 Master Plan for the District of Columbia Water and Sewer Authority (DCWASA) included a significant increase in planned capital costs, as reflected in the Regional Treatment Facilities Capital Improvements Program project. As a result of this increase in capital costs, the FY 2005 rate is \$3.61 per 1,000 gallons, an increase of \$.11 over the FY 2004 rate. Similar increases are anticipated in future years depending on the pace of work at the Blue Plains facility.

The budget assumes an increase of \$1,289,584 to the net assets in the Sewer Fund as the result of operations. Six-year cash flows are prepared to set sewer rates and to ensure that projected revenues can support operating and capital improvement expenses for the fund.

During FY 2005, the Sewer Fund will issue bonds in the amount of \$2 million to finance the additional improvements at the Blue Plains facility. Revenue projections for the fund are based upon the City's growth forecast regarding development planned for future years. The number of planned and current sewer accounts is then multiplied by the estimated rates for the fund. The Sewer Fund is projecting operating sewer revenues for FY 2005 of \$5,718,718 (computed by multiplying 13,783 accounts times the average yearly revenue per account of \$414.91). Note that operating revenue is net of connection charges, interest income, and premium on bonds sold.

Sewer Fund Revenues:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Utility Charges	\$4,712,449	\$4,872,954	\$5,422,666	\$5,673,718	4.63%
Penalties	44,484	40,182	45,000	45,000	0.00%
Connection Charges	751,590	819,247	645,600	864,000	33.83%
Interest Income	99,587	57,413	57,252	34,515	-39.71%
Premium on Bonds Sold	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,261</u>	<u>100.00%</u>
Total Revenues	<u>\$5,608,110</u>	<u>\$5,789,796</u>	<u>\$6,170,518</u>	<u>\$6,620,494</u>	<u>7.29%</u>

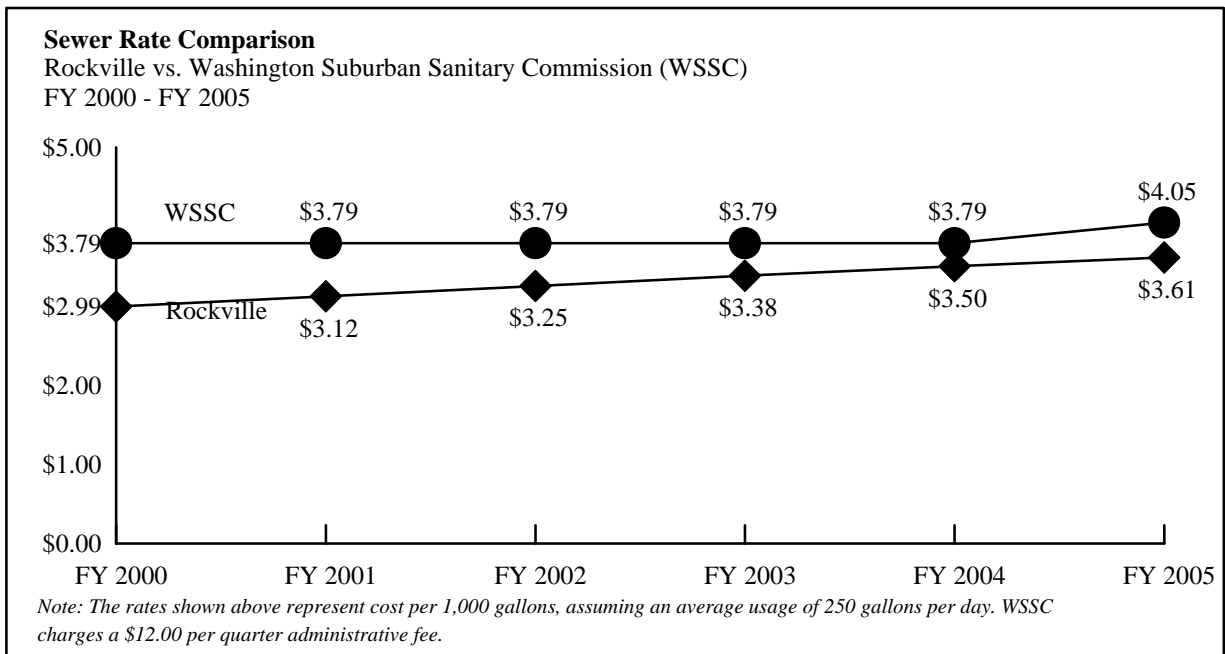
Enterprise Funds

— Continued —

Sewer Fund, continued

Sewer Fund Expenses:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Personnel	\$766,158	\$781,531	\$840,676	\$1,029,141	22.42%
Operating Expenses	1,995,217	2,154,333	2,748,173	2,494,510	-9.23%
Capital Outlays	7,728	0	0	1,796	100.00%
Administrative Charges	195,646	201,515	207,560	213,787	3.00%
Other Charges	745,879	1,077,922	1,122,068	1,235,277	10.09%
Addition to Net Assets	0	0	990,162	1,289,584	30.24%
Debt Service	<u>288,490</u>	<u>251,808</u>	<u>261,879</u>	<u>356,399</u>	<u>36.09%</u>
Total Expenses	<u>\$3,999,118</u>	<u>\$4,467,109</u>	<u>\$6,170,518</u>	<u>\$6,620,494</u>	<u>7.29%</u>

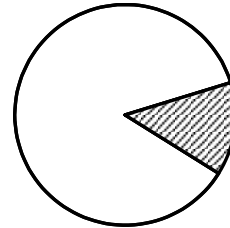
Sewer Fund by Department:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Mayor and Council	\$293	\$2,170	\$5,000	\$5,000	0.00%
Public Works	2,745,306	2,899,827	3,514,075	3,439,046	-2.14%
Non-Departmental	<u>1,253,519</u>	<u>1,565,112</u>	<u>2,651,443</u>	<u>3,176,448</u>	<u>19.80%</u>
Totals by Department	<u>\$3,999,118</u>	<u>\$4,467,109</u>	<u>\$6,170,518</u>	<u>\$6,620,494</u>	<u>7.29%</u>



Enterprise Funds Graphs

FY 2005 Sewer Fund Revenues of \$6,620,494

Operating Revenue
\$5,718,718
(86%)

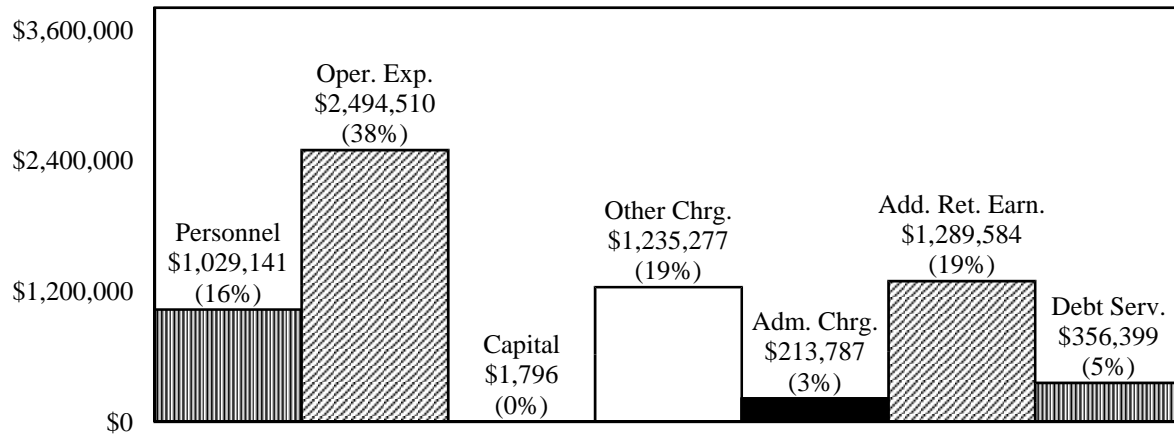


Other
\$901,776
(14%)

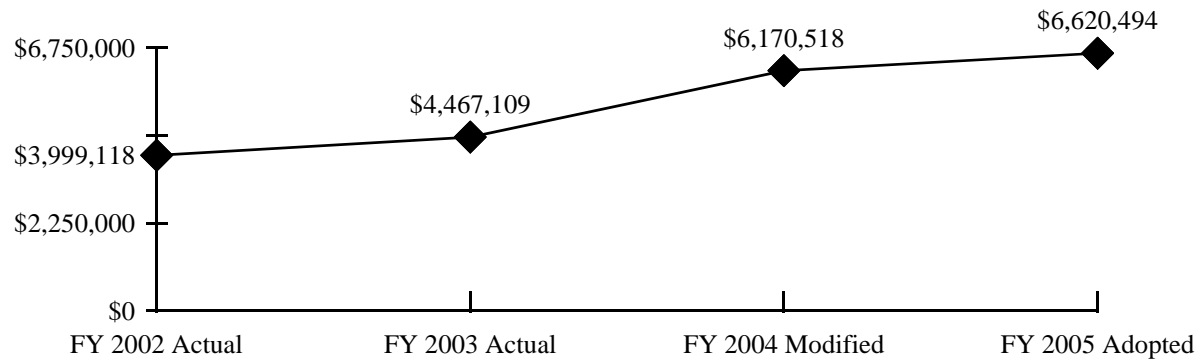
Operating Revenue includes: Utility Charges \$5,673,718 or 86% and Penalties \$45,000 or less than 1%.

Other includes: Connection Charges \$864,000 or 13%; Interest Income \$34,515 or less than 1%; and Premium on Bonds Sold \$3,261 or less than 1%.

FY 2005 Budget by Type of Expense (total \$6,620,494)



FY 2002 - FY 2005 Expense History



Enterprise Funds

— Continued —

Refuse Fund

The Refuse Fund is used to account for all the financial activity associated with the collection and disposal of refuse, recycling, and yard waste. The refuse rate in the FY 2005 budget is \$27.75 per month, which is a \$2.25 increase over the FY 2004 rate to cover increased operating costs. Forty-one cents of the increase is attributable to a fee increase at the County transfer station. Further refuse rate increases will be needed in future years to accommodate modest cost increases and to achieve the appropriate break-even rate.

The budget assumes a decrease of \$574,834 to the net assets in the Refuse Fund as the result of operations. Six-year cash flows are prepared to set refuse rates and to ensure that projected revenues can support operating and capital improvement expenses for the fund and that the fund can be maintained as an on-going concern. In light of a negative cash position in the Refuse Fund and the need for ongoing rate increases, the City has hired a consultant to examine service delivery and other operational issues.

Revenue projections for the fund are based upon the City's growth forecast regarding development planned for future years. The number of planned and current refuse accounts is multiplied by the estimated rates for the fund. The Refuse Fund is projecting operating refuse revenues for FY 2005 of \$4,558,174 (computed by multiplying 13,551 accounts times the average yearly revenue per account of \$336.37). Note that operating revenue is net of interest income and appropriated net assets. A debt issuance of \$228,968 is planned in FY 2005 to fund the purchase of vehicles.

Refuse Fund Revenues:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Customer Charges	\$3,235,619	\$3,569,369	\$4,028,406	\$4,491,382	11.49%
Penalties	24,933	34,605	30,000	30,000	0.00%
Interest Income	33,209	9,256	2,746	0	-100.00%
Transfer-General Fund	36,792	36,792	36,792	36,792	0.00%
Appropriated Net Assets	<u>0</u>	<u>0</u>	<u>687,526</u>	<u>574,834</u>	<u>-16.39%</u>
Total Revenues	<u>\$3,330,553</u>	<u>\$3,650,022</u>	<u>\$4,785,470</u>	<u>\$5,133,008</u>	<u>7.26%</u>

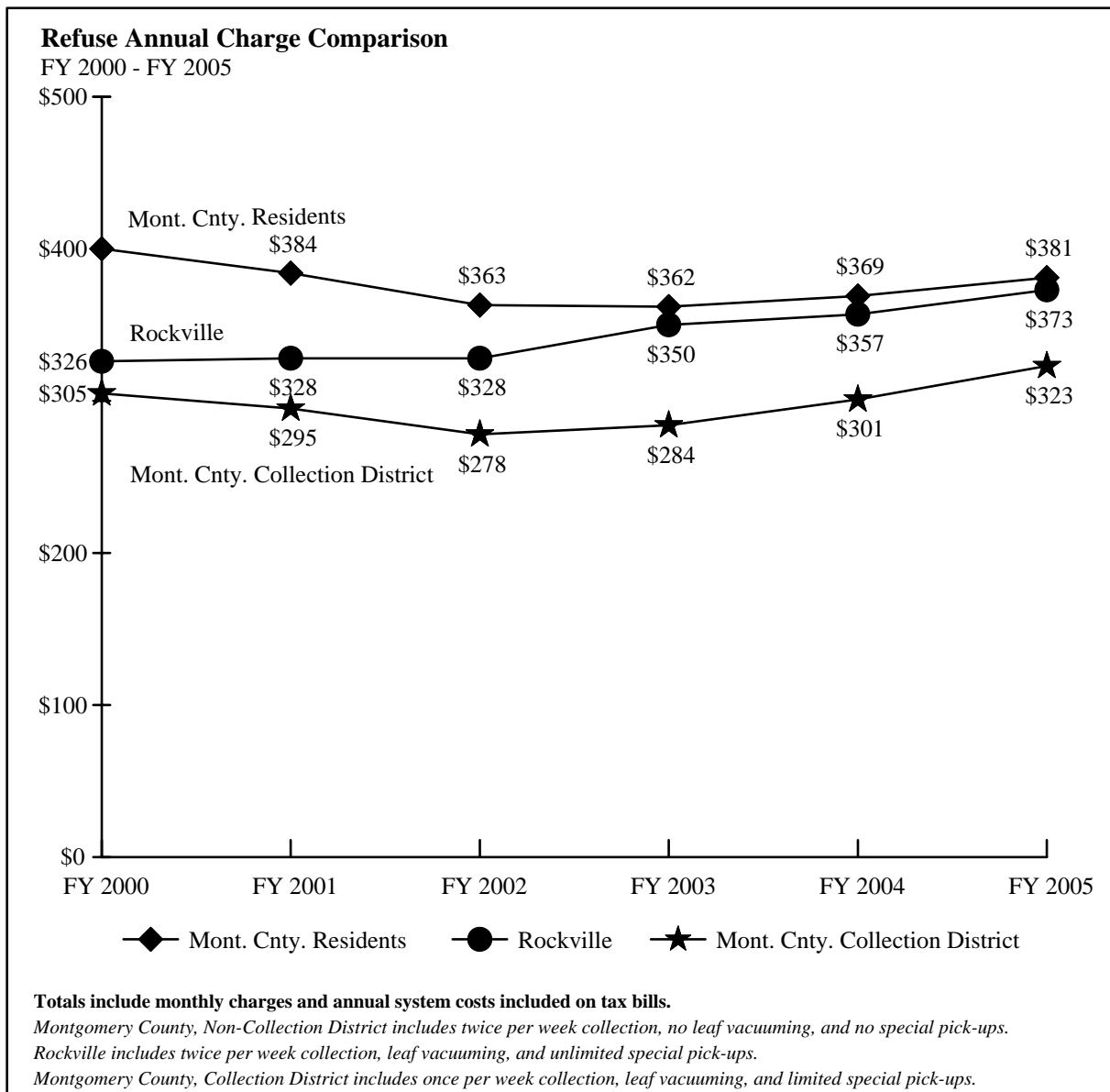
Refuse Fund Expenses:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Personnel	\$2,348,648	\$2,527,679	\$2,697,076	\$2,916,552	8.14%
Operating Expenses	956,436	1,016,489	1,165,717	1,319,709	13.21%
Capital Outlays	(105,927)	10,959	5,000	13,466	169.32%
Administrative Charges	370,258	381,366	392,807	404,591	3.00%
Other Charges	417,507	453,232	505,031	461,875	-8.55%
Debt Service	<u>9,473</u>	<u>10,784</u>	<u>19,839</u>	<u>16,815</u>	<u>-15.24%</u>
Total Expenses	<u>\$3,996,395</u>	<u>\$4,400,509</u>	<u>\$4,785,470</u>	<u>\$5,133,008</u>	<u>7.26%</u>

Enterprise Funds

— Continued —

Refuse Fund, continued

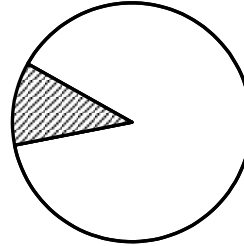
Refuse Fund by Department:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Public Works	\$3,126,036	\$3,462,891	\$3,735,419	\$4,083,009	9.31%
Non-Departmental	<u>870,359</u>	<u>937,618</u>	<u>1,050,051</u>	<u>1,049,999</u>	0.00%
Totals by Department	<u>\$3,996,395</u>	<u>\$4,400,509</u>	<u>\$4,785,470</u>	<u>\$5,133,008</u>	<u>7.26%</u>



Enterprise Funds Graphs

FY 2005 Refuse Fund Revenues of \$5,133,008

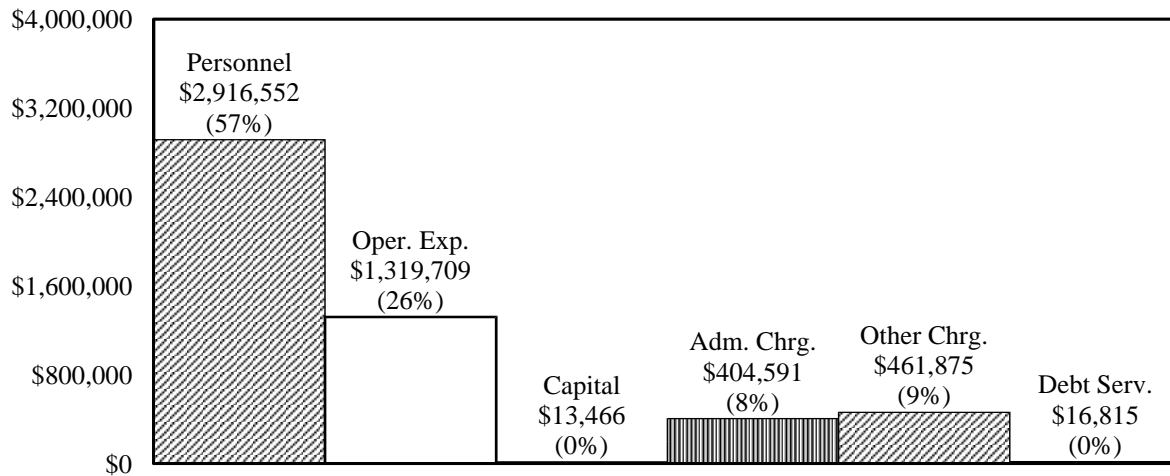
Appropriated Fund Balance
\$574,834
(11%)



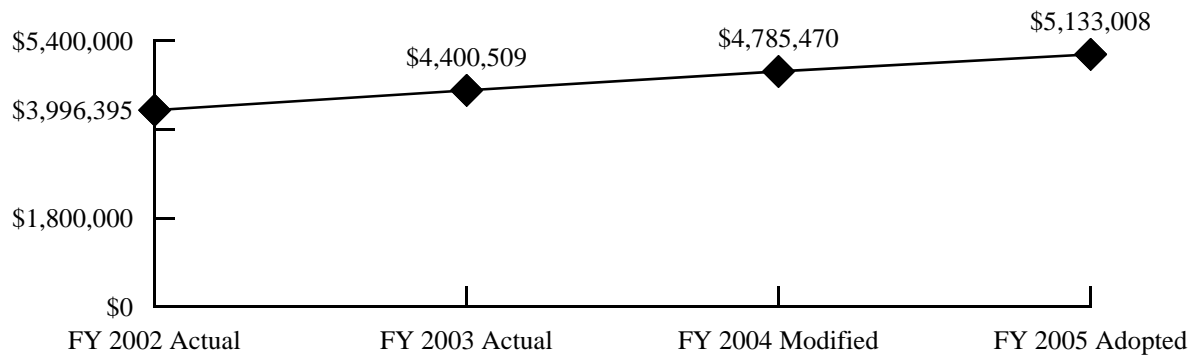
Operating Revenue
\$4,558,174
(89%)

Operating Revenue includes: Customer Charges \$4,491,382 or 88%; Penalties \$30,000 or less than 1%; and Transfer from the General Fund \$36,792 or less than 1%.

FY 2005 Budget by Type of Expense (total \$5,133,008)



FY 2002 - FY 2005 Expense History



Enterprise Funds

— Continued —

Parking Fund

The Parking Fund was created to account for the revenue and expenses from parking related activities, including the issuance of parking tickets, the parking meter program, and costs associated with the planning, design, construction, or operation of proposed parking garages in the City's Town Center. The operating budget assumes an increase of \$674,448 to the net assets in the Parking Fund. Revenue projections are based upon an estimated number of parking violations and parking meter usage rates. **These projections may be revised after the City has more experience with the 366 meters that were installed in January through July of 2004.** In FY 2005, the City is preparing to add up to 117 new meters in the Halpine Avenue area. The operating budget only reflects the debt service associated with the \$5.025 million of parking fund bonds issued in FY 2004. The bulk of the debt for the construction of parking garages in Town Center will be issued in FY 2005 and the options for structuring that debt are currently under review.

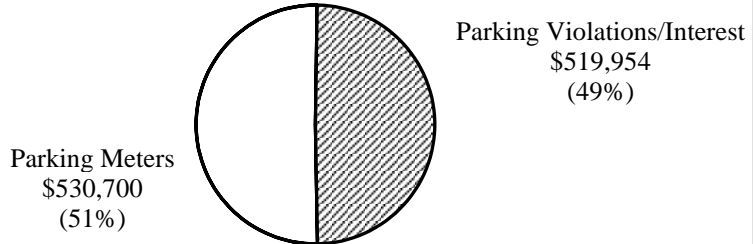
Parking Fund Revenues:	FY 2002	FY 2003	FY 2004	FY 2005	FY 2004-2005
	Actual	Actual	Modified	Adopted	Change
Parking Meters	\$86,096	\$96,932	\$268,818	\$530,700	97.42%
Parking Lot Receipts	34,937	44,381	15,000	0	-100.00%
Parking Violations	165,968	282,144	617,051	513,954	-16.71%
Interest Income	<u>14,607</u>	<u>7,167</u>	<u>6,000</u>	<u>6,000</u>	<u>0.00%</u>
Total Revenue	<u>\$301,608</u>	<u>\$430,624</u>	<u>\$906,869</u>	<u>\$1,050,654</u>	<u>15.86%</u>

Parking Fund Expenses:	FY 2002	FY 2003	FY 2004	FY 2005	FY 2004-2005
	Actual	Actual	Modified	Adopted	Change
Personnel	\$22,178	\$45,643	\$104,616	\$79,528	-23.98%
Operating Expenses	175,201	14,884	79,724	34,112	-57.21%
Capital Outlays	1,201	0	46,584	0	-100.00%
Other Charges	0	3,333	0	7,263	100.00%
Administrative Charges	0	0	25,000	75,750	100.00%
Addition to Net Assets	0	0	632,044	674,448	6.71%
Debt Service	<u>0</u>	<u>0</u>	<u>18,901</u>	<u>179,553</u>	<u>100.00%</u>
Total Expenses	<u>\$198,580</u>	<u>\$63,860</u>	<u>\$906,869</u>	<u>\$1,050,654</u>	<u>15.86%</u>

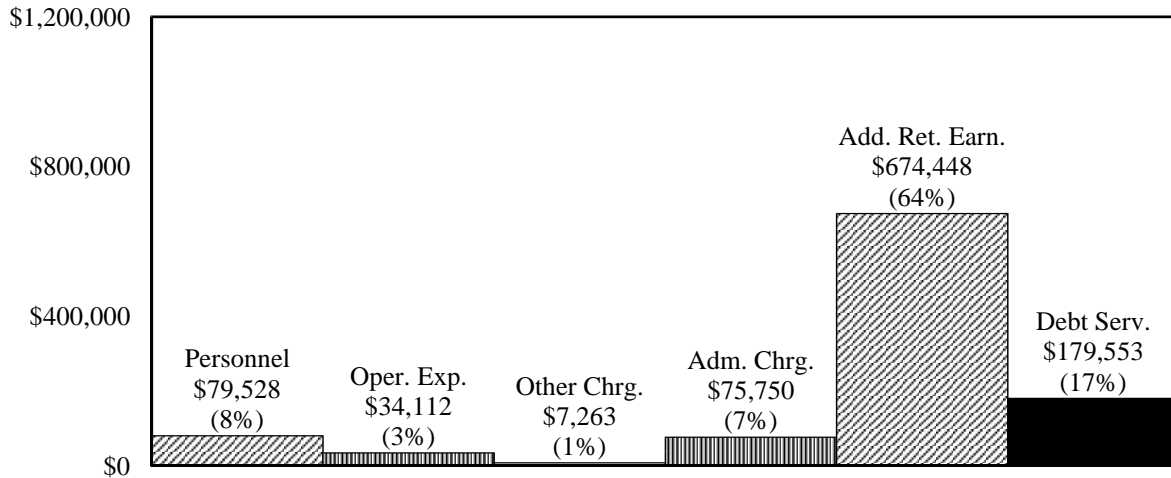
Parking Fund by Department:	FY 2002	FY 2003	FY 2004	FY 2005	FY 2004-2005
	Actual	Actual	Modified	Adopted	Change
Police	\$17,623	\$44,607	\$171,227	\$103,445	-39.59%
Public Works	0	0	21,544	3,400	-84.22%
Non-Departmental	<u>180,957</u>	<u>19,253</u>	<u>714,098</u>	<u>943,809</u>	<u>32.17%</u>
Totals by Department	<u>\$198,580</u>	<u>\$63,860</u>	<u>\$906,869</u>	<u>\$1,050,654</u>	<u>15.86%</u>

Enterprise Funds Graphs

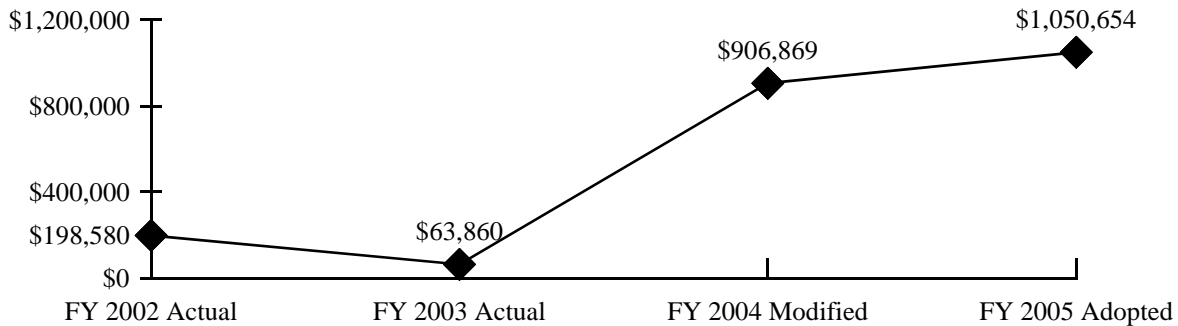
FY 2005 Parking Fund Revenues of \$1,050,654



FY 2005 Budget by Type of Expense (total \$1,050,654)



FY 2002 - FY 2005 Expense History



Enterprise Funds

— Continued —

Stormwater Management Fund

The Stormwater Management (SWM) Fund accounts for the costs of maintaining existing SWM facilities and constructing new facilities. In FY 2005, the operating budget assumes a reduction to net assets of \$557,007. Revenue estimates are based projected development. A staff analysis indicates that an annual fee will need to be established by FY 2008 in order to provide ongoing support for SWM activities, particularly in light of changes to environmental requirements. A study will be initiated in FY 2005 to lay the groundwork for establishing this fee.

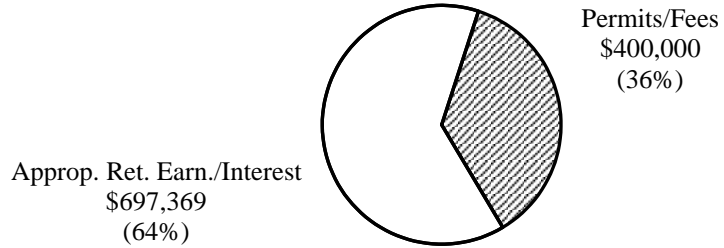
SWM Fund Revenues:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
SWM Permits	\$856,710	\$430,686	\$250,000	\$200,000	-20.00%
Regional SWM Participation Fees	680,116	342,388	200,000	200,000	0.00%
Interest Income	261,523	94,249	134,371	140,362	4.46%
Appropriated Net Assets	<u>0</u>	<u>0</u>	<u>523,903</u>	<u>557,007</u>	<u>6.32%</u>
Total Revenues	<u>\$1,798,349</u>	<u>\$867,323</u>	<u>\$1,108,274</u>	<u>\$1,097,369</u>	<u>-0.98%</u>

SWM Fund Expenses:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Personnel	\$301,790	\$345,796	\$391,560	\$416,968	6.49%
Operating Expenses	124,187	96,579	472,465	432,160	-8.53%
Capital Outlays	14,505	0	0	0	0.00%
Administrative Charges	125,419	129,182	133,057	137,049	3.00%
Other Charges	<u>115,614</u>	<u>111,192</u>	<u>111,192</u>	<u>111,192</u>	<u>0.00%</u>
Total Expenses	<u>\$681,515</u>	<u>\$682,749</u>	<u>\$1,108,274</u>	<u>\$1,097,369</u>	<u>-0.98%</u>

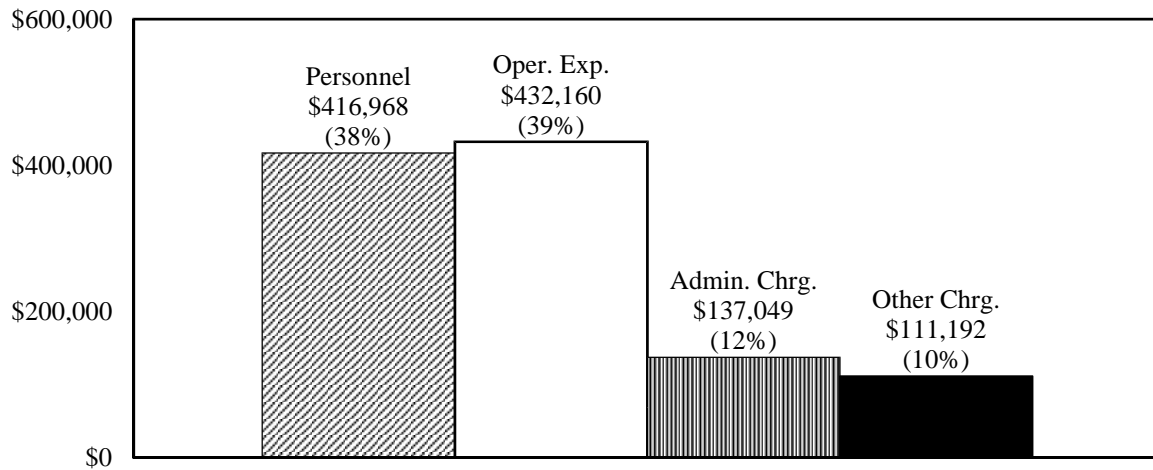
SWM Fund Expenses by Department:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Mayor and Council	\$23,637	\$16,679	\$15,000	\$15,000	0.00%
Public Works	413,891	412,924	833,734	822,043	-1.40%
Non-Departmental	<u>243,987</u>	<u>253,146</u>	<u>259,540</u>	<u>260,326</u>	<u>0.30%</u>
Totals by Department	<u>\$681,515</u>	<u>\$682,749</u>	<u>\$1,108,274</u>	<u>\$1,097,369</u>	<u>-0.98%</u>

Enterprise Funds Graphs

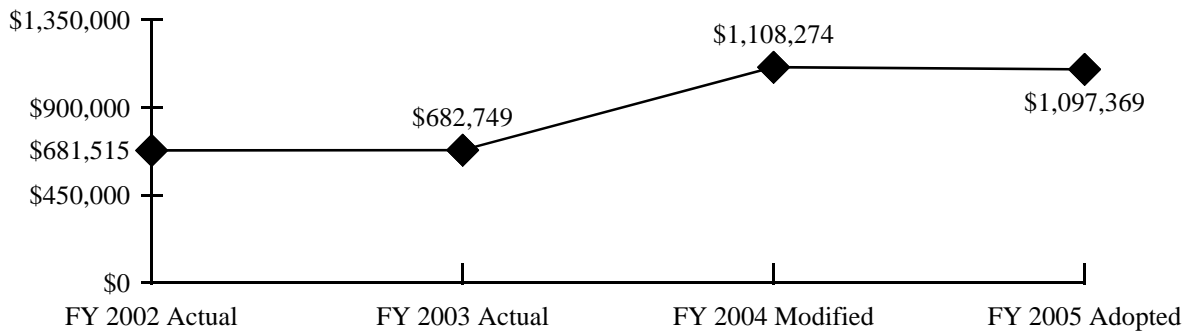
FY 2005 Stormwater Management Fund of \$1,097,369



FY 2005 Budget by Type of Expense (total \$1,097,369)



FY 2002 - FY 2005 Expense History



Enterprise Funds

— Continued —

RedGate Golf Course Fund

The RedGate Golf Course Fund is used to account for the financial activity associated with the City's public golf course. Revenue projections are based upon the average fee per round of play multiplied by the total estimated rounds per fiscal year, and added to the estimated revenue from golf cart rentals. The RedGate Golf Course Fund is projecting Golf Course fee revenues for FY 2005 of \$1,120,000 (computed by multiplying 48,000 rounds for the fiscal year by the average fee per round of \$23.33). In January 2002, the City restructured the operations of the golf course and purchased the existing golf cart fleet. As a result, the City receives revenue from the cart rentals, driving range fees, and the rental of the pro shop. Difficult weather conditions throughout FY 2003 and the sniper crisis in the fall resulted in only 36,500 rounds played that year and sharply reduced revenue. Better weather conditions and an enhanced marketing effort are expected to result in 10,000 additional rounds in FY 2004.

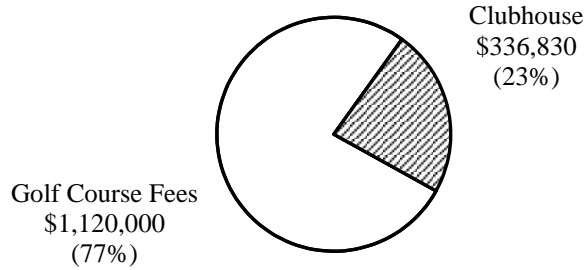
Golf Course Fund Revenues:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Golf Course Fees	\$999,760	\$764,009	\$1,108,208	\$1,120,000	1.06%
Concessions	57,066	12,969	12,000	12,480	4.00%
Cart Rentals	106,835	178,899	245,000	265,000	8.16%
Pro Shop Rental	0	8,500	8,500	8,500	0.00%
Driving Range Fees	21	0	1,500	1,560	4.00%
Interest Income	844	528	0	0	0.00%
Appropriated Net Assets	<u>0</u>	<u>0</u>	<u>14,728</u>	<u>49,290</u>	<u>234.67%</u>
Total Revenues	<u>\$1,164,526</u>	<u>\$964,905</u>	<u>\$1,389,936</u>	<u>\$1,456,830</u>	<u>4.81%</u>

Golf Course Fund Expenses:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Personnel	\$682,887	\$717,807	\$738,555	\$796,932	7.90%
Operating Expenses	313,815	299,490	341,968	350,996	2.64%
Capital Outlays	19,565	8,583	93,740	110,220	17.58%
Administrative Charges	154,044	158,665	163,427	168,330	3.00%
Other Charges	197,219	146,205	38,081	17,749	-53.39%
Debt Service	<u>1,767</u>	<u>587</u>	<u>14,165</u>	<u>12,603</u>	<u>-11.03%</u>
Total Expenses	<u>\$1,369,297</u>	<u>\$1,331,337</u>	<u>\$1,389,936</u>	<u>\$1,456,830</u>	<u>4.81%</u>

Golf Course Fund by Department:	FY 2002 Actual	FY 2003 Actual	FY 2004 Modified	FY 2005 Adopted	FY 2004-2005 Change
Public Works	\$9,897	\$8,102	\$36,990	\$53,595	44.89%
Recreation and Parks	945,078	970,960	1,060,295	1,131,665	6.73%
Non-Departmental	<u>414,322</u>	<u>352,275</u>	<u>292,651</u>	<u>271,570</u>	<u>-7.20%</u>
Totals by Department	<u>\$1,369,297</u>	<u>\$1,331,337</u>	<u>\$1,389,936</u>	<u>\$1,456,830</u>	<u>4.81%</u>

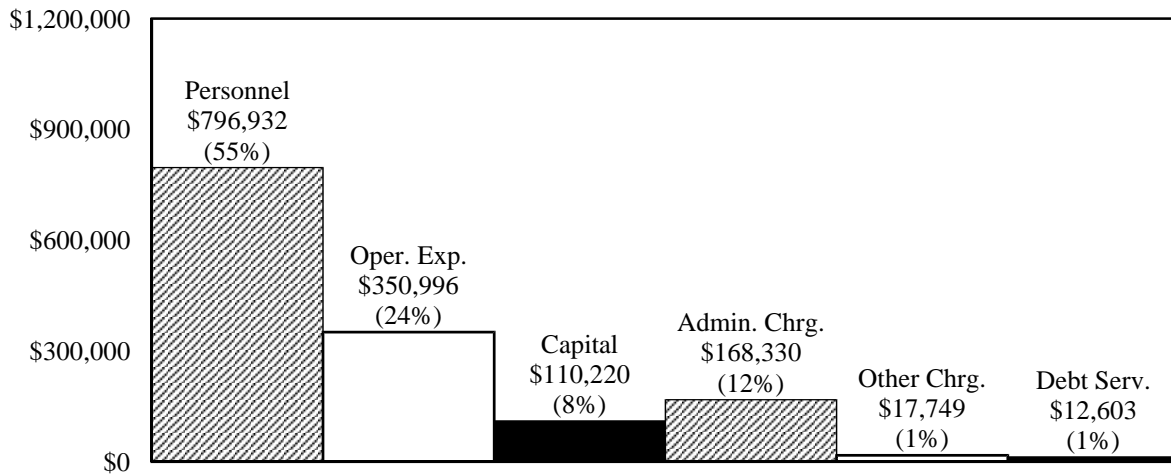
Enterprise Funds Graphs

FY 2005 RedGate Golf Course Fund Revenues of \$1,456,830



Clubhouse includes: Cart Rentals \$265,000 or 18%; Appropriated Retained Earnings \$49,290 or 3%; Concessions \$12,480 or 1%; Pro Shop Rentals \$8,500 or less than 1%; and Driving Range Fees \$1,560 or less than 1%.

FY 2005 Budget by Type of Expense (total \$1,456,830)



FY 2002 - FY 2005 Expense History

