

Fourth Quarter FY 2019 Financial Report (unaudited; figures subject to adjustment)

Category	Current Year (in thousands)				Prior Yr. (in thousands)		
	FY19 Adp.	FY19 Amd.	Actual 6/30/19	% Amd.	FY18 Amd.	Actual 6/30/18	% Act.
GENERAL FUND							
<i>Revenue</i>							
Property Taxes	42,725	42,725	42,168	99%	41,467	41,385	100%
From Other Gov't.	20,865	21,005	22,774	108%	20,314	20,568	101%
Fines /Forfeitures	1,243	1,243	1,578	127%	1,243	1,443	116%
Use of Money/Property	1,486	1,489	2,013	135%	1,302	1,567	120%
Charges for Services	6,731	7,431	7,779	105%	6,783	7,526	111%
Licenses/Permits	3,060	3,060	3,464	113%	2,875	3,085	107%
Other Revenue	6,309	6,309	6,279	100%	7,129	7,029	99%
Total Revenue (\$)	82,420	83,263	86,056	103%	81,113	82,604	102%
<i>Expenditures</i>							
Personnel	50,834	51,420	49,833	97%	48,936	47,691	97%
Operating	14,815	15,384	13,954	91%	13,927	13,119	94%
Capital Outlay	2,048	3,157	2,488	79%	2,989	1,852	62%
Other	1,774	2,114	2,098	99%	1,902	1,641	86%
CIP Transfer	6,648	8,448	8,448	100%	11,500	11,500	100%
Transfers Out	6,301	6,429	6,429	100%	6,246	6,246	100%
Total Expenditures (\$)	82,420	86,953	83,251	96%	85,500	82,050	96%

General Fund Summary

General Fund revenues and expenditures ended the year within 5% of the adopted budget, in line with one of the Budget Office's performance measures.

Several of the City's revenue sources tied to the local economy came in over budget, including income tax; these are detailed on the next page.

The operating and capital outlay categories include a total of \$1 million in funding for goods or services that were ordered but not received in FY19; this funding will be reappropriated in FY20 through a budget amendment.

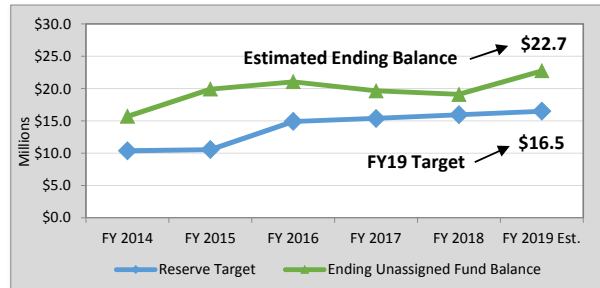
City Manager Contingency Status

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 4Q	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)
VisArts Rockville Art Festival	(5,000)
F. Scott Fitzgerald Literary Festival event space rental	(3,375)
Laptop for F. Scott Fitzgerald Theatre	(5,500)
PDS Space Modifications	(10,000)
Beall Avenue Crosswalks	(30,000)
Pickleball Courts	(32,000)
Actuarial Study of Benefits Claims	(10,000)
FY19 Contingency Remaining (\$)	102,252

General Fund Unassigned Fund Balance

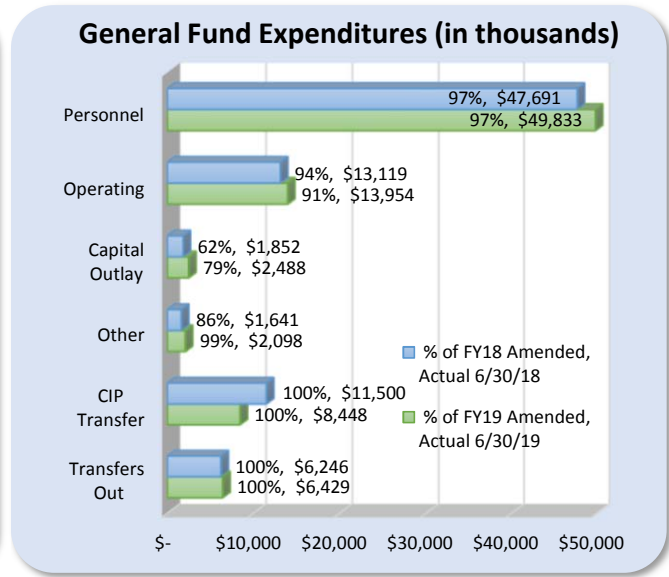
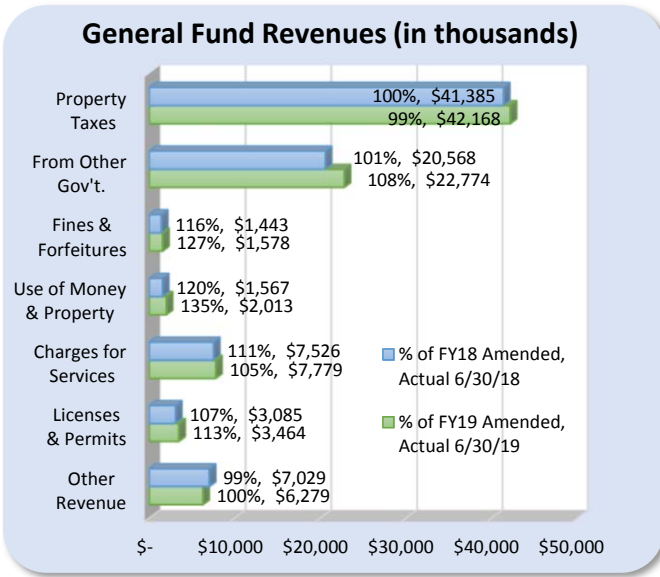
The unaudited ending FY19 unassigned fund balance equals \$22.7 million, which is \$5.9 million or 7% over the FY20 policy target. Staff will likely recommend that the Mayor and Council consider appropriating a portion of this fund balance via budget amendment during FY20 to fund one-time capital needs.



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	4Q Only	YTD FY19
Gross unspent funds from vacancies	387,458	1,360,391
Less vacancy-related costs	(251,598)	(1,006,426)
Net Unspent Funds	135,860	353,965
<i>Uses of Net Unspent Funds</i>		
Snow & ice removal overtime	-	(67,729)
Net Unspent Funds Remaining (\$)	135,860	286,236



General Fund Revenues by Category

Property Taxes totaled \$42.2 million for FY19, or 99% of the amended budget. Personal property tax revenue, which makes up 9% of this category's adopted budget, ended FY19 at \$3.3 million, shy of the \$3.7 million budget estimate. Personal property tax revenue is more difficult to predict because it relies on a self-reporting assessment model.

Revenue **From Other Governments** totaled \$22.8 million, exceeding the amended budget by \$1.8 million mainly due to income tax, which totaled \$15.6 million compared to the \$14 million estimate and 14% higher than FY18. This is the highest annual level of income tax the City has ever received.

Revenue from **Fines & Forfeitures** totaled \$1.6 million for FY19, above the amended budget of \$1.2 million due to revenue from redlight camera citations, which make up the largest portion of this category. After years of declining citations, redlight camera citation revenue has now increased two years in a row.

Use of Money & Property revenue totaled \$2 million for FY19, above the amended budget of \$1.5 million due to increased interest and investment revenue, as well as a one-time developer fee for land rental.

Charges for Services revenue totaled \$7.8 million for FY19, 5% above the amended budget mainly due to recreation program fees, Swim and Fitness Center admission charges, and permit fees all exceeding estimates.

Licenses & Permits revenue totaled \$3.5 million for FY19, which is \$404,000 above the amended budget due to building permit revenues exceeding estimates due to an increased number of higher value permits.

Other Revenue totaled \$6.3 million in FY19, roughly equal to the amended budget. Other revenue is comprised mostly of administrative fees and hotel tax.

General Fund Expenditures by Category

Total **Personnel** spending totaled \$49.8 million for FY19, or 97% of the amended personnel budget. The largest savings came from a \$450,000 savings in health insurance mainly due to the change in providers for calendar year 2019. The City's worker's compensation insurance premium was also lower this year than in FY18, resulting in worker's compensation insurance cost savings of approximately \$150,000.

Operating expenditures totaled \$14 million in FY19, or 91% of the amended budget. The largest areas of savings in this category were utilities, general supplies and contractual services, and unspent contingency funding. Just under \$500,000 in funding for goods and services that were ordered but not delivered in FY19 will be reappropriated in FY20.

Capital Outlay expenditures totaled \$2.5 million, or 79% of the amended budget. This funding covers one-time equipment purchases including vehicle replacements, and varies from year to year based on needs and replacement schedules. Just over \$520,000 is set aside for vehicles that were ordered but not received in FY19; this funding will be reappropriated in FY20. This category also experienced savings from the decision not to replace eight Police vehicles budgeted at a total of \$233,040; these vehicles will instead be incorporated into the lease program in FY20.

Other expenditures totaled \$2.1 million for FY19, roughly equal to the amended budget. This category includes grant funding the City provides to caregiver and outside agencies.

The **CIP Transfer** totaled \$8.4 million for FY19, which includes the adopted transfer of \$6.6 million plus an increase of \$1.8 million that was added from unassigned fund balance via the October 2018 budget amendment.

The **Transfers Out** category totaled \$6.4 million for FY19. This category 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	%	FY18	Actual	%
	Adp.	Amd.	6/30/19	Amd.	Amd.	6/30/18	Act.
Total Revenue (\$)	13,760	13,760	12,961	94%	13,261	12,525	94%
<i>Expenses</i>							
Personnel	3,737	3,737	3,772	101%	3,648	3,595	99%
Operating	2,167	2,526	2,080	82%	2,327	2,301	99%
Capital Outlay ¹	63	271	306	113%	281	100	35%
Admin/Other/Interest	5,686	5,686	5,568	98%	5,943	5,944	100%
Total Expenses (\$)	11,654	12,220	11,726	96%	12,199	11,941	98%

Water Fund revenues were under budget by 6%, similar to FY18. Early analysis indicates that this is most likely due to higher than average rainfall totals, consistent with FY18.

Capital outlay spending exceeded budget by \$35,000 due to a higher-than-planned number of meter replacements.

If the City continues with the current rate plan through FY21, the Water Fund will have an estimated four month reserve by the end of FY21.

SEWER FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY19	FY19	Actual	%	FY18	Actual	%
	Adp.	Amd.	6/30/19	Amd.	Amd.	6/30/18	Act.
Total Revenue (\$)	14,646	14,646	14,979	102%	13,611	13,511	99%
<i>Expenses</i>							
Personnel	1,936	1,936	1,914	99%	1,900	1,887	99%
Operating	4,028	4,053	3,709	92%	3,913	3,785	97%
Capital Outlay ¹	441	441	14	3%	21	24	115%
Admin/Other/Interest	7,471	7,471	7,341	98%	7,351	7,357	100%
Total Expenses (\$)	13,876	13,901	12,979	93%	13,185	13,054	99%

Sewer Fund revenues exceeded budget estimates due to a reconciliation refund from WSSC for wastewater disposal.

Operating expenses were under budget by roughly \$340,000 mainly due to Blue Plains operating charges being less than budgeted.

Capital outlay funding totaling \$362,000 was encumbered for vehicles ordered but not received in FY19; this funding will be reappropriated through a budget amendment in FY20.

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	%	FY18	Actual	%
	Adp.	Amd.	6/30/19	Amd.	Amd.	6/30/18	Act.
Total Revenue (\$)	6,208	6,208	6,309	102%	6,424	6,396	100%
<i>Expenses</i>							
Personnel	2,856	2,856	2,695	94%	2,753	2,572	93%
Operating	1,838	1,838	1,675	91%	2,278	1,681	74%
Capital Outlay ¹	443	443	0	0%	727	700	96%
Admin/Other/Interest	1,841	1,841	1,835	100%	2,058	2,061	100%
Total Expenses (\$)	6,978	6,978	6,205	89%	7,816	7,014	90%

Refuse Fund personnel spending was under budget by \$160,000 due to several vacancies throughout the year.

Operating category spending ended the year under budget by \$163,000 due to underspending in contract transportation services and refuse dump fees.

Capital outlay funding for two replacement refuse trucks was included in the FY19 budget; however, due to uncertainties with the current program these replacements were delayed.

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	%	FY18	Actual	%
	Adp.	Amd.	6/30/19	Amd.	Amd.	6/30/18	Act.
Total Revenue (\$)	5,852	5,852	6,996	120%	5,465	5,797	106%
<i>Expenses</i>							
Personnel	2,401	2,401	2,355	98%	2,295	2,233	97%
Operating	818	833	638	77%	772	661	86%
Capital Outlay ¹	2	2	1	64%	0	0	0%
Admin/Other/Interest	1,720	1,720	1,628	95%	1,858	1,738	94%
Total Expenses (\$)	4,941	4,956	4,622	93%	4,924	4,633	94%

SWM permit and waiver revenues, which are tied to development activity, exceeded budgeted estimates by over \$950,000 mainly due to a few large projects. Additionally, interest earnings exceeded budgeted estimates by over \$63,000 due to the large cash balance in the fund.

Operating category spending came in under budget by \$195,000 mainly due to unused financial advisory fees from the decision not to issue bonds in FY19.

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

PARKING FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY19	FY19	Actual	%	FY18	Actual	%
	Adp.	Amd.	6/30/19	Amd.	Amd.	6/30/18	Act.
Total Revenue (\$)	2,547	2,547	2,621	103%	2,522	2,463	98%
<i>Expenses</i>							
Personnel	302	302	232	77%	306	269	88%
Operating	96	115	108	94%	114	74	65%
Capital Outlay ¹	0	0	0	0%	9	9	100%
Admin/Other/Interest	1,583	1,583	1,642	104%	1,801	1,855	103%
Total Expenses (\$)	1,981	2,000	1,983	99%	2,230	2,207	99%

Parking Fund revenue includes a transfer of \$1.1 million from the General Fund.

Personnel costs were \$70,000 under the amended budget due to a 1.0 FTE position that was vacant all year.

Operating costs were below the amended budget due to the transfer of contingency funding to the admin/other/interest category to write off unpaid parking citations.

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.

4Q CIP Transfers	Amount (\$)	Fund	Reason for Transfer
Stream Restoration Spot Repairs (SD16)	120,000	SWM	Additional funding required to ensure stability of Bullards Park subproject.
Watts Branch - Upper Stream (2E59)	(120,000)		
Glenview Mansion ADA Improvements (RE16)	5,828	Capital Projects	Additional funding required for change order related to permit requirements.
Hayes Forest Bridge Replacement (RF16)	(4,828)		
Lincoln Park Community Center Parking Lot (RB18)	(1,000)		

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