

Second Quarter FY 2019 Financial Report

Category	Current Year (in thousands)				Prior Yr. (in thousands)		
	FY19 Adp.	FY19 Amd.	Actual 12/31/18	% Amd.	Actual 6/30/18	Actual 12/31/17	% Act.
Revenue							
Property Taxes	42,725	42,725	30,423	71%	41,385	29,539	71%
From Other Gov't.	20,865	20,880	10,282	49%	20,568	9,901	48%
Fines /Forfeitures	1,243	1,243	789	63%	1,443	691	48%
Use of Money/Property	1,486	1,486	529	36%	1,567	453	29%
Charges for Services	6,731	6,731	3,852	57%	7,526	4,290	57%
Licenses/Permits	3,060	3,060	1,043	34%	3,085	1,085	35%
Other Revenue	6,309	6,309	3,154	50%	7,029	3,550	51%
Total Revenue (\$)	82,420	82,435	50,072	61%	82,604	49,509	60%
Expenditures							
Personnel	50,834	51,277	26,828	52%	47,691	25,439	53%
Operating	14,815	15,201	6,076	40%	13,119	5,564	42%
Capital Outlay	2,048	3,067	457	15%	1,852	704	38%
Other	1,774	2,104	1,135	54%	1,641	719	44%
CIP Transfer	6,648	8,448	4,224	50%	11,500	3,300	29%
Transfers Out	6,301	6,339	3,170	50%	6,246	3,123	50%
Total Expenditures (\$)	82,420	86,437	41,890	48%	82,050	38,850	47%

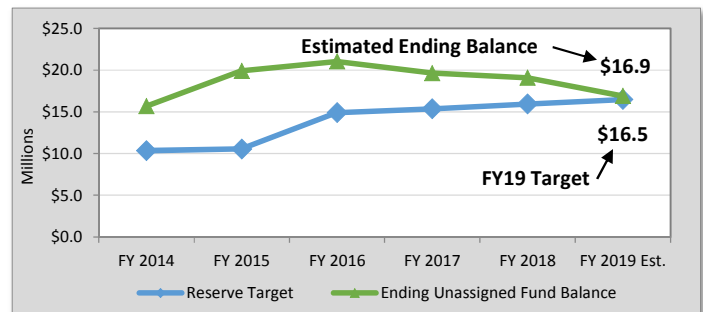
General Fund Summary

Overall, General Fund revenues and expenditures remain in line with amended targets.

The Personnel category, which makes up over 60 percent of the General Fund budget, experienced savings in the first half of FY19 due to a decrease in the City's worker's compensation insurance premium. Looking ahead to the second half of FY19, staff anticipates savings in the City's portion of employee health insurance premiums due to a change in benefit providers and plans for calendar year 2019.

General Fund Unassigned Fund Balance

The estimated ending FY19 unassigned fund balance equals \$16.9 million, or \$420,000 above the reserve target of \$16.5 million. In the first half of FY19, the Mayor and Council appropriated unassigned fund balance of \$1.8 million to increase the transfer to the CIP, and \$330,000 to fund a portion of REDI's contract increase for the Small Business Impact Fund.



City Manager Contingency Status

Per the City's Financial Management Policies, contingency funds are available for unanticipated, unbudgeted expenditures of a non-recurring nature and/or unexpected cost increases.

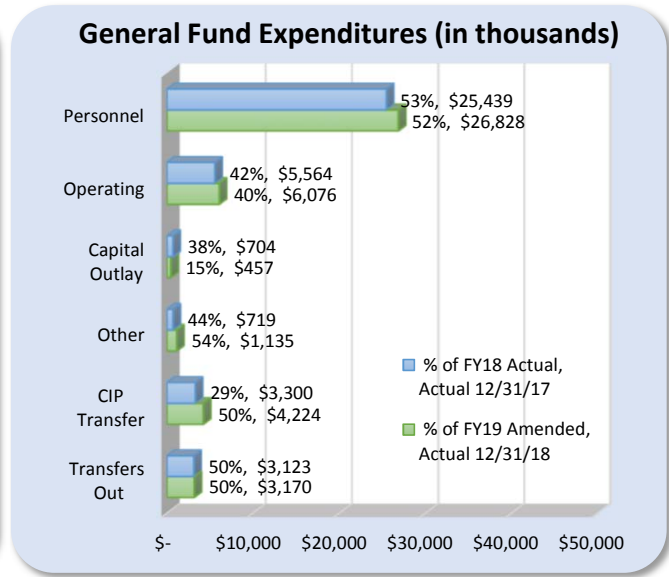
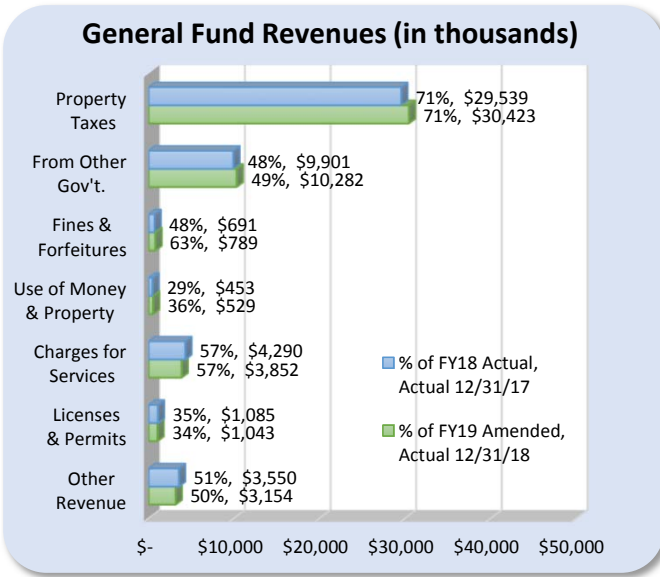
City Manager Contingency Usage through 2Q	Amount
Adopted FY19 City Manager Contingency	400,000
Property appraisals	(5,850)
Repair related to prior City infrastructure installation	(16,850)
Increase in uniform contract	(41,130)
REDI executive director recruitment	(25,000)
Rockville Science Center sponsorship	(2,500)
Temp employee, Boards and Commissions Task Force	(3,070)
Canine replacement	(15,740)
Police use of force training	(17,000)
City Hall renovations	(20,400)
FY19 Contingency Remaining (\$)*	252,460

*In addition to the uses stated above, an additional \$40,031 has been utilized to date in 3Q for the employee awards speaker, Twilight Run Festival, AED purchases, and the NeoGov Learning Platform, bringing the available balance to \$212,429 as of 2/22/19.

Unspent Personnel Funds

Unspent funds related to vacant General Fund positions are tracked and reported quarterly, along with any uses of these funds. In addition to vacancy-related costs, these funds can be used for weather-related needs such as snow removal or for special projects approved by the City Manager and/or Mayor and Council. 1Q vacancy-related costs exceeded 1Q gross vacancy savings, so the YTD total is less than the 2Q total.

Unspent Personnel Funds	2Q Only	YTD FY19
Gross unspent funds from vacancies	374,688	630,193
Less vacancy-related costs	(310,461)	(589,030)
Net Unspent Funds	64,227	41,163
<i>Uses of Net Unspent Funds</i>		
Net Unspent Funds Remaining (\$)	64,227	41,163



General Fund Revenues by Category

Property Taxes totaled \$30.4 million for 2Q, or 71% of the adopted budget. The majority of property tax revenue is received in 2Q.

Revenue **From Other Governments** totaled \$10.3 million for 2Q, or 49% of the amended budget. Income tax, which is the largest individual revenue source within this category, totaled \$5.3 million in 2Q FY19, compared to \$5 million in 2Q FY18.

Revenue from **Fines & Forfeitures** totaled \$0.8 million for 2Q. Revenue from redlight camera citations makes up the largest portion of this category. Redlight camera citation revenue is budgeted at \$1.2 million for FY19, but will likely exceed this estimate.

Use of Money & Property revenue totaled \$0.5 million for 2Q, slightly ahead of 2Q FY18 revenue. While cable franchise fee revenues are down from FY18, revenues from interest earnings and land rental are up, creating a net increase in this category for FY19.

Charges for Services revenue totaled \$3.9 million for 2Q, down from \$4.3 million in FY18 due to the timing of membership revenues and public works fees.

Licenses & Permits revenue totaled \$1 million for 2Q, roughly equal to the FY18 total.

Other Revenue totaled \$3.2 million in 2Q, compared with \$3.6 million in FY18 due to the reduction in the total administrative charge (CAP) paid by other funds to the General Fund in FY19.

General Fund Expenditures by Category

Total **Personnel** spending totaled \$26.8 million through 2Q, or 52% of the amended personnel budget. Outside of budgeted salary and benefit increases, the largest change in this category compared to FY18 is the total worker's compensation insurance cost, which is approximately \$140,000 lower to date in FY19 due to decrease in the City's required premium payment.

Operating expenditures totaled \$6.1 million in 2Q, or 40% of the amended budget. This category includes contractual services, utilities, and supplies.

Capital Outlay expenditures totaled \$0.5 million for 2Q. This funding covers one-time equipment purchases including vehicle replacements, and varies from year to year based on needs and replacement schedules. Because of the long lead times for many vehicle purchases, it is not uncommon for the bulk of the spending to occur at the end of the year.

Other expenditures totaled \$1.1 million for 2Q. The majority of this category is made up of grant funding the City provides to caregiver and outside agencies. Spending is higher in this category compared to last year due to the addition of funding for REDI's Small Business Impact Fund.

The **CIP Transfer** totaled \$4.2 million for 2Q. This category is expended quarterly based on the amended budget, and includes an increase of \$1.8 million that was included in the October 2018 budget amendment.

The **Transfers Out** category totaled \$3.2 million for 2Q. This category is expended quarterly based on the amended budget, and includes transfers to the Parking, Debt Service, Refuse (for RHE refuse bills), and Special Activities funds.

WATER FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY19	FY19	Actual	%	Actual	Actual	%
	Adp.	Amd.	12/31/18	Amd.	6/30/18	12/31/17	Act.
Total Revenue (\$)	13,760	13,760	5,141	37%	12,525	4,691	37%
<i>Expenses</i>							
Personnel	3,737	3,737	2,027	54%	3,595	1,910	53%
Operating	2,167	2,216	820	37%	2,301	745	32%
Capital Outlay ¹	63	261	65	25%	100	40	40%
Admin/Other/Interest	5,686	5,686	1,063	19%	5,944	1,302	22%
Total Expenses (\$)	11,654	11,900	3,975	33%	11,941	3,997	33%

Revenues and expenses are consistent with the same period last year. Revenue appears low until the end of the year due to the timing of the receipt of quarterly bill payments.

A large portion of Water Fund spending occurs in the CIP. The Water Fund is currently on track to reach compliance with the City's Financial Management Policies by FY21.

SEWER FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY19	FY19	Actual	%	Actual	Actual	%
	Adp.	Amd.	12/31/18	Amd.	6/30/18	12/31/17	Act.
Total Revenue (\$)	14,646	14,646	5,377	37%	13,511	4,619	34%
<i>Expenses</i>							
Personnel	1,936	1,936	1,050	54%	1,887	996	53%
Operating	4,028	4,053	1,680	41%	3,785	1,748	46%
Capital Outlay ¹	441	441	3	1%	24	0	0%
Admin/Other/Interest	7,471	7,471	1,121	15%	7,357	1,376	19%
Total Expenses (\$)	13,876	13,901	3,854	28%	13,054	4,120	32%

Revenue appears low until the end of the year due to the timing of the receipt of quarterly bill payments.

A large portion of Sewer Fund spending occurs in the CIP and goes toward the City's contribution to the Blue Plains Wastewater Treatment Facility. Although the Sewer Fund is currently on track to reach compliance with the City's Financial Management Policies by FY23, staff will continue to monitor the ongoing expense increases.

REFUSE FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY19	FY19	Actual	%	Actual	Actual	%
	Adp.	Amd.	12/31/18	Amd.	6/30/18	12/31/17	Act.
Total Revenue (\$)	6,208	6,208	3,687	59%	6,396	3,715	58%
<i>Expenses</i>							
Personnel	2,856	2,856	1,418	50%	2,572	1,382	54%
Operating	1,838	1,838	607	33%	1,681	664	40%
Capital Outlay ¹	443	443	0	0%	700	113	16%
Admin/Other/Interest	1,841	1,841	686	37%	2,061	850	41%
Total Expenses (\$)	6,978	6,978	2,711	39%	7,014	3,009	43%

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

The largest change in the Refuse Fund's operating expenses compared to the same time period last year is in recycling processing fees, which are substantially lower this year due to a change in the City's processing contract.

¹Capital outlay purchases with useful lives of more than five years are capitalized and depreciated in accordance with Generally Accepted Accounting Principles (GAAP). The City's financial statements reflect this adjustment, whereas this report shows the actual expense. As a result, the prior year actuals shown on this report in enterprise funds with qualifying capital purchases will differ from the financial statements in the amount of the cost of any capitalized assets.

SWM FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY19	FY19	Actual	%	Actual	Actual	%
	Adp.	Amd.	12/31/18	Amd.	6/30/18	12/31/17	Act.
Total Revenue (\$)	5,852	5,852	4,869	83%	5,797	4,349	75%
<i>Expenses</i>							
Personnel	2,401	2,401	1,303	54%	2,233	1,190	53%
Operating	818	833	182	22%	661	253	38%
Capital Outlay ¹	2	2	0	0%	0	0	0%
Admin/Other/Interest	1,720	1,720	405	24%	1,738	476	27%
Total Expenses (\$)	4,941	4,956	1,891	38%	4,633	1,919	41%

The SWM utility fee is collected through property tax bills, with the majority of the revenue being received in 2Q.

Operating category spending includes consultant and contracted maintenance work, the timing of which varies from year to year.

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

PARKING FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY19	FY19	Actual	%	Actual	Actual	%
	Adp.	Amd.	12/31/18	Amd.	6/30/18	12/31/17	Act.
Total Revenue (\$)	2,547	2,547	1,431	56%	2,463	1,342	54%
<i>Expenses</i>							
Personnel	302	302	121	40%	269	156	58%
Operating	96	96	24	25%	74	28	38%
Capital Outlay ¹	0	0	0	0%	9	9	100%
Admin/Other/Interest	1,583	1,583	577	36%	1,855	717	39%
Total Expenses (\$)	1,981	1,981	722	36%	2,207	911	41%

Parking Fund revenue includes a transfer from the General Fund; this transfer totaled \$550,000 through 2Q.

Personnel costs are lower than budgeted due to a vacancy. The vacant position is proposed to be eliminated in FY20.

Capital Improvements Program (CIP) Transfers, All Funds

The City's Financial Management Policies allow the City Manager to approve transfers of unspent project appropriations between capital projects within the same fund. These transfers will always net to zero, as any change in total appropriation by fund must be approved by the Mayor and Council through an appropriations ordinance. Any transfers between projects during the reporting period are shown below.

2Q CIP Transfers	Amount (\$)	Fund	Reason for Transfer
Maint. Emer. Operations Facility Improvements (GD19)	(20,000)	Capital	Additional funding required for contract
Hayes Forest Bridge Replacement (RF16)	20,000	Projects	award plus contingency

¹Capital outlay purchases with useful lives of more than five years are capitalized and depreciated in accordance with Generally Accepted Accounting Principles (GAAP). The City's financial statements reflect this adjustment, whereas this report shows the actual expense. As a result, the prior year actuals shown on this report in enterprise funds with qualifying capital purchases will differ from the financial statements in the amount of the cost of any capitalized assets.