



POPULAR Annual Financial Report



City of Rockville, Maryland

Fiscal Year Ended June 30, 2018



www.rockvillemd.gov/finance



To the Mayor and Council and Rockville community:

I am pleased to present the Fiscal Year (FY) 2018 Popular Annual Financial Report (PAFR) for the City of Rockville. This report highlights the City's financial position and capital investments, and offers helpful property tax and utility bill information. All of this information is presented in a simpler, user-friendly format!

The City ended FY 2018 with an overall net position of \$359.6 million, an increase of 3 percent over last year. Our FY 2018 revenues remained strong, mainly due to increases of \$1 million in property tax revenues and \$312,000 in use of money and property. The City's General Fund reserve exceeded the FY 2018 target of \$15.9 million by over \$3.1 million, and our bond rating was reaffirmed at AAA/Aaa.

Moving into FY 2019, City staff will continue to address the needs of the Rockville community, and will work to implement the Mayor and Council's top priority initiatives. Some of these needs and initiatives are unfunded or underfunded, so we will actively work to prioritize and finance the most critical items, while maintaining our conservative financial management strategies and budget discipline.

I would like to thank our talented Finance employees for producing this outstanding report. If you have any suggestions or questions regarding our finances, please do not hesitate to contact me.

Sincerely,

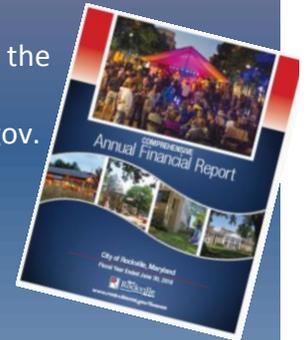
Robert DiSpirito
City Manager
rdispirito@rockvillemd.gov
240-314-8102

What is the PAFR?

PAFR or Popular Annual Financial Report is a document designed to increase transparency and awareness in the City government through user-friendly financial reporting. The PAFR includes financial and other information that is presented in the City of Rockville's Comprehensive Annual Financial Report (CAFR) and annual budget document.

Is the PAFR compliant with GAAP?

Because the PAFR is a summary document, it does not comply with the requirements of Generally Accepted Accounting Principles (GAAP). Residents who prefer to review a report that is GAAP compliant may review the audited CAFR document on the City's website, www.rockvillemd.gov.



What's inside the PAFR?

- All About Rockville, Maryland.....2
- Rockville's Financial Structure.....3
- Rockville's Financial Results.....4
- A Closer Look at the General Fund..5
- Capital Investment & City Debt.....6
- Property Taxes & Tax Bill.....7
- Rockville's Utilities & Utility Bill.....9

What services does Rockville provide?

Rockville provides a full range of services, including:

- ✓ police protection
- ✓ water and sewer utilities
- ✓ stormwater management
- ✓ recycling and refuse collection
- ✓ snow removal and leaf collection
- ✓ community recreation centers
- ✓ public parks
- ✓ recreation programs
- ✓ street maintenance
- ✓ public parking
- ✓ zoning and planning
- ✓ licensing, permitting, inspections
- ✓ property codes maintenance
- ✓ farmers market
- ✓ community outreach
- ✓ senior services

Some services are provided by other governmental and nonprofit entities. Both Montgomery County and the City of Rockville provide police protection to City residents. In some areas of the City—King Farm, College Gardens, and portions of Twinbrook and Potomac Woods—the Washington Suburban Sanitation Commission (WSSC) provides water/sewer service. The County provides fire protection, the public education system, libraries, and most social services in Rockville.

What is Rockville's form of gov't?

The City operates under the council-manager form of government. The Mayor and City Council are responsible for establishing City policy and providing direction to the City Manager. The Mayor and Council are a five member elected body comprised of a mayor and four at-large council members. Members are elected for four year terms.

Rockville's Mayor and Council

(Nov. 2015 to Nov. 2019)



From left to right: Virginia Onley, Julie Palakovich Carr, Bridget Donnell Newton (Mayor), Beryl L. Feinberg, and Mark Pierzchala.

Where is Rockville located?

Rockville is a 13.5 square mile municipality of more than 68,000 residents located in the southern portion of Montgomery County, approximately 12 miles northwest of Washington DC, and 35 miles southwest of Baltimore.



General

largest fund that supports the City's general provision of programs and services and is included in the operating budget

Debt Service

supports the principal and interest payments on taxpayer supported bonds and is included in the operating budget

CDBG

supports nonprofit providers and home renovations for lower-income homeowners and is included in the operating budget

Special Activities

supports programs as defined by legal or policy restrictions and is included in the operating/capital budgets

Governmental Funds

Capital Projects

supports the capital projects benefiting all residents and is included in the capital budget

Speed Camera

supports speed camera operations and is included in the operating/capital budgets

Water

supports the production, delivery, and storage of safe water and is included in the operating/capital budgets

Sewer

supports the collection and transportation of wastewater to the treatment plant and is included in the operating/capital budgets

Refuse

supports the collection and disposal of residential recycling and refuse and is included in the operating/capital budgets

Enterprise Funds

Stormwater Management

supports the protection of streams, property, and watersheds from runoff and is included in the operating/capital budgets

Parking

supports the parking permit program, parking meter program, and parking garages and is included in the operating budget

RedGate Golf

supports the City's municipal golf course and is included in the operating budget

What is Rockville's fund structure?

The City records its financial transactions in six "governmental funds" and six "enterprise funds" for a total of twelve individual funds.

The **governmental funds** account for the City's basic operations, like police, licensing, inspections, snow removal, and recreation programs. The majority of these services are financed through property and income taxes.

The **enterprise funds** account for the City's main utilities and public services, including: water, sewer, recycling and refuse, stormwater management, parking, and golf.

Why does the City use separate funds?

Separate funds show accountability and stewardship of specific resources. For example, the City wants to ensure that all payments received from its water utility customers are spent to provide water services to those customers. This is why the City has a separate fund called the Water Fund.

What types of spending do these funds support?

The City's fund structure supports two types of spending: operating and capital. Operating accounts for the day-to-day costs to provide services to City residents. Capital or CIP is a five-year investment plan that maps out how the City will replace, repair, or build new infrastructure.

What was the change in the City's Net Position?

A good measure of the City's overall financial health is the change in net position over time, which indicates if the government has sufficient financial capacity to cover all of its financial obligations long-term.

Across all funds, the City's net position increased by \$10.8 million, or 3.1%, from FY 2017 to FY 2018.

The City's net investment in capital assets increased by \$8.5 million from FY 2017 due to infrastructure investments in both governmental and business-type activities.

Budget Statistics FY 2017 to FY 2018

- ✓ total adopted operating budget increased by \$4.0 million or 3.2%
- ✓ total adopted capital budget increased by \$1.6 million or 2.3%
- ✓ actual General Fund revenues increased by \$2.7 million or 3.4%
- ✓ actual General Fund expenditures decreased by \$0.5 million or 0.6%
- ✓ total number of regular positions decreased by 0.5
- ✓ the City's bond rating remained steady at AAA/Aaa
- ✓ total outstanding debt decreased by \$1.2 million

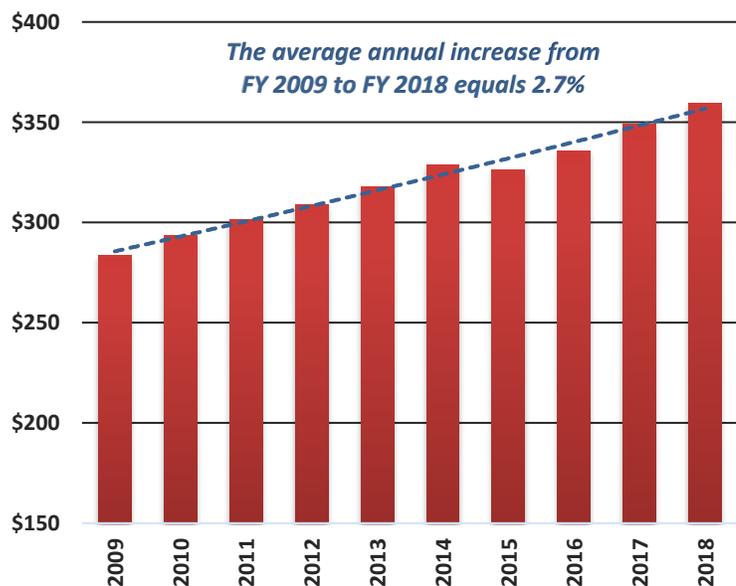


City of Rockville's Net Position (millions)

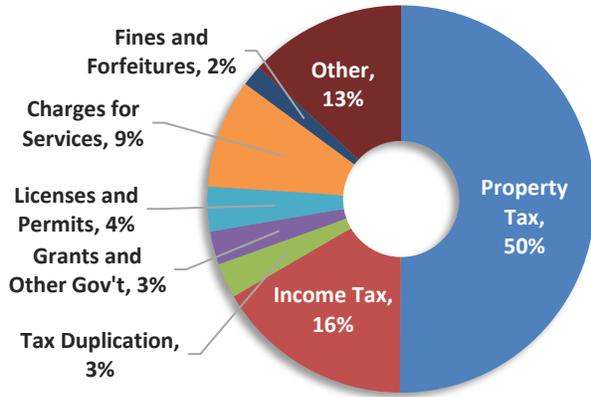
	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Current & Other Assets	\$42.1	\$53.9	\$13.2	\$12.8	\$55.3	\$66.6
Noncurrent & Capital Assets	\$284.2	\$289.4	\$178.2	\$179.0	\$462.4	\$468.4
Deferred Outflows of Resources	\$7.9	\$8.9	\$3.1	\$2.9	\$11.0	\$11.8
Total Assets & Deferred Outflows of Resources	\$334.2	\$352.1	\$194.6	\$194.7	\$528.7	\$546.8
Noncurrent Liabilities	\$62.8	\$60.2	\$104.8	\$102.6	\$167.6	\$162.8
Other Liabilities	(\$8.0)	(\$4.0)	\$20.3	\$18.9	\$12.3	\$15.0
Deferred Inflows of Resources	\$0.0	\$9.4	\$0.0	\$0.0	\$0.0	\$9.4
Total Liabilities & Deferred Inflows of Resources	\$54.8	\$65.7	\$125.1	\$121.5	\$179.9	\$187.2
Net Investment in Capital Assets	\$251.5	\$258.1	\$82.9	\$84.8	\$334.4	\$342.9
Restricted	\$9.2	\$9.6	\$0.0	\$0.0	\$9.2	\$9.6
Unrestricted	\$18.7	\$18.7	(\$13.4)	(\$11.6)	\$5.2	\$7.1
TOTAL NET POSITION	\$279.3	\$286.4	\$69.5	\$73.2	\$348.8	\$359.6

Source: FY 2017 CAFR page 17 and FY 2018 CAFR page 19.
Totals may not sum due to rounding.

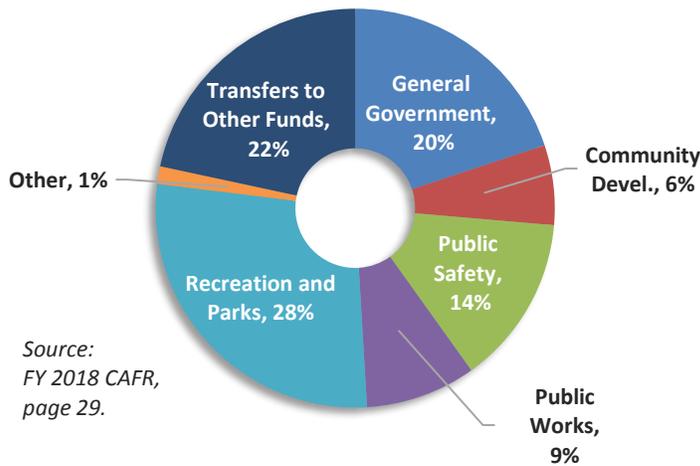
History of Net Position (millions)



FY 2018 Revenue, \$82.6 million



FY 2018 Expenditures, \$82.0 million



Source: FY 2018 CAFR, page 29.

What is Rockville's reserve policy?

The City's policy is to maintain a General Fund reserve or unassigned fund balance of at least 20% of annual adopted General Fund revenue.

The unassigned fund balance is defined as the accumulation of General Fund revenues that exceed expenditures, less the portion of the balance that is nonspendable, restricted, committed, or assigned.

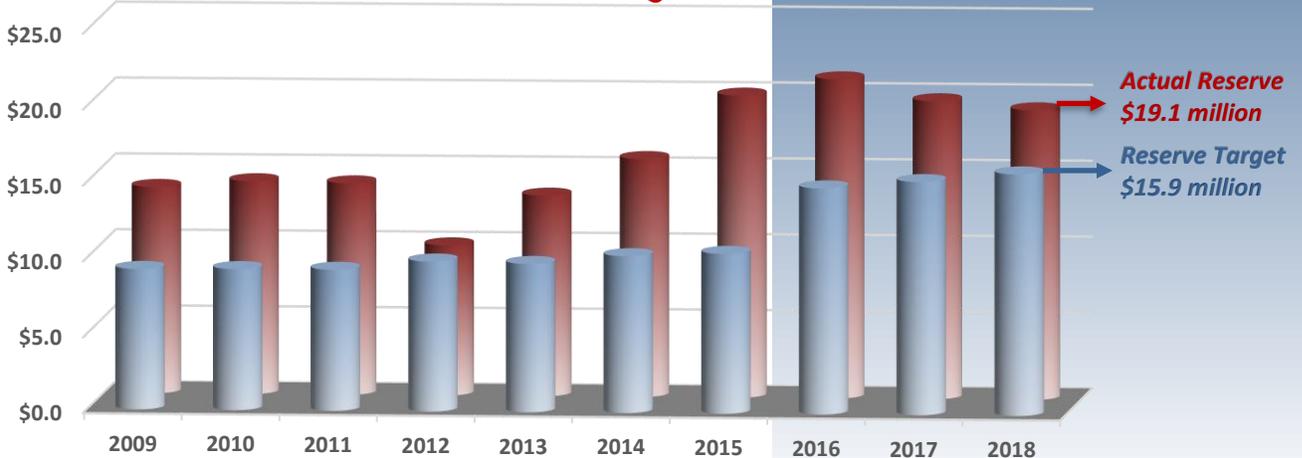
The purpose of the reserve or unassigned balance is to alleviate significant unanticipated expenditures and to ensure the orderly provision of services to residents.

When can the City spend reserves?

Use of funds below the 20% required reserve level must be approved by specific action of the Mayor and Council.

To the extent that the reserve exceeds the policy target, the City may appropriate reserves to finance capital projects or for other one-time needs.

Actual Reserve versus Target Reserve (millions)



Source: Actual Reserve amounts equal the unassigned fund balance as presented in the "Balance Sheet, Governmental Funds" in the CAFR. Reserve Target is calculated based on the annual adopted budgets.

How does the City pay for capital investment?

Capital investments are funded from various sources, including: transfers from the General Fund or other funds, developer and community contributions, State and federal grants, and bond proceeds.

Why does the City issue bonds?

The City issues bonds to raise cash to build/improve infrastructure, and to promote intergenerational equity by spreading the investment costs over time. General tax revenues pay for bonds used to support projects funded through the Capital Projects Fund and revenues from utility rates and charges pay for bonds used to support the projects funded through each enterprise fund.

Is there a limit on the amount of bonds the City can issue?

Neither Maryland State law nor the City Charter mandates a limit on municipal debt; however, the City ensures that debt is being used responsibly by setting affordability guidelines or debt ratios.

City of Rockville's Capital Budget

The City's capital budget focuses on maintaining existing infrastructure—including roadways, sidewalks, water and sewer systems, and facilities— while incorporating new projects that promote the health, recreation, and general livability of the City.



Over 90% of new capital funding in FY 2018 came from transfers from the General Fund, other funds, and from bond proceeds. It is common during the year to amend the capital budget to recognize grants from other levels of government.

Total Outstanding Bonds (millions)

	2016	2017	2018	
Taxpayer Supported Debt	\$34.7	\$31.1	\$32.4	
Enterprise Funds	Water	\$28.4	\$26.3	\$25.3
	Sewer	\$38.5	\$39.0	\$39.0
	Refuse	\$1.3	\$0.8	\$0.7
	Stormwater Mgmt	\$3.0	\$2.7	\$2.4
	Parking	\$31.5	\$30.9	\$29.7
	RedGate	\$0.2	\$0.1	\$0.1
Total Outstanding Bonds	\$137.4	\$130.9	\$129.7	

Source: FY 2016, FY 2017, FY 2018 CAFRs, pages 46 - 51. Totals may not sum due to rounding.

Debt Ratios (Gov't Funds)

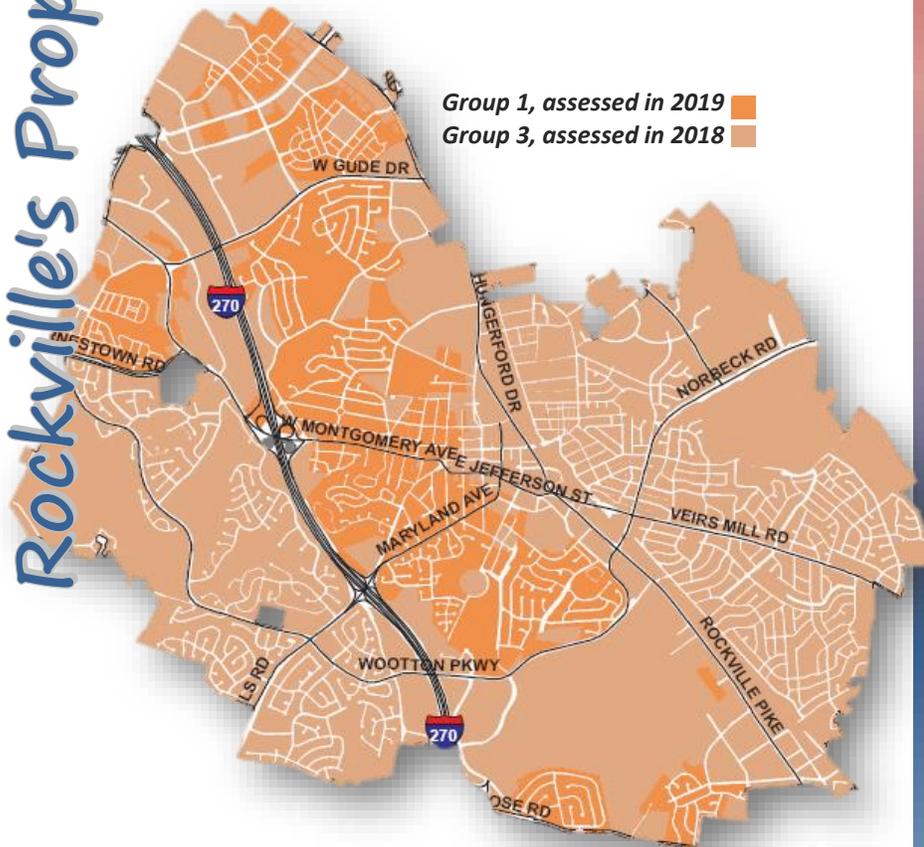
Target Ratio	2016	2017	2018
Debt per Assessed Value <1.0%	0.5%	0.5%	0.5%
Debt per Capita <\$1,284	\$1,023	\$912	\$899
Debt per Capita as a % of per Capita Income <2.5%	2.0%	1.8%	1.7%
Debt Service as a % of Operating Budget <15.0%	10.4%	9.2%	9.5%

Source: Annual Operating Budgets, pg. 306 for 2016, pg. 312 for 2017, pg. 292 for 2018.

The City currently maintains a **AAA/Aaa** bond rating by Moody's Investor Services and Standard and Poor's. This is the highest possible rating for a municipality and it saves the Rockville taxpayers money by allowing the City to borrow money at the lowest possible interest rates. Each year, Rockville is evaluated for its overall debt burden, financial management, financial performance, and the City's economic base and prospects.

Rockville's Tax Assessment Areas

The City contains two real property assessment areas: Group 1 (dark orange) and Group 3 (light orange). The State assesses real property every three years, and tax bills are based on those assessments. If a property increases in value, that increase is equally phased in over three years. If a property decreases in value, the decrease is fully factored into the first levy year after the assessment.



How does Rockville charge property tax?

The City of Rockville charges residents a real property tax and charges businesses a real and personal property tax. The amounts charged are based on the City's tax rates and the value of the properties.

FY 2018 tax rates equaled \$0.292 for real property and \$0.805 for personal property (rates are per \$100 of assessed value). Over 50% of the City's General Fund revenues come from real and personal property taxes.

Property value is determined by the assessed value of real estate (including land and structures on the land) and the assessed value of personal property (including inventory, furniture, and fixtures). The State Department of Assessments and Taxation (SDAT) is responsible for determining the assessed values for all properties located in the City.

Montgomery County taxpayers can view their property tax bills at apps.montgomerycountymd.gov/realpropertytax or apps.montgomerycountymd.gov/personalpropertytax.

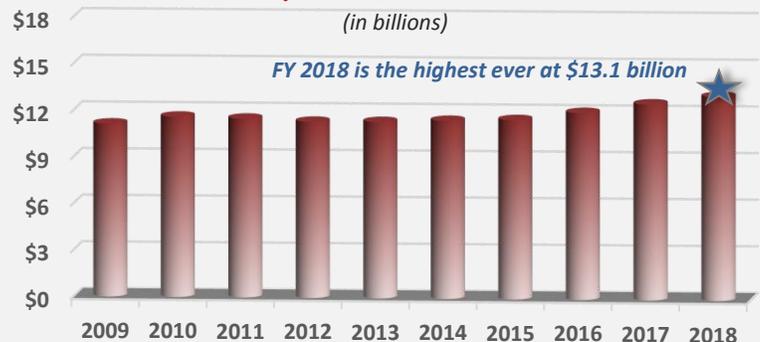
Top 10 City Taxpayers

(% represents taxpayer base to City's total base)

1. Congressional Plaza Assoc. LLC, 1.26%
2. Street Retail, Inc., 0.94%
3. Upper Rock LLC, 0.70%
4. 1800 Rockville Residential LLC, 0.65%
5. MEPT Congressional Village LLC, 0.64%
6. Duball Rockville LLC, 0.63%
7. King Farm Apartments Ph 2 LLC, 0.62%
8. JPI/KF Apt Sec 1 LLLP, 0.61%
9. FP Redland Technology Center LP, 0.59%
10. PF Apartments LLC, 0.54%

Source: FY 2018 CAFR, page 88.

Real Property, Taxable Base



Source: FY 2018 CAFR, page 86.



REAL PROPERTY CONSOLIDATED TAX BILL

ANNUAL BILL
TAX PERIOD 07/01/2018-06/30/2019
FULL LEVY YEAR
LEVY YEAR 2018

Department of Finance
Division of Treasury
255 Rockville Pike, L-15
(Monroe Street Entrance)
Rockville, MD 20850
Hours: 8:00 a.m. - 4:30 p.m.
Mon. - Fri.

PROPERTY OWNER
999 OWENS ST
ROCKVILLE, MD 20850

Assessment is determined by the Maryland State Department of Assessments and Taxation (SDAT).

Over 99% of Rockville properties are located in Tax Class R050.

Table with columns: LOT, BLOCK, DISTRICT, SUB, TAX CLASS, BILL #, ACCOUNT #, TAX DESCRIPTION, ASSESSMENT, RATE, TAX/CHARGE, AMOUNT. Includes rows for State Property Tax, County Property Tax, Rockville Property Tax, and various charges like Solid Waste and Refuse.

The annual amounts that are due for the City's stormwater management program and recycling and refuse services.

Understanding Your Property Tax Bill

YOU CAN VIEW AND PAY YOUR BILL ON THE INTERNET AT www.montgomerycountymd.gov/finance

The annual amount that is due to the City for real property tax. This amount is calculated by multiplying the assessed value by the City's property tax rate of \$0.292 per \$100 of assessed value.

Real Property Tax Credit Programs

Although not included on this tax bill, a resident may find a homestead tax credit or a homeowners' tax credit on their bill. Both of these tax credit programs are managed by the Maryland State Department of Assessments and Taxation.

The homestead tax credit is designed to mitigate the impact of rapidly raising assessments by setting a 10% cap* on the maximum annual assessment increase.
* Cap amounts are set by each jurisdiction.

The homeowners' tax credit is designed to assist low-to-moderate income homeowners with taxes due on the first \$495,000* of their home's assessed value.
* Values are set by each jurisdiction.

Financial Goals for City Utilities

GOAL #1: Revenues versus Expenses

Each utility fund's total operating revenues must meet or exceed the fund's total operating budget expenses, unless there is a planned use of reserves. For FY 2018, all of the City's utility funds were in compliance with this goal and are forecasted to remain that way for the foreseeable future.

	2014	2015	2016	2017	2018
Water	✓	✓	✓	✓	✓
Sewer	✗	✗	✗	✓	✓
Refuse	✓	✓	✓	✗	✓
Stormwater Management	✓	✓	✓	✓	✓

GOAL #2: Sufficient Reserve Levels

The Water and Sewer funds must maintain a cash balance equal to six months of operating expenses, the Stormwater Management Fund must maintain three months, and the Refuse Fund must maintain one month. The SWM and Refuse funds were in compliance for FY 2018, but Water and Sewer were well below their targets. Fiscal Year 2018 was the third year of a six year rate plan to bring the funds into compliance with their reserve targets by the end of FY 2021. While the Water Fund remains on target, the Sewer Fund will need until FY 2023 to satisfy this goal.

	2014	2015	2016	2017	2018
Water	✗	✗	✗	✗	✗
Sewer	✗	✗	✗	✗	✗
Refuse	✓	✓	✓	✓	✓
Stormwater Management	✓	✓	✓	✓	✓

What services are managed by the City?

The City manages four utility services: water, sewer, recycling and refuse, and stormwater management. The City accounts for these services in enterprise funds, which operate and account for their transactions like private businesses.

How am I charged for these services?

Customers pay for water and sewer on a monthly or quarterly bill that comes directly from the City (shown on page 10). Customers pay for stormwater management and recycling and refuse services on their annual real property tax bill that comes from Montgomery County (shown on page 8).

What are my current utility rates?

To find out your current water and sewer rates, please visit the City's website at rockvillemd.gov and search "water and sewer rates." To find out your current stormwater management and refuse charges, please visit Montgomery County's website and view your real property tax bill.





CITY OF ROCKVILLE
 111 Maryland Ave. Rockville, MD 20850-2364
 Ph: 240-314-8420 Fax: 240-314-8419
 Email: utilitybilling@rockvillemd.gov

Acct. Number: 0101-000905.02 ;
 Bill Date: 10/15/18
 Current Charges: 305.35
Total Amount Due: 305.35
 Amount Due After 11/15/18 : 334.38 *
 *Includes 10% late fee

The Chesapeake Bay Restoration fee is a fee mandated by the State of Maryland.

UTILITY BILL

The number of days represents the number of days in a billing period.

Sign up for emailed bills:
www.rockvillemd.gov/ebill
 Go here to pay online:
rockvillemd.gov/utilitybilling

These are per month rates.

1 Unit = 1,000 Gallons		Service Address		999 OWENS ST				
Type of Service	Service Period	No. of Days	Previous Reading	Current Reading	Usage	Rate	Charges	
CHESAPEAKE BAY FEE	07/02-10/01	91				5.00	15.00	
WATER RTS 5/8" METER	07/02-10/01	91				4.10	12.30	
SEWER BILLING	06/09-09/07	90	523	540	17	@ 9.86	167.62	
SEWER RTS 5/8" METER	07/02-10/01	91				13.89	13.89	
WATER 5/8" METER QUARTE	06/09-09/07	90	523	540	17		96.54	

The ready to serve ("RTS") charge recovers a portion of the fixed costs of the water and sewer operations. The amount of charge is based on meter size.

The usage number represents the number of units in a billing period.
 1 unit = 1,000 gallons

Water Usage in Units	Water Tier Rate for Current	Account Activity
Current: 17	15 @ 5.34 = 80.10	Previous Balance 238.79
Last Period: 13	2 @ 8.22 = 16.44	Payments Received -238.79
Last Year: 14		Current Charges 305.35
Two Years Ago: 18		Total Amount Due 305.35

Water charges are based on a four tier structure. This customer used 15,000 gallons of water or 15 units at \$5.34 per unit (first tier) and 2 units at \$8.22 (second tier).

Sewer charge equals \$9.86 per 1,000 gallons or 1 unit

Water and Sewer Utility Rates

For a complete listing of water rates by tier and meter size, please visit the City's website and search "water and sewer rates."

For more information on the components of your utility bill, please visit the City's website and search "bill guide."



Utility customers are encouraged to **GO GREEN** by receiving electronic bills in lieu of traditional paper bills and by paying online. Please visit the City's website and search "ebills" to sign up!

Understanding Your Utility Bill



Government Finance Officers Association

**Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting**

Presented to

**City of Rockville
Maryland**

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

The **Government Finance Officers Association of the United States and Canada (GFOA)** has given an **Award for Outstanding Achievement in Popular Annual Financial Reporting** to the City of Rockville for its Popular Annual Financial Report for the fiscal year ended June 30, 2017. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The City believes the current report continues to conform to Popular Annual Financial Reporting requirements, and are submitting it to the GFOA for consideration.



City of
Rockville
Get Into It

Prepared by the Department of Finance

City of Rockville, Maryland
111 Maryland Avenue
Rockville, MD 20850
www.rockvillemd.gov