

Third Quarter FY 2019 Financial Report

Category	Current Year (in thousands)				Prior Yr. (in thousands)		
	FY19 Adp.	FY19 Amd.	Actual 3/31/19	% Amd.	Actual 6/30/18	Actual 3/31/18	% Act.
REVENUE							
Property Taxes	42,725	42,725	41,600	97%	41,385	40,803	99%
From Other Gov't.	20,865	21,005	14,246	68%	20,568	13,544	66%
Fines /Forfeitures	1,243	1,243	1,173	94%	1,443	1,035	72%
Use of Money/Property	1,486	1,489	1,037	70%	1,567	851	54%
Charges for Services	6,731	7,431	5,855	79%	7,526	5,694	76%
Licenses/Permits	3,060	3,060	2,397	78%	3,085	2,092	68%
Other Revenue	6,309	6,309	4,630	73%	7,029	5,227	74%
Total Revenue (\$)	82,420	83,263	70,938	85%	82,604	69,247	84%
EXPENDITURES							
Personnel	50,834	51,420	37,649	73%	47,691	35,644	75%
Operating	14,815	15,384	8,922	58%	13,119	8,561	65%
Capital Outlay	2,048	3,157	1,237	39%	1,852	1,087	59%
Other	1,774	2,114	1,677	79%	1,641	1,203	73%
CIP Transfer	6,648	8,448	6,336	75%	11,500	4,950	43%
Transfers Out	6,301	6,429	4,844	75%	6,246	4,685	75%
Total Expenditures (\$)	82,420	86,953	60,665	70%	82,050	56,129	68%

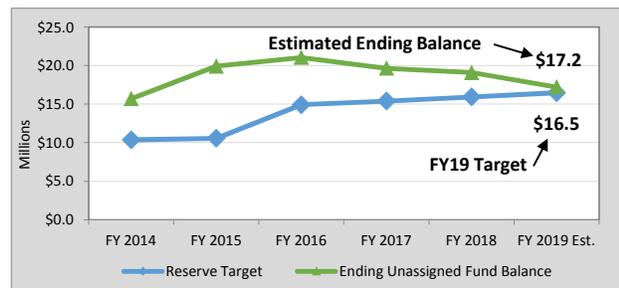
General Fund Summary

Overall, General Fund revenues and expenditures remain in line with amended targets. Notable variations are discussed on the next page.

Savings are estimated in the Personnel category, which makes up approximately 60% of General Fund spending, due to a reduction in the premium cost for worker's compensation insurance and a reduction in the City's cost for health insurance for City employees during the second half of FY19.

General Fund Unassigned Fund Balance

The estimated ending FY19 unassigned fund balance equals \$17.2 million, just over \$730,000 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. The February budget amendment added roughly \$350,000 to unassigned fund balance.



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.

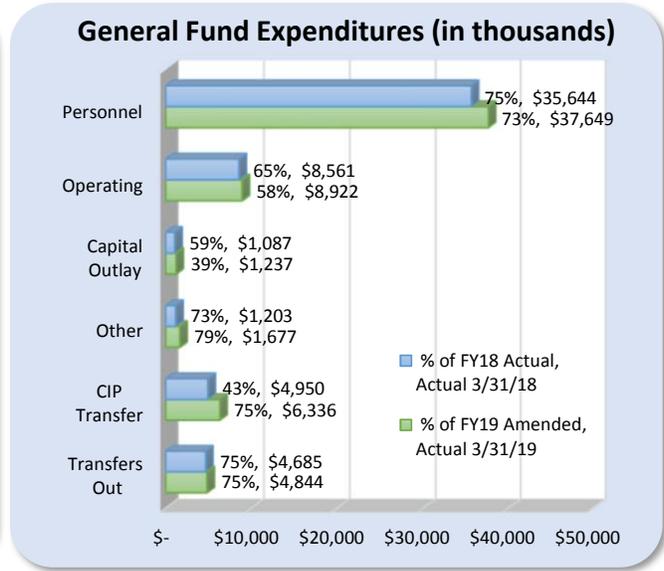
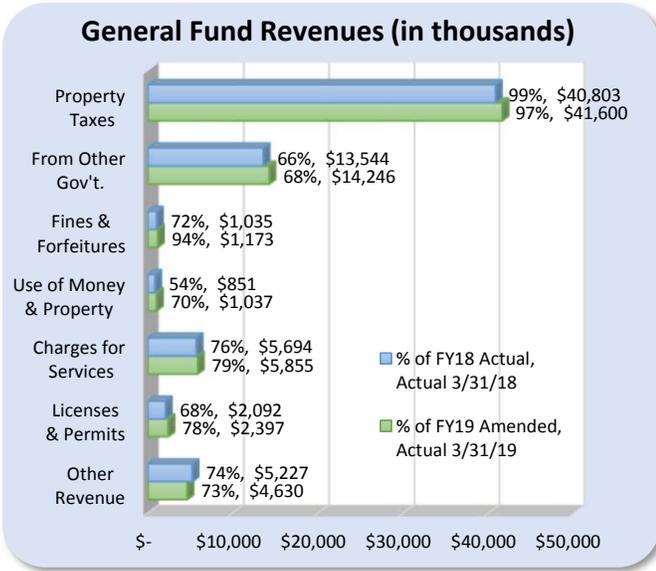
City Manager Contingency Usage through 3Q	Amount
Adopted FY19 City Manager Contingency	400,000
Property appraisals	(5,850)
Repair related to prior City infrastructure installation	(16,850)
Increase in uniform contract	(41,130)
REDI executive director recruitment	(25,000)
Rockville Science Center sponsorship	(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)
Employee Awards speaker	(2,631)
AED purchases	(11,500)
NeoGov Learning Platform	(7,100)
Twilight Run Festival	(18,800)
Rockville Goes Purple events	(11,164)
Speaker for M&C worksession on millennials	(3,138)
FY19 Contingency Remaining (\$) *	198,127

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.

Unspent Personnel Funds	3Q Only	YTD FY19
Gross unspent funds from vacancies	342,740	972,933
Less vacancy-related costs	(165,798)	(754,828)
Net Unspent Funds	176,942	218,105
<i>Uses of Net Unspent Funds</i>		
Snow & ice removal overtime	(67,729)	(67,729)
Net Unspent Funds Remaining (\$)	109,213	150,376

*In addition to the uses stated above, an additional \$13,875 has been utilized since 3Q, bringing the available balance to \$184,252 as of 4/22/19.



General Fund Revenues by Category

Property Taxes totaled \$41.6 million for 3Q, or 97% of the adopted budget. Personal property tax revenue, which makes up 9% of this category's adopted budget, totaled \$2.7 million for 3Q, compared with \$3.3 million in 3Q FY18. Personal property tax revenue is more difficult to predict because it relies on a self-reporting assessment model.

Revenue **From Other Governments** totaled \$14.2 million for 3Q, or 68% of the amended budget. Income tax, which is the largest individual revenue source within this category, totaled \$8.5 million in 3Q FY19, compared to \$8 million in 3Q FY18.

Revenue from **Fines & Forfeitures** totaled \$1.2 million for 3Q, just shy of the adopted revenue estimate for the year. Revenue from redlight camera citations makes up the largest portion of this category. Redlight camera citations steadily decreased from their peak in FY13 until FY18, when citation revenue rose. Staff will continue to monitor this situation and update short-term estimates as necessary, but do not recommend adjusting long-term estimates due to the atypical nature of the current figures.

Use of Money & Property revenue totaled \$1 million for 3Q, or 70% of the amended budget. Cable franchise fee revenues are down approximately 7% from FY18, but revenues from interest earnings are up 70% compared to 3Q FY18. This category also includes land rental revenue, which exceeds last year's totals by \$100,000 due to one-time developer fees.

Charges for Services revenue totaled \$5.9 million for 3Q, an increase over FY18 primarily due to public works fees, which were included on the February 2019 budget amendment.

Licenses & Permits revenue totaled \$2.4 million for 3Q, or 78% of the amended budget.

Other Revenue totaled \$4.6 million in 3Q, compared with \$5.2 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 \$37.6 million through 3Q, or 73% of the amended personnel budget. Staff anticipate savings in both health insurance and worker's compensation insurance costs in FY19. Health insurance costs through 3Q totaled \$2.5 million, down from \$2.6 million through 3Q FY18. The City changed health insurance providers in January 2019, resulting in lower premiums for the City for the second half of FY19. The City's worker's compensation insurance premium was also lower this year than in FY18, resulting in a decrease in total worker's compensation insurance costs of approximately \$150,000 to date compared to 3Q FY18.

Operating expenditures totaled \$8.9 million in 3Q, or 58% of the amended budget. This category includes contractual services, utilities, and supplies.

Capital Outlay expenditures totaled \$1.2 million for 3Q. 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 \$1.7 million for 3Q. 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 \$6.3 million for 3Q. 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 \$4.8 million for 3Q. 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.	3/31/19	Amd.	6/30/18	3/31/18	Act.
Total Revenue (\$)	13,760	13,760	8,057	59%	12,525	7,497	60%
<i>Expenses</i>							
Personnel	3,737	3,737	2,875	77%	3,595	2,730	76%
Operating	2,167	2,526	1,511	60%	2,301	1,277	56%
Capital Outlay ¹	63	271	90	33%	100	77	77%
Admin/Other/Interest	5,686	5,686	1,426	25%	5,944	1,715	29%
Total Expenses (\$)	11,654	12,220	5,902	48%	11,941	5,800	49%

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.	3/31/19	Amd.	6/30/18	3/31/18	Act.
Total Revenue (\$)	14,646	14,646	8,604	59%	13,511	7,850	58%
<i>Expenses</i>							
Personnel	1,936	1,936	1,476	76%	1,887	1,398	74%
Operating	4,028	4,053	2,598	64%	3,785	2,552	67%
Capital Outlay ¹	441	441	3	1%	24	14	59%
Admin/Other/Interest	7,471	7,471	1,436	19%	7,357	1,745	24%
Total Expenses (\$)	13,876	13,901	5,513	40%	13,054	5,709	44%

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 is monitoring the potential increases to Blue Plains and will notify the Mayor and Council on any changes to the target date.

REFUSE FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY19	FY19	Actual	%	Actual	Actual	%
	Adp.	Amd.	3/31/19	Amd.	6/30/18	3/31/18	Act.
Total Revenue (\$)	6,208	6,208	6,160	99%	6,396	6,259	98%
<i>Expenses</i>							
Personnel	2,856	2,856	2,036	71%	2,572	1,934	75%
Operating	1,838	1,838	1,033	56%	1,681	1,156	69%
Capital Outlay ¹	443	443	0	0%	700	313	45%
Admin/Other/Interest	1,841	1,841	1,023	56%	2,061	1,267	61%
Total Expenses (\$)	6,978	6,978	4,092	59%	7,014	4,671	67%

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

Operating category spending appears low through 3Q, but will increase in 4Q due to a new contract for the sorting and disposal of single-stream recycling materials.

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.	3/31/19	Amd.	6/30/18	3/31/18	Act.
Total Revenue (\$)	5,852	5,852	6,636	113%	5,797	5,395	93%
<i>Expenses</i>							
Personnel	2,401	2,401	1,796	75%	2,233	1,662	74%
Operating	818	833	404	49%	661	372	56%
Capital Outlay ¹	2	2	0	0%	0	0	0%
Admin/Other/Interest	1,720	1,720	602	35%	1,738	699	40%
Total Expenses (\$)	4,941	4,956	2,802	57%	4,633	2,733	59%

SWM permit and waiver revenues have exceeded budgeted estimates by over \$800,000. These revenues are tied to development activity, with a few large developments paying these fees to date in FY19.

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.	3/31/19	Amd.	6/30/18	3/31/18	Act.
Total Revenue (\$)	2,547	2,547	1,929	76%	2,463	1,835	75%
<i>Expenses</i>							
Personnel	302	302	170	56%	269	217	81%
Operating	96	96	44	46%	74	39	52%
Capital Outlay ¹	0	0	0	0%	9	9	100%
Admin/Other/Interest	1,583	1,583	608	38%	1,855	758	41%
Total Expenses (\$)	1,981	1,981	822	41%	2,207	1,023	46%

Parking Fund revenue includes a transfer from the General Fund; this transfer totaled \$825,000 through 3Q.

Personnel costs are lower than budgeted due to a position that has been vacant to date in FY19.

The operating category includes funding for supplies as well as contingency funding; usage in each of these line items to date has been minimal.

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.

3Q CIP Transfers	Amount (\$)	Fund	Reason for Transfer
There were no CIP transfers in 3Q FY19.	-		

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.