

Five-Year Forecast

Overview

The purpose of the Five-Year Forecast is to facilitate the City in establishing priorities and allocating resources appropriately. The Forecast is a tool that assists the City in focusing its efforts on long-term initiatives, including necessary funding for infrastructure, maintenance, and capital needs. If surpluses or deficits are predicted in the Forecast, management actions should be taken early on in order to maintain the overall financial health of all funds.

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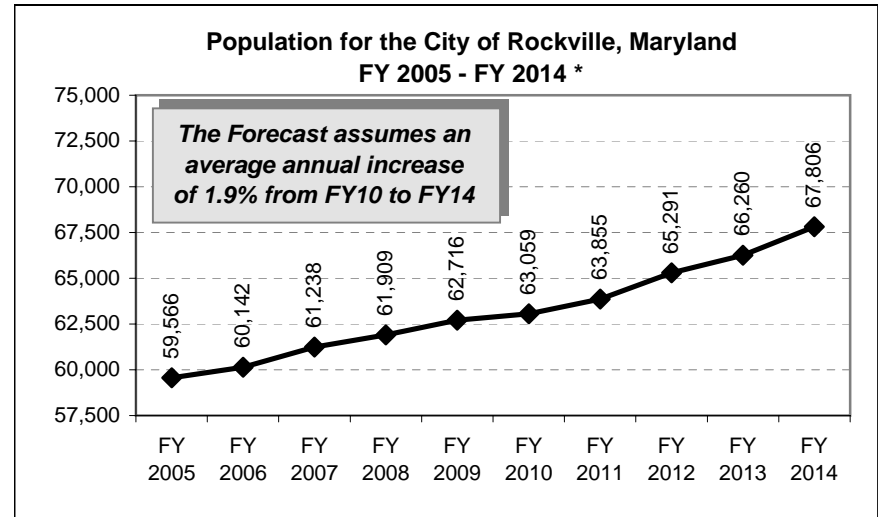
The Forecast presents an overview of the revenues, expenditures, and changes in financial position for the City's General Fund, six enterprise funds, and Speed Camera Fund. For the City's General Fund and Speed Camera Fund, financial position is defined as fund balance, and for the enterprise funds it is defined as working capital, which is current assets less current liabilities. Though these funds use a different basis of accounting, they represent similar concepts; i.e. resources available at the beginning of the year to fund operations, debt service, and capital improvements.

In response to comments from GFOA budget reviewers, we added four years of history along with the current budget to this section. In terms of budgeting and long-term financial planning, this section is essential for determining and establishing the overall spending level of the City. In short, understanding past revenue and expenditure trends, and forecasting future revenue and expenditure trends, are key in the overall financial management of the government.

The revenue and expenditure figures presented throughout the Forecast are estimates that could change when new information becomes available. Large fluctuations in estimated revenues and expenditures can be caused by unanticipated changes in the economy, rate changes, demand changes, and/or policy or programmatic decisions. This section is not intended to be used as a proposed budget for future years because of the certainty of future adjustments.

The Five-Year Forecast is based on assumptions regarding what will happen in the economy over the next few years, and on known revenue and expenditure drivers. Due to current economic conditions and the uncertainty surrounding the future of the City's major revenue sources, this Forecast reflects conservative projections of the City's major revenue sources. The City will remain fiscally prudent when projecting revenues in an economy that is experiencing a recession.

The Forecast assumes an average annual increase of approximately 1.9% in the population of Rockville from FY 2010 to FY 2014. This estimate is consistent with the latest projections from the Department of Community Planning and Development Services.



* Source: City of Rockville, Department of Community Planning and Development Services, May 2009.

The Five-Year Forecast section contains the following information: historic and projected revenues and expenditures, actual and projected fund balance or working capital, and assumptions for major revenue and expenditure categories. Also available is a Total Revenue and Expenditure Summary of all Funds, which can be found on the next page.

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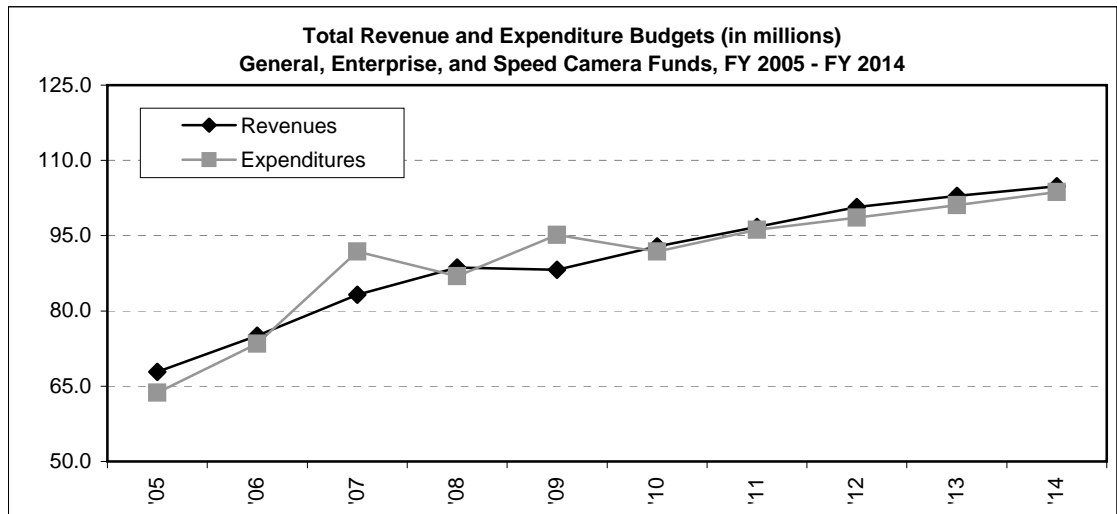
Total Revenue and Expenditure Summary by Fund

Revenues by Fund	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Modified FY09	Adopted FY10	Estimated FY11	Estimated FY12	Estimated FY13	Estimated FY14
General (110)	49,835,421	56,109,943	60,155,929	61,362,753	61,860,606	62,082,587	64,201,399	65,436,307	66,698,811	67,490,262
Water (210)	3,876,875	4,094,445	5,399,636	5,280,165	5,950,000	7,667,800	9,375,144	11,509,639	11,677,456	11,839,676
Sewer (220)	5,490,100	5,649,186	6,406,730	6,022,976	6,705,000	6,747,000	7,008,632	7,286,097	7,576,621	7,879,646
Refuse (230)	4,556,202	4,902,570	5,182,941	5,555,482	5,747,000	5,493,300	5,545,800	5,708,744	5,876,606	6,049,535
Parking (320)	1,709,975	1,440,882	3,580,074	4,164,003	3,118,549	3,437,000	3,163,000	3,157,000	3,152,000	3,146,000
Stormwater Management (330)	1,278,808	1,755,167	1,176,508	888,277	344,000	2,085,000	2,434,000	2,893,000	3,475,600	4,206,440
RedGate Golf Course (340)	1,102,129	1,083,059	1,262,148	1,335,655	1,312,173	1,219,173	1,280,132	1,344,138	1,411,345	1,481,912
Speed Camera (380)	-	-	81,991	4,061,034	3,135,000	4,130,000	3,743,000	3,390,800	3,071,320	2,779,888
Total Revenues / Sources *	67,849,510	75,035,252	83,245,957	88,670,346	88,172,328	92,861,860	96,751,107	100,725,726	102,939,760	104,873,359
Percent Increase	11.9%	10.6%	10.9%	6.5%	-0.6%	5.3%	4.2%	4.1%	2.2%	1.9%

Expenditures by Fund	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Modified FY09	Adopted FY10	Estimated FY11	Estimated FY12	Estimated FY13	Estimated FY14
General (110)	46,558,899	54,017,217	61,439,495	61,978,081	67,022,802	62,082,587	64,153,281	65,254,933	66,375,795	67,923,520
Water (210)	4,716,582	5,640,322	5,747,544	6,183,215	6,694,481	7,579,090	9,224,844	9,599,203	9,941,368	10,332,290
Sewer (220)	4,428,121	5,376,974	5,443,124	5,979,682	6,758,491	6,706,180	6,970,845	7,113,560	7,262,996	7,418,654
Refuse (230)	4,626,612	4,732,291	4,675,342	4,852,917	5,509,320	5,453,015	5,573,923	5,772,952	5,981,168	6,198,886
Parking (320)	387,962	427,243	10,437,380	3,836,515	3,557,799	3,669,540	3,696,640	3,726,176	3,756,886	3,785,704
Stormwater Management (330)	1,759,639	2,093,436	2,673,487	1,185,276	2,249,772	2,569,680	2,866,851	3,248,996	3,573,163	3,826,331
RedGate Golf Course (340)	1,242,657	1,192,750	1,292,306	1,382,071	1,607,393	1,617,340	1,674,769	1,838,634	1,904,383	1,973,014
Speed Camera (380)	-	-	107,879	1,498,747	1,762,855	2,147,315	2,034,835	2,054,547	2,264,937	2,247,576
Total Operating Expenses *	63,720,472	73,480,233	91,816,557	86,896,504	95,162,913	91,824,747	96,195,989	98,609,002	101,060,696	103,705,975
Percent Increase	5.9%	15.3%	25.0%	-5.4%	9.5%	-3.5%	4.8%	2.5%	2.5%	2.6%

* Does not include revenues or expenditures from the Special Activities, CDBG, Town Center Management District, or Debt Service funds.

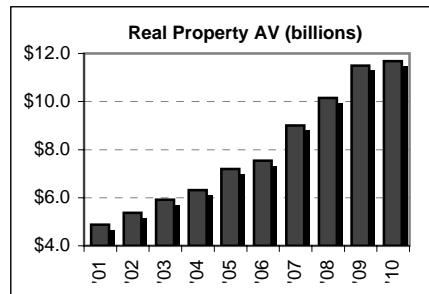
The funds represented in the forecast include the City's General Fund, six enterprise funds, and the Speed Camera Fund. The General Fund is the primary operating fund of the City and is used to account for the City's general or non-enterprise activities. Many of the City's administrative functions are supported through this Fund. The 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 charges. The Speed Camera Fund is a special revenue fund that is used to account for the proceeds of speed camera citations. The revenues from this Fund are legally restricted to fund traffic and pedestrian safety activities.



General Fund Revenue Assumptions

Several forecasting techniques or methods were used to project General Fund revenues. The rationale for using one method over another depends on the type of revenue. For revenue sources with a large amount of uncertainty, like grants and miscellaneous revenues, staff assumed conservative estimates that most closely matched current trends. For revenue sources that are linked to more specific events or quantities, such as property tax and income tax, staff used trend analysis and forecasting based on current economic conditions to determine future collections. Regardless of the technique, staff's projections are conservative throughout the Forecast, ensuring prudent management of the City's General Fund.

Property Tax - This revenue source makes up 55.3% of the FY 2010 General Fund budget. Current data shows the rate of new development has slowed considerably, and most properties are being reassessed at lower values due to current economic conditions. The total taxable assessed value ("AV") from FY 2009 to FY 2010 is estimated to increase by only 1.6%.



This shows a major slowing in assessed values compared to previous fiscal years (see graph). All properties in the City have been, or will be, reassessed in January 2009 or January 2010, and upon completion of the remaining assessments in January 2010, the total taxable assessed value is estimated to flatten. For FY 2011, the projected revenue is higher than the FY 2010 revenue because **no tax relief programs are included in FY 2011 through FY 2014** (the FY 2010 estimate includes the enhanced Homeowners' Tax Credit Program and a \$100 one-time credit). The FY 2012 through FY 2014 projections reflect flat assessments with limited new properties added during the fiscal year. The projected revenues assume a rate of \$0.292 for real property and \$0.805 for personal property.

Income Tax - There has been significant growth in income tax receipts in the past few years due to the City's population growth and a healthy economy. However, due to the recent economic downturn, income tax revenue will likely go down as a result of increased unemployment and reductions in capital gains. The estimated actual FY 2009 and adopted FY 2010 income tax revenues total approximately \$9.3 million. Until more information becomes available and in order to be conservative, we estimated \$9.3 million in FY 2011 and \$9.6 million in the remaining years.

Tax Duplication - For FY 2010 the City will assume the same amount of tax duplication revenue as received in FY 2009. Although the same amount will be budgeted in FY 2010, this revenue source is projected to decrease beginning in FY 2011 because the County is developing a new formula that is likely to be less favorable to the municipalities moving forward. For this analysis, tax duplication decreases to \$1.7 million in FY 2011 and FY 2012, and then equals \$1.9 million in FY 2013 and FY 2014.

Highway User - Highway user revenue is estimated to decrease to \$2.4 million in FY 2010. This estimate was provided by the Maryland State Highway Administration (SHA) based on recent registration and mileage figures. In order to be conservative given current market conditions, staff estimates this revenue will remain flat at \$2.4 million in FY 2011 and FY 2012 and then increase to \$2.7 million in FY 2013 and FY 2014.

Licenses and Permits - Building permits, the largest revenue source in this category, are not increasing due to the stabilization of development activity. Building permits are estimated to remain flat throughout the projection period, while other revenues in this category are estimated to increase by 3%.

Hotel Tax - Hotel tax consists of the City's share of taxes imposed on a person who pays for a room or space at a hotel. FY 2009 was the first year the City charged the 2% tax (started in October 2008). The City estimates revenues of \$800,000 from nine hotels for FY 2010, and then projects an increase of 4% per year due to new hotels and the increase in hotel room rates.

Charges for Services - This revenue is from charges to users who individually benefit from a particular service offered by the City. This revenue source is estimated to grow by approximately 5% each year as a result of increases in population, available programs, and in program fees to improve the City's overall cost recovery.

Use of Money and Property - Interest income, the largest revenue source in this category, is estimated to remain flat at approximately \$300,000 for FY 2011. Starting in FY 2012, staff projects interest income will increase to approximately \$500,000 per year. Interest income relates directly to short-term fixed income rates.

Fines and Forfeitures - This revenue source is estimated to increase by 3% over the projection period. Revenues received from red light camera infractions make up most of this category, and a recent estimate indicates that motorist behaviors are changing and less citations are being issued compared to previous years.

Other Revenue / Administrative Charges - A majority of the revenues in this category are from charges to enterprise funds for centrally budgeted administrative or "overhead" costs. Each fund pays for its share of the costs through a transfer to the General Fund. The administrative charges are estimated to increase by 3% each year. Staff is currently working on a fee study to determine the appropriate amounts of the administrative charges going forward. As a result of the study, these amounts may change in FY 2011 through FY 2014.

General Fund Expenditure Assumptions

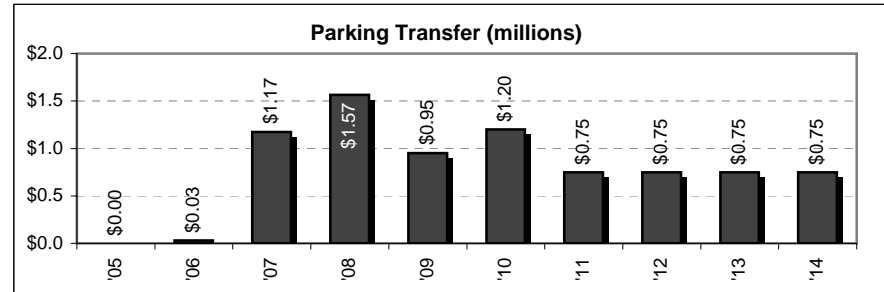
Similar to the General Fund revenues, several forecasting techniques or methods were used to project General Fund expenditures. The rationale for using one method over another depends on the type of expenditure. For expenditures that fluctuate from year to year, like capital outlay, staff assumed conservative estimates that most closely matched current trends. For expenditures that are linked to more specific activities or quantities, such as personnel and debt service, staff used trend analysis or known schedules to determine future expenditures.

Personnel - Includes salary and wages, benefits, and overtime. Total personnel expenditures are estimated to increase by approximately 3.8% from FY 2009 to FY 2010. Due to the flattening of major revenue sources starting in FY 2011, the projection assumes only a 2% increase in personnel for FY 2011, a 2.5% increase for FY 2012, a 3.0% increase for FY 2013 and a 3.5% increase for FY 2014. These increases assume General Fund staffing levels will remain relatively flat.

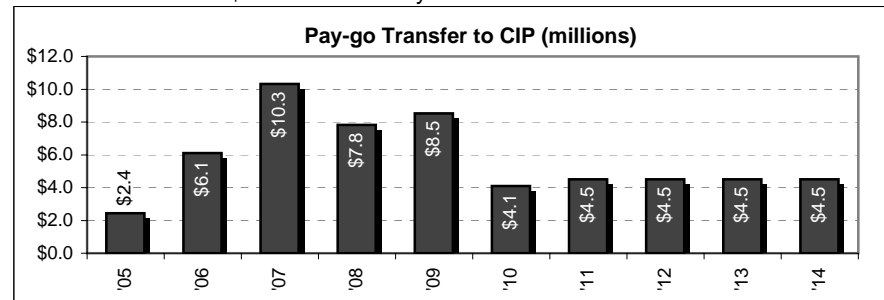
Contractual Services and Commodities - There is an estimated increase of 1% for contractual services and 3% for commodities from FY 2010 through FY 2014. These increases take into account the recent "belt tightening" of the City's General Fund expenditures. In order to keep costs down given the economic environment the following areas have been reduced or will remain flat: employee travel and training, position reclassifications, contract services, program supplies and equipment.

Capital Outlay - This expenditure category usually fluctuates from year to year since it is comprised of many one-time expenditures. Staff could not use historic trends to determine future increases or decreases because of the fluctuation. To be conservative, capital outlay is estimated to remain flat from FY 2010 through the end of the projection period.

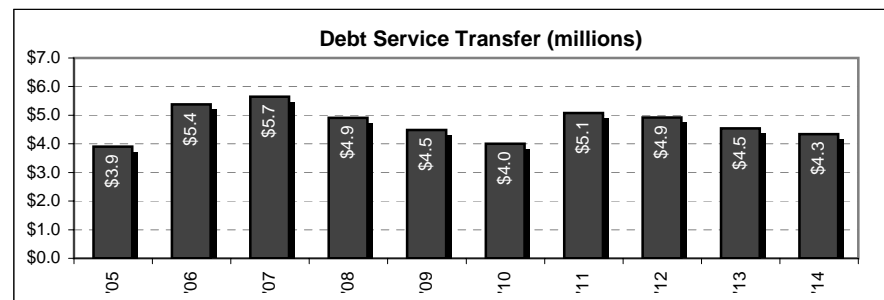
Other / Transfers - This category is primarily comprised of the transfer to the Parking Fund, and Outside Agency and Caregiver grants. The transfer to the Parking Fund is estimated to decrease to \$750,000 starting in FY 2011 through FY 2014 (see graph for history of Parking Fund transfers). Outside Agency and Caregiver grants are expected to increase by approximately 3.25% each year from FY 2011 through FY 2014, which is consistent with the City's annual cost of living adjustment.



Transfer to the CIP - The CIP program is mainly funded from four components: cash, debt, government grants, and developer contributions. The transfer from the General Fund is the cash or "pay-go" contribution. The pay-go contribution is critical in controlling the City's overall debt and maintaining the City's credit rating. Historically, the City has transferred one-time savings in addition to the annual budgeted transfer in an effort to reduce borrowing (see graph below). The FY 2010 budget includes a transfer of \$4.1 million. FY 2011 through FY 2014 will include a transfer of \$4.5 million each year.



Transfer to Debt Service - This represents the annual transfer to the Debt Service Fund to support the City's annual debt payments. The projected debt payments cover old and new General Fund debt, including \$12 million that is planned for FY 2010. There is no future debt planned for FY 2011 through FY 2014.



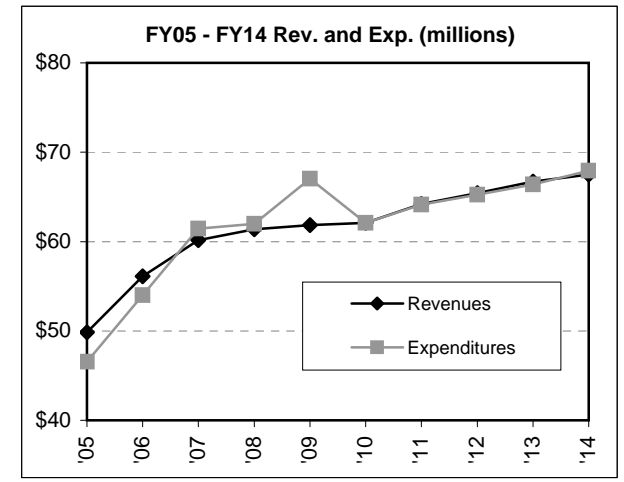
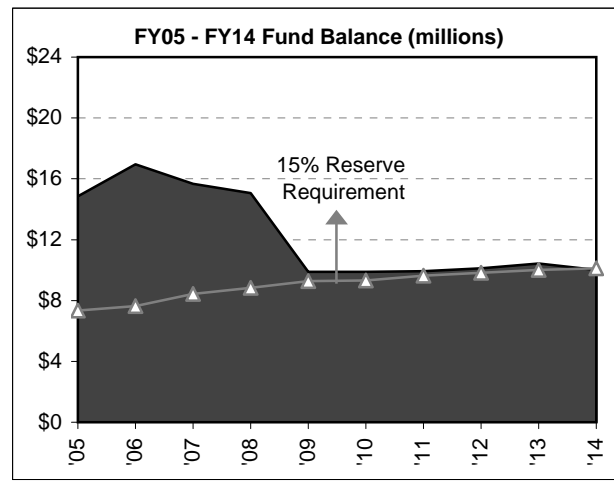
General Fund Five-Year Forecast

Revenues / Sources	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Modified FY09	Adopted FY10	Estimated FY11	Estimated FY12	Estimated FY13	Estimated FY14
Property Taxes	26,229,753	28,513,927	31,192,975	32,205,812	34,417,420	34,345,140	36,419,981	36,563,061	36,706,141	36,849,221
Licenses and Permits	1,638,646	1,778,686	2,114,909	1,797,039	1,764,500	1,954,500	1,980,135	2,006,539	2,033,735	2,061,747
From Other Gov'ts	14,324,016	16,583,739	17,673,744	17,981,956	17,191,492	16,237,724	15,843,592	16,265,780	16,894,069	17,028,805
Charges for Service	4,262,498	4,586,595	4,652,890	4,859,899	5,674,395	5,873,558	6,167,236	6,475,598	6,799,378	7,139,346
Fines and Forfeitures	811,771	799,486	877,137	634,907	674,000	619,000	637,570	656,697	676,398	696,690
Use of Money / Property	952,387	2,106,781	1,883,744	2,168,327	379,676	466,375	463,144	671,301	679,866	688,859
Other Revenues	1,616,350	1,740,729	1,760,530	1,714,813	1,759,123	2,586,290	2,689,742	2,797,331	2,909,225	3,025,593
Total Revenues / Sources	49,835,421	56,109,943	60,155,929	61,362,753	61,860,606	62,082,587	64,201,399	65,436,307	66,698,811	67,490,262
Percent Increase	11.0%	12.6%	7.2%	2.0%	0.8%	0.4%	3.4%	1.9%	1.9%	1.2%

Expenditures	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Modified FY09	Adopted FY10	Estimated FY11	Estimated FY12	Estimated FY13	Estimated FY14
Personnel	30,038,960	31,079,840	32,226,031	33,507,220	37,619,928	38,798,252	39,574,217	40,563,572	41,780,480	43,242,796
Contract Services	5,484,294	5,979,042	6,308,899	7,746,084	8,482,498	7,100,580	7,171,586	7,243,302	7,315,735	7,388,892
Commodities	3,397,394	3,777,052	4,153,091	4,457,595	4,959,274	5,108,630	5,261,889	5,419,746	5,582,338	5,749,808
Capital Outlay	376,897	620,675	540,260	749,700	747,308	457,000	457,000	457,000	457,000	457,000
Other / Transfers	912,725	1,070,210	2,247,590	2,780,090	2,196,170	2,518,125	2,109,989	2,153,214	2,197,843	2,243,923
Subtotal	40,210,270	42,526,819	45,475,871	49,240,689	54,005,178	53,982,587	54,574,681	55,836,833	57,333,395	59,082,420
Transfer to CIP	2,448,496	6,107,286	10,312,824	7,831,500	8,533,695	4,100,000	4,500,000	4,500,000	4,500,000	4,500,000
Debt Service	3,900,133	5,383,112	5,650,800	4,905,892	4,483,929	4,000,000	5,078,600	4,918,100	4,542,400	4,341,100
Total Operating Expenditures	46,558,899	54,017,217	61,439,495	61,978,081	67,022,802	62,082,587	64,153,281	65,254,933	66,375,795	67,923,520
Percent Increase	6.1%	16.0%	13.7%	0.9%	8.1%	-7.4%	3.3%	1.7%	1.7%	2.3%

Fund Balance, Beginning	11,581,311	14,857,833	16,950,559	15,666,993	15,051,665	9,889,469	9,889,469	9,937,588	10,118,961	10,441,977
Net Change	3,276,522	2,092,726	(1,283,566)	(615,328)	(5,162,196)	-	48,118	181,374	323,016	(433,257)
Fund Balance, Ending	14,857,833	16,950,559	15,666,993	15,051,665	9,889,469	9,889,469	9,937,588	10,118,961	10,441,977	10,008,720

By City Charter, the General Fund budget must be in balance, which assures that there will be sufficient current resources to pay current obligations. In addition to the General Fund being in balance each year, one of the City's fiscal policies is to maintain an unreserved fund balance in the General Fund at or above 15% of annual revenue. On average, General Fund revenues are projected to increase by an average of 2.2% per year and General Fund expenditures are estimated to increase by an average of 2.4% per year over the projection period.



Water Fund Five-Year Forecast

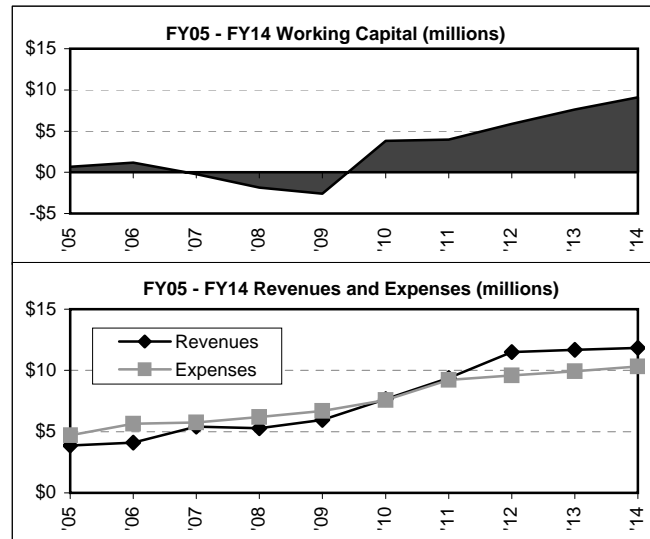
Revenues / Sources	Note	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Modified FY09	Adopted FY10	Estimated FY11	Estimated FY12	Estimated FY13	Estimated FY14
Utility Charges	A	3,139,886	3,329,221	3,848,321	4,550,391	5,304,000	7,000,000	8,680,000	10,763,200	10,886,977	11,006,734
Penalties		24,657	27,639	34,334	47,626	40,000	50,000	65,100	80,724	81,652	82,551
Connection Charges		201,800	117,200	624,626	98,400	25,000	50,000	50,000	50,000	50,000	50,000
Interest Income	B	53,142	138,615	213,862	62,960	45,000	40,000	41,000	62,000	90,000	116,000
Transfers In / Other	C	457,390	481,770	678,493	520,788	536,000	527,800	539,044	553,715	568,827	584,392
Total Revenues / Sources		3,876,875	4,094,445	5,399,636	5,280,165	5,950,000	7,667,800	9,375,144	11,509,639	11,677,456	11,839,676
Percent Increase		3.5%	5.6%	31.9%	-2.2%	12.7%	28.9%	22.3%	22.8%	1.5%	1.4%

Expenses	Note	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Modified FY09	Adopted FY10	Estimated FY11	Estimated FY12	Estimated FY13	Estimated FY14
Personnel	D	1,841,211	2,187,994	2,304,174	2,412,085	2,600,047	3,047,100	3,199,455	3,359,428	3,527,399	3,703,769
Contract Services	E	320,327	565,822	305,246	334,163	444,192	401,940	442,134	486,347	534,982	588,480
Commodities		656,433	785,392	1,013,630	1,221,560	1,429,742	1,409,350	1,550,285	1,705,314	1,875,845	2,063,429
Capital Outlay		150,323	338,415	226,892	182,585	205,500	163,300	179,630	197,593	217,352	239,088
Admin. Charge	F	382,620	394,099	406,000	418,000	431,000	444,000	457,320	471,040	485,171	499,726
Debt Service	G	218,581	356,621	353,805	394,485	381,000	808,400	1,827,020	1,738,182	1,659,319	1,565,898
Other	H	1,147,087	1,011,979	1,137,797	1,220,337	1,203,000	1,305,000	1,569,000	1,641,300	1,641,300	1,671,900
Total Operating Expenses		4,716,582	5,640,322	5,747,544	6,183,215	6,694,481	7,579,090	9,224,844	9,599,203	9,941,368	10,332,290
Percent Increase		-1.4%	19.6%	1.9%	7.6%	8.3%	13.2%	21.7%	4.1%	3.6%	3.9%

Working Capital, Beginning *						(1,838,775)	3,716,744	3,805,454	3,955,754	5,866,190	7,602,278
Net Change						(744,481)	88,710	150,300	1,910,436	1,736,088	1,507,385
Working Capital, Ending		687,942	1,156,370	(240,476)	(1,838,775)	(2,583,256)	3,805,454	3,955,754	5,866,190	7,602,278	9,109,663

* The estimated working capital beginning balance for FY10 was adjusted by \$6.3 million due to the issuance of bonds in September 2008.

In FY 2008, the Department of Public Works presented two studies that evaluated the City's overall water program related to the Water Treatment Plant and the Water Distribution System. As a result of the studies, there are significant operating and capital expenses in FY 2010 through FY 2014. In order to support the increased expenses, water usage rates will increase over the five-year projection period. Water rates are established over a 20-year projection period.



NOTES:

- A. Charges for Services are estimated to increase by 25% in FY 2011 and FY 2012, and 1% in FY 2013 and FY 2014. Both the tiered water fee based on usage and the ready-to-serve fee are included in the utility charges.
- B. Interest Income is approximately 1% of the estimated working capital balance during the year. The projection assumes 1% due to current market conditions.
- C. Transfers In includes transfers from the Sewer and Refuse funds; the transfer amounts are estimated to increase by 3% each year.
- D. Personnel expenses are estimated to increase by approximately 5% each year, consistent with the City's current annual adjustments.
- E. Operating, Commodity, and Capital Outlay expenses are estimated to increase by approximately 10% each year in order to address the concerns identified in the two water studies.
- F. Refers to the transfer to the General Fund, which is estimated to increase by 3% each year over the projection period.
- G. Debt Service amounts represent interest payments based on current and future debt schedules. The Water Fund plans to issue additional debt in FY 2011 and FY 2013.
- H. Includes depreciation as adjusted by completed CIP projects.

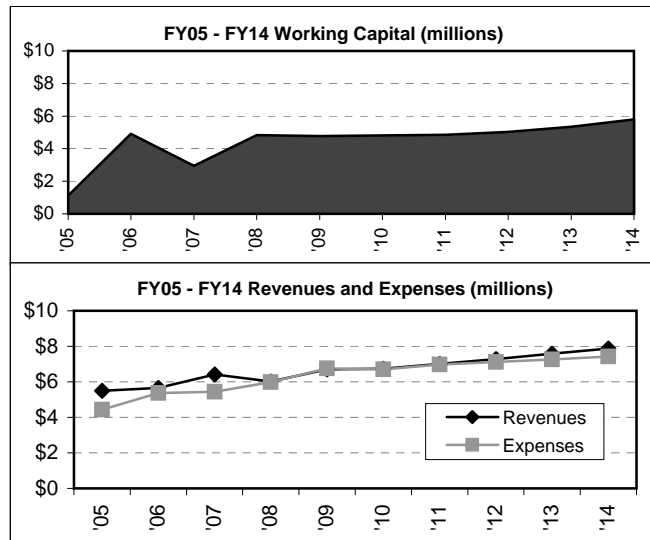
Sewer Fund Five-Year Forecast

Revenues / Sources	Note	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Modified FY09	Adopted FY10	Estimated FY11	Estimated FY12	Estimated FY13	Estimated FY14
Utility Charges	A	5,170,809	5,292,750	5,530,884	5,562,962	6,300,000	6,580,000	6,843,200	7,116,928	7,401,605	7,697,669
Penalties		38,762	38,852	50,186	62,938	50,000	65,000	68,432	71,169	74,016	76,977
Connection Charges		211,900	137,550	617,731	139,700	40,000	50,000	50,000	50,000	50,000	50,000
Interest Income	B	65,302	175,872	201,815	250,557	65,000	50,000	45,000	46,000	49,000	53,000
Transfers In / Other		3,327	4,162	6,114	6,819	250,000	2,000	2,000	2,000	2,000	2,000
Total Revenues / Sources		5,490,100	5,649,186	6,406,730	6,022,976	6,705,000	6,747,000	7,008,632	7,286,097	7,576,621	7,879,646
Percent Increase		2.7%	2.9%	13.4%	-6.0%	11.3%	0.6%	3.9%	4.0%	4.0%	4.0%

Expenses	Note	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Modified FY09	Adopted FY10	Estimated FY11	Estimated FY12	Estimated FY13	Estimated FY14
Personnel	C	1,022,174	1,051,680	1,153,589	1,291,489	1,218,728	1,327,890	1,394,285	1,463,999	1,537,199	1,614,059
Contract Services	D	1,623,496	2,270,390	2,326,920	2,487,670	3,103,399	2,961,300	3,050,139	3,141,643	3,235,892	3,332,969
Commodities		71,499	102,656	111,645	128,727	194,164	194,990	200,840	206,865	213,071	219,463
Capital Outlay		-	-	-	-	13,200	24,800	24,800	24,800	24,800	24,800
Admin. Charge	E	213,787	532,258	227,000	233,800	241,000	248,200	255,646	263,315	271,215	279,351
Debt Service	F	328,581	551,837	571,416	718,638	743,000	693,800	649,780	606,761	563,496	519,209
Other	G	1,168,584	868,153	1,052,554	1,119,358	1,245,000	1,255,200	1,395,356	1,406,177	1,417,323	1,428,803
Total Operating Expenses		4,428,121	5,376,974	5,443,124	5,979,682	6,758,491	6,706,180	6,970,845	7,113,560	7,262,996	7,418,654
Percent Increase		-4.6%	21.4%	1.2%	9.9%	13.0%	-0.8%	3.9%	2.0%	2.1%	2.1%

Working Capital, Beginning						4,828,566	4,775,075	4,815,895	4,853,682	5,026,219	5,339,844
Net Change						(53,491)	40,820	37,787	172,537	313,625	460,992
Working Capital, Ending		1,120,886	4,919,378	2,939,900	4,828,566	4,775,075	4,815,895	4,853,682	5,026,219	5,339,844	5,800,836

Revenue projections for the Sewer Fund are based on the City's growth forecast regarding future development. The increase in Sewer revenues is consistent with the increase in Sewer expenses. Sewer rates will increase by approximately 4% each year through the projection period. On average over the five-year period, the working capital balance is 69% of the annual expense budget. Sewer rates are established over a five-year projection period.



NOTES:

- A. Charges for Services are estimated to increase by approximately 4% each year. Both the sewer usage fee and the ready-to-serve fee are included in the utility charges.
- B. Interest Income is approximately 1% of the estimated working capital balance during the year. The projection assumes 1% due to current market conditions.
- C. Personnel expenses are estimated to increase by approximately 5% each year, consistent with the City's current annual adjustments.
- D. Operating and Commodity expenses are estimated to increase by approximately 3% each year, while capital outlay remains flat.
- E. Refers to the transfer to the General Fund, which is estimated to increase by 3% each year over the projection period.
- F. Debt Service amounts represent interest payments based on current debt schedules. No additional debt is anticipated during the projection period.
- G. Includes depreciation and a transfer to the Water Fund. For this analysis, depreciation is adjusted for completed CIP projects and the Water Fund transfer increases by 3% each year.

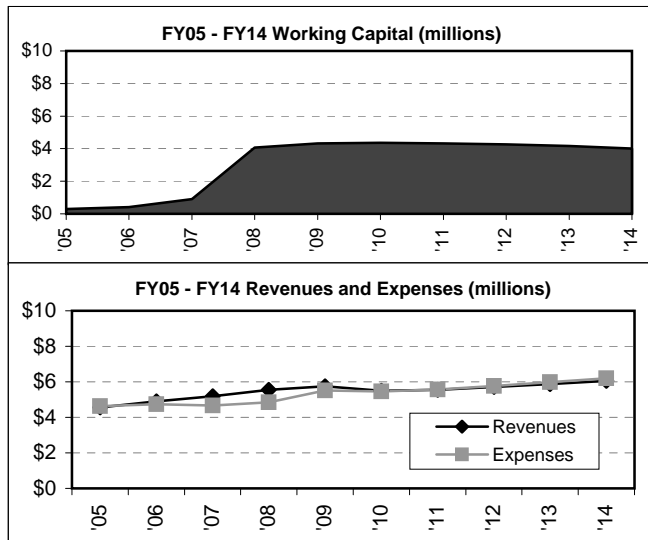
Refuse Fund Five-Year Forecast

Revenues / Sources	Note	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Modified FY09	Adopted FY10	Estimated FY11	Estimated FY12	Estimated FY13	Estimated FY14
Customer Charges	A	4,469,272	4,783,401	5,067,895	5,229,359	5,369,000	5,374,900	5,400,000	5,562,000	5,728,860	5,900,726
Penalties		46,519	42,643	58,890	65,576	50,000	60,000	64,800	66,744	68,746	70,809
Interest Income	B	3,621	18,101	24,772	122,411	90,000	20,000	41,000	40,000	39,000	38,000
Sales of Recyclables		-	-	1,331	105,110	208,000	8,400	10,000	10,000	10,000	10,000
Transfers In / Other	C	36,790	58,425	30,053	33,026	30,000	30,000	30,000	30,000	30,000	30,000
Total Revenues / Sources		4,556,202	4,902,570	5,182,941	5,555,482	5,747,000	5,493,300	5,545,800	5,708,744	5,876,606	6,049,535
Percent Increase		9.2%	7.6%	5.7%	7.2%	3.4%	-4.4%	1.0%	2.9%	2.9%	2.9%

Expenses	Note	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Modified FY09	Adopted FY10	Estimated FY11	Estimated FY12	Estimated FY13	Estimated FY14
Personnel	D	2,547,068	2,504,411	2,439,465	2,467,527	2,540,771	2,688,700	2,769,361	2,907,829	3,053,221	3,205,882
Contract Services	E	1,045,188	1,077,524	1,194,302	1,294,331	1,460,868	1,504,850	1,534,947	1,580,995	1,628,425	1,677,278
Commodities		196,654	331,032	271,488	288,875	417,881	361,065	368,286	379,335	390,715	402,436
Capital Outlay		1,019	20,956	4,725	-	77,800	11,000	11,000	11,000	11,000	11,000
Admin. Charge	F	404,591	416,729	429,000	441,800	456,000	469,700	483,791	498,305	513,254	528,651
Debt Service	G	18,027	23,545	18,034	115,584	133,000	116,600	101,700	86,800	71,900	56,900
Other	H	414,065	358,094	318,328	244,800	423,000	301,100	304,838	308,688	312,654	316,738
Total Operating Expenses		4,626,612	4,732,291	4,675,342	4,852,917	5,509,320	5,453,015	5,573,923	5,772,952	5,981,168	6,198,886
Percent Increase		1.2%	2.3%	-1.2%	3.8%	13.5%	-1.0%	2.2%	3.6%	3.6%	3.6%

Working Capital, Beginning						4,075,514	4,313,194	4,353,479	4,325,356	4,261,147	4,156,585
Net Change						237,680	40,285	(28,123)	(64,208)	(104,562)	(149,351)
Working Capital, Ending		292,890	416,694	903,618	4,075,514	4,313,194	4,353,479	4,325,356	4,261,147	4,156,585	4,007,234

The FY 2010 through FY 2014 revenues and expenses are based on a semi-automated once per week recycling and refuse program. This system provides reduced operating expenses because less personnel (including a reduction of 3.6 FTEs in FY 2010), contractual services, commodities, and vehicles are needed. Because of these reduced operating expenses, the rate has remained the same for FY 2008, FY 2009, and FY 2010. Refuse rates are established over a five-year projection period.



NOTES:

- A. The refuse rate per household per year will remain at \$392.40 for full implementation through FY 2011. After FY 2011, modest rate increases are anticipated.
- B. Interest Income is approximately 1% of the estimated working capital balance during the year. The projection assumes 1% due to current market conditions.
- C. Refers to the transfer from the General Fund to the Refuse Fund to support Rockville Housing Enterprises (RHE) refuse pick-ups.
- D. Personnel expenses are estimated to increase by 3% in FY 2011, and then by 5% each year consistent with the City's current annual adjustments.
- E. Operating and Commodity expenses are estimated to increase by approximately 2% in FY 2011 and 3% each year after.
- F. Refers to the transfer to the General Fund, which is estimated to increase by 3% each year over the projection period.
- G. Debt Service amounts represent interest payments based on current debt schedules. No additional debt is anticipated.
- H. Includes depreciation and a transfer to the Water Fund. For this analysis, depreciation remains flat and the Water Fund transfer increases by 3% each year.

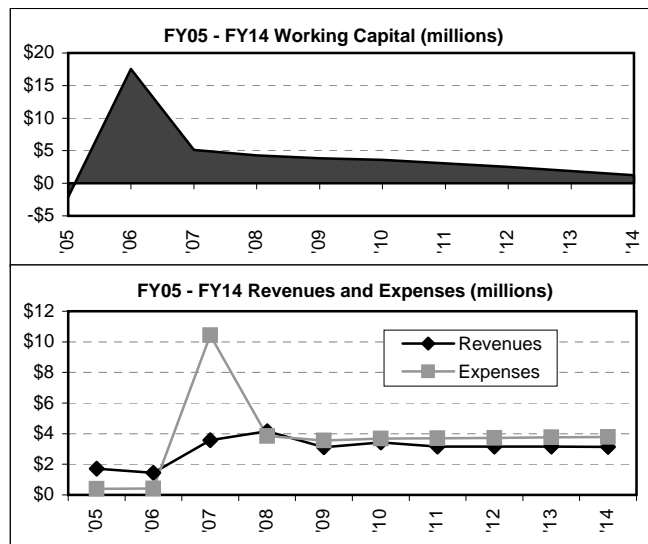
Parking Fund Five-Year Forecast

Revenues / Sources	Note	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Modified FY09	Adopted FY10	Estimated FY11	Estimated FY12	Estimated FY13	Estimated FY14
Real Property Tax	A	-	-	90,000	127,298	200,233	137,000	137,000	137,000	137,000	137,000
From Other Government	B	-	-	310,000	310,000	363,000	310,000	310,000	310,000	310,000	310,000
Parking Meters	C	187,416	189,527	211,566	485,636	990,416	1,217,000	1,400,000	1,400,000	1,400,000	1,400,000
Parking Violations		394,453	384,171	480,555	776,800	560,000	533,000	533,000	533,000	533,000	533,000
Interest Income	D	26,668	733,665	866,945	251,440	54,900	40,000	33,000	27,000	22,000	16,000
Transfers In / Other	E	1,101,438	133,519	1,621,008	2,212,830	950,000	1,200,000	750,000	750,000	750,000	750,000
Total Revenues / Sources		1,709,975	1,440,882	3,580,074	4,164,003	3,118,549	3,437,000	3,163,000	3,157,000	3,152,000	3,146,000
Percent Increase		231.1%	-15.7%	148.5%	16.3%	-25.1%	10.2%	-8.0%	-0.2%	-0.2%	-0.2%

Expenses	Note	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Modified FY09	Adopted FY10	Estimated FY11	Estimated FY12	Estimated FY13	Estimated FY14
Personnel	F	85,251	116,713	186,779	265,963	380,922	376,500	395,325	415,091	435,846	457,638
Contract Services	G	3,602	2,512	133,969	606,293	728,925	807,230	831,447	856,390	882,082	908,544
Commodities		14,156	16,908	27,550	129,256	210,452	277,310	285,629	294,198	303,024	312,115
Capital Outlay		-	-	-	-	-	1,300	-	-	-	-
Admin. Charge	H	75,750	(67,351)	80,000	82,400	85,000	87,600	90,228	92,935	95,723	98,595
Debt Service	I	200,979	347,149	1,499,601	1,465,859	1,446,000	1,413,100	1,387,511	1,361,061	1,333,711	1,302,312
Other	J	8,224	11,312	8,509,481	1,286,744	706,500	706,500	706,500	706,500	706,500	706,500
Total Operating Expenses		387,962	427,243	10,437,380	3,836,515	3,557,799	3,669,540	3,696,640	3,726,176	3,756,886	3,785,704
Percent Increase		177.2%	10.1%	2343.0%	-63.2%	-7.3%	3.1%	0.7%	0.8%	0.8%	0.8%

Working Capital, Beginning						4,280,189	3,840,939	3,608,399	3,074,759	2,505,583	1,900,697
Net Change						(439,250)	(232,540)	(533,640)	(569,176)	(604,886)	(639,704)
Working Capital, Ending		(2,086,856)	17,555,678	5,121,279	4,280,189	3,840,939	3,608,399	3,074,759	2,505,583	1,900,697	1,260,993

The City began charging for parking in mid-FY 2008. In FY 2009, the Mayor and Council approved extending the hours the City charges for parking from 7:00 am until 10:00 pm Monday through Saturday starting in October 2009. As the estimates indicate, there will not be sufficient Parking Fund revenues generated from parking operations to service all estimated expenses. As a result, the annual transfer from the City's General Fund is estimated to continue through FY 2014.



NOTES:

- A. The Parking District Tax rate for FY 2010 through FY 2014 is estimated at \$0.30 per \$100 of assessed valuation.
- B. Includes \$130,000 PILOT payment and \$180,000 in capital contributions from Montgomery County.
- C. Includes charging for parking from 7:00 am until 7:00 pm Monday through Friday for the first quarter of FY 2010, and from 7:00 am until 10:00 pm Monday through Saturday for the remainder of the projection period. The rate equals \$1.00 per hour during these times.
- D. Interest Income is approximately 1% of the estimated working capital balance during the year.
- E. Refers to the annual subsidy from the General Fund.
- F. Personnel expenses are estimated to increase by approximately 5% each year, consistent with the City's current annual adjustments.
- G. Operating and Commodity expenses are estimated to increase by approximately 3% each year.
- H. Refers to the transfer to the General Fund, which is estimated to increase by 3% each year over the projection period.
- I. Debt Service amounts represent interest payments based on current debt schedules. No additional debt is anticipated.
- J. Includes depreciation which will remain flat. City of Rockville, Maryland

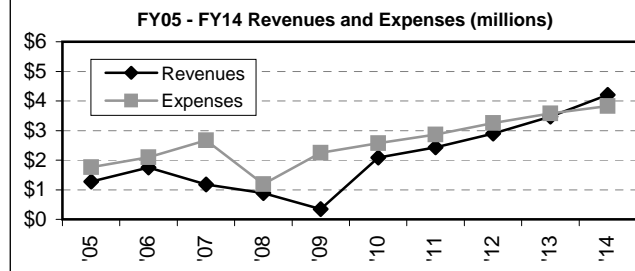
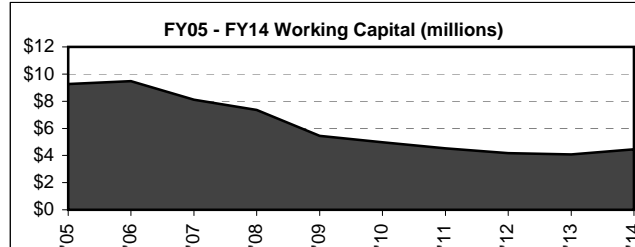
Stormwater Management Fund Five-Year Forecast

Revenues / Sources	Note	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Modified FY09	Adopted FY10	Estimated FY11	Estimated FY12	Estimated FY13	Estimated FY14
Utility Fee	A	-	-	-	-	-	1,620,000	2,014,000	2,506,000	3,118,000	3,875,000
SWM Permits	B	209,811	319,446	257,266	300,690	100,000	200,000	180,000	162,000	145,800	131,220
SWM Part. Fees		912,152	1,037,984	485,581	261,040	150,000	200,000	180,000	162,000	145,800	131,220
Interest Income	C	156,845	397,737	433,661	326,547	94,000	65,000	60,000	63,000	66,000	69,000
Total Revenues / Sources		1,278,808	1,755,167	1,176,508	888,277	344,000	2,085,000	2,434,000	2,893,000	3,475,600	4,206,440
Percent Increase		54.0%	37.3%	-33.0%	-24.5%	-61.3%	506.1%	16.7%	18.9%	20.1%	21.0%

Expenses	Note	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Modified FY09	Adopted FY10	Estimated FY11	Estimated FY12	Estimated FY13	Estimated FY14
Personnel	D	389,949	397,376	378,654	506,775	1,205,696	1,614,630	1,776,093	1,864,898	1,958,143	2,056,050
Contract Services	E	181,907	309,416	235,097	246,177	668,753	501,335	551,469	606,615	667,277	734,005
Commodities		4,406	2,542	3,486	782	71,323	92,665	101,932	112,125	123,337	135,671
Capital Outlay		-	-	-	-	-	2,450	-	-	-	-
Admin. Charge	F	137,049	141,160	145,000	149,300	154,000	158,600	163,358	168,259	173,307	178,506
Debt Service	G	-	-	-	-	-	-	-	163,000	226,000	297,000
Other	H	1,046,328	1,242,942	1,911,250	282,242	150,000	200,000	274,000	334,100	425,100	425,100
Total Operating Expenses		1,759,639	2,093,436	2,673,487	1,185,276	2,249,772	2,569,680	2,866,851	3,248,996	3,573,163	3,826,331
Percent Increase		99.8%	19.0%	27.7%	-55.7%	89.8%	14.2%	11.6%	13.3%	10.0%	7.1%

Working Capital, Beginning						7,360,683	5,454,911	4,970,231	4,537,380	4,181,384	4,083,821
Net Change						(1,905,772)	(484,680)	(432,851)	(355,996)	(97,563)	380,109
Working Capital, Ending		9,262,688	9,474,271	8,102,590	7,360,683	5,454,911	4,970,231	4,537,380	4,181,384	4,083,821	4,463,930

In FY 2008 the Mayor and Council approved an ordinance to amend the City Code to include a new Stormwater Management Utility Fee. For FY 2010 the adopted fixed fee per Equivalent Residential Unit or ERU equals \$40.00. This fee was developed to generate sufficient revenue to cover the operating and capital expenses of the Stormwater Management Fund for FY 2010 and future years. Stormwater utility rates are established over a ten-year projection period.



NOTES:

- This is an annual fee that will be charged to all residential and commercial units starting in FY 2010. The FY 2010 adopted rate is \$40.00 per ERU. The rate will increase by approximately 23% each year over the projection period.
- These revenues are directly related to new development. With development in the City slowing, these revenues are estimated to decrease by 10% each year.
- Interest Income is approximately 1% of the estimated working capital balance during the year. The projection assumes 1% due to current market conditions.
- Personnel expenses are estimated to increase by 10% in FY 2011 (additional 2.0 FTEs), and then by 5% each year consistent with the City's current annual adjustments.
- Operating and Commodity expenses are estimated to increase by approximately 10% each year in order to fully implement the new stormwater program.
- Refers to the transfer to the General Fund, which is estimated to increase by 3% each year over the projection period.
- Debt Service amounts represent interest payments based on future debt schedules. The SWM Fund plans to issue debt starting in FY 2011 through FY 2014.
- Includes depreciation as adjusted for completed CIP projects.

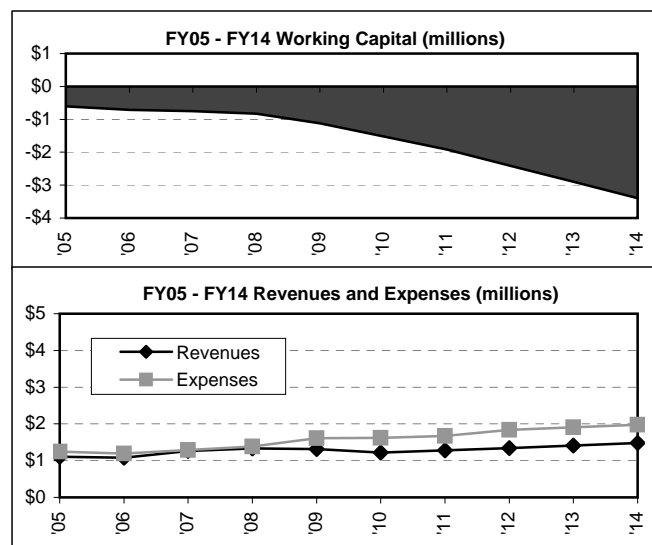
RedGate Golf Fund Five-Year Forecast

Revenues / Sources	Note	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Modified FY09	Adopted FY10	Estimated FY11	Estimated FY12	Estimated FY13	Estimated FY14
Golf Course Fees	A	820,445	846,338	869,521	887,553	889,576	889,576	934,055	980,758	1,029,795	1,081,285
Cart Rentals		267,820	217,988	252,324	265,553	309,832	309,832	325,324	341,590	358,669	376,603
Pro Shop Rental		-	4,250	4,250	4,250	4,250	4,250	4,463	4,686	4,920	5,166
Driving Range Fee		1,126	1,327	1,480	1,635	1,605	1,605	1,685	1,770	1,858	1,951
Concessions / Other		12,738	13,156	20,073	11,664	13,910	13,910	14,606	15,336	16,103	16,908
Transfers In	B	-	-	114,500	165,000	93,000	-	-	-	-	-
Total Revenues / Sources		1,102,129	1,083,059	1,262,148	1,335,655	1,312,173	1,219,173	1,280,132	1,344,138	1,411,345	1,481,912
Percent Increase		-4.3%	-1.7%	16.5%	5.8%	-1.8%	-7.1%	5.0%	5.0%	5.0%	5.0%

Expenses	Note	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Modified FY09	Adopted FY10	Estimated FY11	Estimated FY12	Estimated FY13	Estimated FY14
Personnel	C	679,615	639,884	664,098	732,933	799,556	805,100	845,355	887,623	932,004	978,604
Contract Services	D	90,325	85,628	127,751	136,022	164,435	165,755	170,728	175,849	181,125	186,559
Commodities		181,224	190,500	226,227	240,513	324,566	333,185	343,181	353,476	364,080	375,003
Capital Outlay		15,240	22,015	33,210	42,404	91,236	83,700	83,700	83,700	83,700	83,700
Admin. Charge	E	168,330	173,380	89,500	92,200	95,000	97,900	100,837	207,724	213,956	220,375
Debt Service	F	14,911	10,106	12,330	12,208	12,500	11,600	10,869	10,162	9,418	8,674
Other	G	93,012	71,237	139,190	125,791	120,100	120,100	120,100	120,100	120,100	120,100
Total Operating Expenses		1,242,657	1,192,750	1,292,306	1,382,071	1,607,393	1,617,340	1,674,769	1,838,634	1,904,383	1,973,014
Percent Increase		-3.8%	-4.0%	8.3%	6.9%	16.3%	0.6%	3.6%	9.8%	3.6%	3.6%

Working Capital, Beginning						(827,807)	(1,123,027)	(1,521,194)	(1,915,832)	(2,410,328)	(2,903,366)
Net Change						(295,220)	(398,167)	(394,638)	(494,496)	(493,038)	(491,102)
Working Capital, Ending		(609,518)	(713,432)	(749,503)	(827,807)	(1,123,027)	(1,521,194)	(1,915,832)	(2,410,328)	(2,903,366)	(3,394,467)

In 2006, the Mayor and Council adopted a five-year business plan intended to help the RedGate Golf Fund achieve the objective of generating sufficient revenues in order to pay for the costs of operations, capital outlay, and infrastructure improvements. Although many changes have been implemented since the plan was adopted, the Fund continues to have a significant deficit. Consideration should be given to address the deficit through a subsidy. FY 2010 will be the fourth year of the business plan.



NOTES:

- A. Revenues are projected to increase by 5% each year over the projection period.
- B. Refers to the transfer from the General Fund to the Golf Fund to support capital improvements to the course. The General Fund has transferred a total of \$372,500 over three years. FY 2009 was the last year for the scheduled transfers.
- C. Personnel expenses are estimated to increase by approximately 5% each year, consistent with the City's current annual adjustments.
- D. Operating and Commodity expenses are estimated to increase by approximately 3% each year, while capital outlay remains flat.
- E. Refers to the transfer to the General Fund, which is estimated to increase by 3% each year over the projection period (*Note: as part of the five-year business plan this charge was reduced by half from FY 2007 through FY 2011. Starting in FY 2012, the full amount will be charged).
- F. Debt Service amounts represent interest payments based on current debt schedules. No additional debt is anticipated during the projection period.
- G. Includes depreciation which is estimated to remain flat.

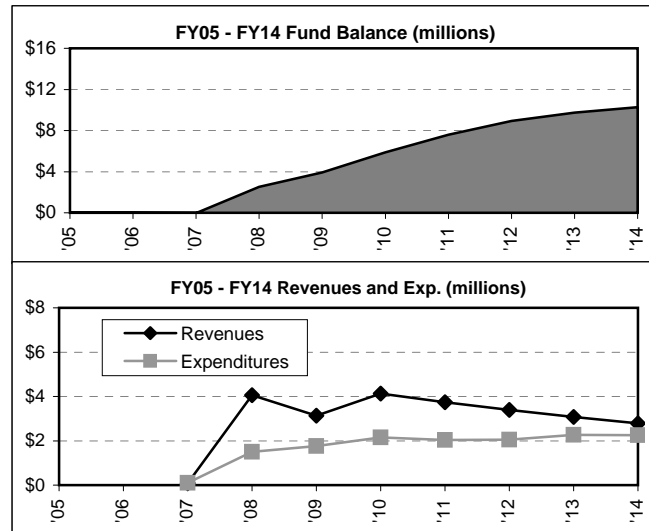
Speed Camera Fund Five-Year Forecast

Revenues / Sources	Note	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Modified FY09	Adopted FY10	Estimated FY11	Estimated FY12	Estimated FY13	Estimated FY14
Speed Camera Citations	A	-	-	81,991	4,036,564	3,100,000	4,080,000	3,672,000	3,304,800	2,974,320	2,676,888
Interest Income / Other	B	-	-	-	24,470	35,000	50,000	71,000	86,000	97,000	103,000
Total Revenues / Sources		-	-	81,991	4,061,034	3,135,000	4,130,000	3,743,000	3,390,800	3,071,320	2,779,888
Percent Increase		N/A	N/A	N/A	4853.0%	-22.8%	31.7%	-9.4%	-9.4%	-9.4%	-9.5%

Expenditures	Note	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Modified FY09	Adopted FY10	Estimated FY11	Estimated FY12	Estimated FY13	Estimated FY14
Personnel	C	-	-	48,760	158,322	370,526	428,800	450,240	472,752	496,390	521,209
Contract Services	D	-	-	38,149	1,336,167	1,322,637	1,705,500	1,541,190	1,394,487	1,262,825	1,144,719
Commodities		-	-	2,115	4,258	66,692	13,015	13,405	13,808	14,222	14,648
Capital Outlay		-	-	18,855	-	-	-	-	-	-	-
Other	E	-	-	-	-	3,000	-	30,000	173,500	491,500	567,000
Total Operating Expenditures		-	-	107,879	1,498,747	1,762,855	2,147,315	2,034,835	2,054,547	2,264,937	2,247,576
Percent Increase		N/A	N/A	N/A	1289.3%	17.6%	21.8%	-5.2%	1.0%	10.2%	-0.8%

Fund Balance, Beginning		-	-	-	(25,888)	2,536,399	3,908,544	5,891,229	7,599,394	8,935,647	9,742,031
Net Change		-	-	(25,888)	2,562,288	1,372,145	1,982,685	1,708,165	1,336,253	806,383	532,312
Fund Balance, Ending		-	-	(25,888)	2,536,399	3,908,544	5,891,229	7,599,394	8,935,647	9,742,031	10,274,342

The Speed Camera Fund, created in FY 2007, tracks the financial transactions associated with the City's speed camera program. In FY 2010, an estimated 8,500 citations will be paid per month, generating net revenue of \$2.4 million. By state law, the program revenue is not available for general City operations. In keeping with the restricted nature of the fund, it is recommended that revenues fund the operating expenditures of the program, 2.0 Police Officers, 0.5 FTE Civil Engineer, and several CIP projects directly related to traffic and pedestrian safety.



NOTES:

- A. The Speed Camera Citation revenue assumes 8,500 citations paid per month in FY 2010, and a decrease of 10% each year after. Future estimates are estimated to decline, indicating that the program is working. Revenues are based on a \$40 citation fee which reflects gross revenue to be received.
- B. Interest Income is approximately 1% of the estimated fund balance during the year. The projection assumes 1% due to current market conditions.
- C. Personnel expenditures are estimated to increase by approximately 5% each year, consistent with the City's current annual adjustments.
- D. Contract Services includes payment to the speed camera vendor. The vendor receives \$16.25 from each paid citation. The vendor payment decreases as citation revenue decreases. Other contract service and commodity expenditures will increase by 3% each year.
- E. Includes estimated depreciation from completed CIP projects.

Funding Note: The State of Maryland passed a new speed camera law that takes effect on October 1, 2009. This new law changes the threshold speed limit from 11 miles per hour to 12 miles per hour, it limits the use of speed cameras in school zones to Monday through Friday from 6:00 am to 8:00 pm, and it restricts the annual amount of program revenue the City can retain to ten percent of the City's total revenues. This new law will likely decrease the total number of citations the City issues, thereby decreasing overall program revenues in FY 2010 and future years.