



POPULAR  
Annual  
Financial  
Report



[www.rockvillemd.gov/finance](http://www.rockvillemd.gov/finance)

City of Rockville,  
Maryland

Fiscal Year Ended  
June 30, 2019



# CITY MANAGER LETTER

## - what's inside -

**To the Mayor and Council  
and Rockville community:**



*I am pleased to present the Fiscal Year (FY) 2019 Popular Annual Financial Report (PAFR) for the City of Rockville.*

*This report highlights a variety of relevant and helpful financial information in a simple, user-friendly format.*

*The City ended FY 2019 with a healthy overall adjusted net position of \$283.1 million. Our FY 2019 financial position remained strong, mainly due to actual expenditures coming in under the amended budget by \$2.7 million across various personnel and operating accounts, combined with \$2.8 million in additional revenue mainly from building permits, income tax, interest earnings, and redlight camera citations. The City's General Fund reserve exceeded the FY 2019 target by over 7 percent, and our bond rating was reaffirmed at AAA/Aaa.*

*Moving into FY 2020, City staff will continue to address the needs of the Rockville community, and will work to implement the newly-elected Mayor and Council's top priority initiatives. If you have any suggestions or questions regarding our City's finances, please do not hesitate to contact me.*

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

### What's inside the PAFR?

PAFR or Popular Annual Financial Report is designed to increase transparency and awareness in 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.

<b>ALL ABOUT ROCKVILLE.....</b>	<b>2</b>
<b>FINANCIAL STRUCTURE.....</b>	<b>3</b>
<b>FINANCIAL RESULTS.....</b>	<b>4</b>
<b>THE GENERAL FUND.....</b>	<b>5</b>
<b>CAPITAL INVESTMENT.....</b>	<b>6</b>
<b>PROPERTY TAXES.....</b>	<b>7</b>
<b>ROCKVILLE UTILITIES.....</b>	<b>9</b>

### Is the PAFR consistent 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 financial statements (CAFR) on the City's website, [www.rockvillemd.gov](http://www.rockvillemd.gov).



# ALL ABOUT ROCKVILLE

## - structure and services -

### What is the form of government?

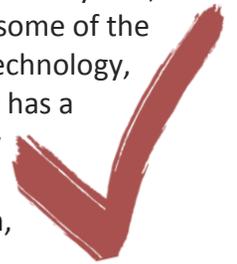
The City operates under the council-manager form of government. The Mayor and Council are responsible for establishing City policy and providing direction to the City Manager. There are five elected members comprised of a mayor and four at-large council members. All members are elected for 4-year terms.



**Mayor and Council**, Left to Right: David Myles, Beryl L. Feinberg, Bridget Donnell Newton (Mayor), Mark Pierzchala, Monique Ashton

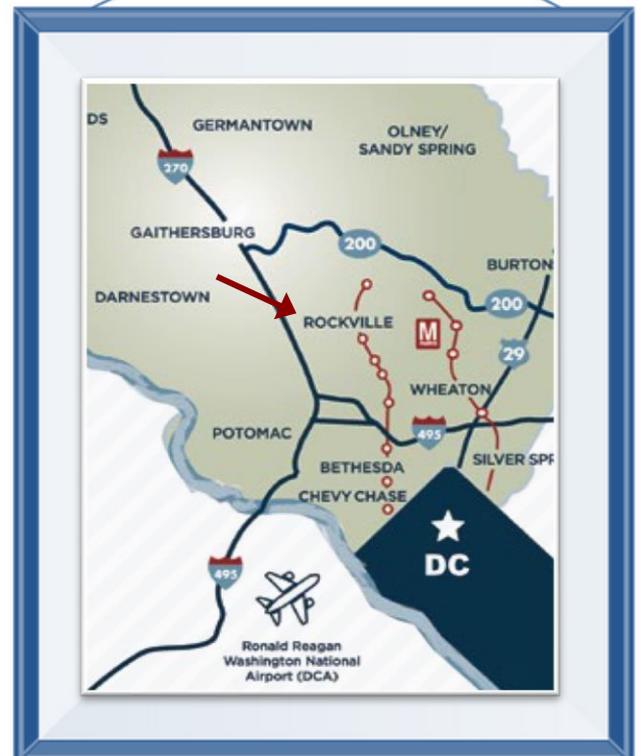
### What makes up the community?

Rockville is one of the largest cities in Maryland, the county seat, and a vibrant home to some of the world's most prominent bio-med, technology, and knowledge companies. The City has a wide variety of housing styles, a low crime rate, a vast transportation network, an excellent school system, and a diverse population.



### 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.



### What services does the City provide?

Rockville provides a full range of services, including:

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



# FINANCIAL STRUCTURE

## - types of funds -

### What is the City of Rockville's financial structure?

The City records its financial transactions in 6 governmental and 6 enterprise funds. The governmental funds account for the City's basic operations, like police, inspections, snow removal, and recreation. Most of these services are financed by property and income taxes. The enterprise funds account for the City's main utilities and public services and are managed like private industry where costs are covered by fees and charges.

### Why 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.

### What types of spending does the City support?

The City 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.

	Fund Name	Purpose is to support the...	Source
Governmental Funds	GENERAL	City's general provision of programs and services	Operating
	CAPITAL PROJECTS	Capital (CIP) projects benefitting all residents	Capital
	DEBT SERVICE	Principal and interest payments on bonds supporting the Capital Projects Fund	Operating
	SPEED CAMERA	Speed camera operations and pedestrian safety initiatives	Operating Capital
	SPECIAL ACTIVITIES	Specific programs as defined by the legal or policy restrictions on the revenue	Operating Capital
	COMMUNITY DEVEL. BLOCK GRANT	Nonprofit service providers and home renovations for low- to-moderate income homeowners	Operating
Enterprise Funds	WATER	Production, delivery, and storage of safe water	Operating Capital
	SEWER	Collection and transportation of wastewater to the Blue Plains treatment facility	Operating Capital
	REFUSE	Collection and disposal of residential recycling and refuse	Operating Capital
	STORMWATER MANAGEMENT	Protection of streams and watersheds from stormwater runoff	Operating Capital
	PARKING	Parking permit program, parking meter program, and parking garages	Operating
	REDGATE GOLF	Debt service on past improvements to the municipal golf course (course is now closed)	Operating



# FINANCIAL RESULTS

## - net position -

### What is the City's Net Position?

The City's FY 2019 overall net position decreased by \$76.4 million to \$283.1 million. Net position is a useful indicator of a government's financial health and represents total assets less total liabilities on an organization-wide basis.

For FY 2019, there were restatements of net position that adjusted it down by \$93.4 million. These restatements consisted of corrections of historical errors that relate to the depreciation of City infrastructure and utility improvements that were originally acquired and placed into service between 1980 and 2006. These are book-entry adjustments that have no operational impact and no impact on the City's cash position or reserve level.

### What was the change in the City's Budget?

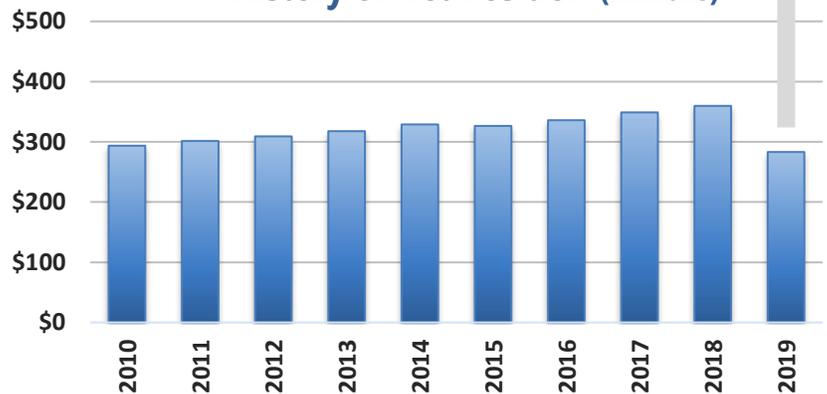
The total adopted operating budget increased by \$5.9 million or 4.6% and the total adopted capital budget decreased by \$1.6 million or 2.3% from FY 2018 to FY 2019.

Actual General Fund revenues increased by \$3.5 million or 4.2% and the actual expenditures increased by \$1.2 million or 1.5% compared to FY 2018.



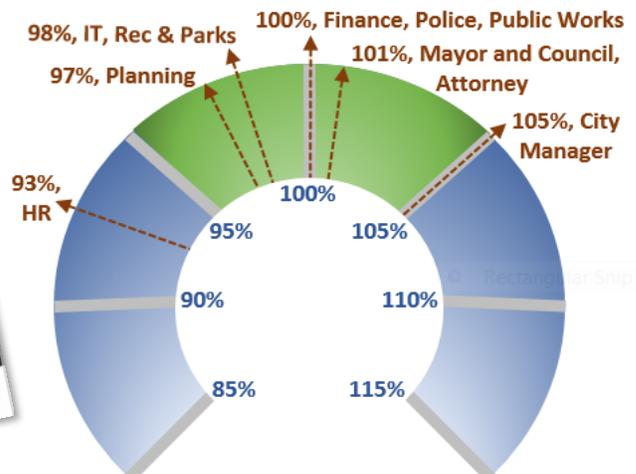
Net Position (millions)	2015	2016	2017	2018	2019
Total Assets and Deferred Outflows of Resources	\$501.7	\$518.7	\$528.7	\$546.8	\$475.5
Total Liabilities and Deferred Inflows of Resources	\$175.4	\$182.9	\$179.9	\$187.2	\$192.5
<b>TOTAL NET POSITION</b>	<b>\$326.3</b>	<b>\$335.8</b>	<b>\$348.8</b>	<b>\$359.6</b>	<b>\$283.1</b>

### History of Net Position (millions)



Source: Annual CAFRs, "Management's Discussion and Analysis."

### FY 2019 General Fund Actual/Adopted Expenditures (GOAL: GREEN ZONE +/-5%)





# THE GENERAL FUND

## - a closer look -

FY 2019 Rev, \$86.1 million

Revenue Category	FY 2018	FY 2019	Change
Property Tax	41,385,199	42,167,988	↑ 1.9%
Income Tax	13,634,659	15,585,645	↑ 14.3%
Tax Duplication	2,409,750	2,409,750	↔ 0.0%
Grants & Other Gov't	2,293,931	2,255,943	↓ -1.7%
Licenses & Permits	3,085,155	3,464,229	↑ 12.3%
Charges for Services	7,511,352	7,744,968	↑ 3.1%
Fines & Forfeitures	1,443,469	1,577,873	↑ 9.3%
Other	10,840,589	10,849,184	↑ 0.1%
<b>Total (\$)</b>	<b>82,604,104</b>	<b>86,055,580</b>	<b>↑ 4.2%</b>

Expenditure Category	FY 2018	FY 2019	Change
General Government	16,327,118	17,791,715	↑ 9.0%
Community Development	5,308,230	5,293,659	↓ -0.3%
Public Safety	11,287,852	12,373,717	↑ 9.6%
Public Works	7,327,415	7,612,913	↑ 3.9%
Recreation & Parks	22,884,937	23,500,208	↑ 2.7%
Other	1,167,515	1,802,004	↑ 54.3%
Internal Transfers	17,746,590	14,877,190	↓ -16.2%
<b>Total (\$)</b>	<b>82,049,657</b>	<b>83,251,406</b>	<b>↑ 1.5%</b>

FY 2019 Exp, \$83.3 million

Source: FY 2018 CAFR and FY 2019 CAFR, page 29.

### Actual Reserve versus Policy Reserve (millions)



#### What is the reserve policy?

It is the City's goal to maintain a General Fund reserve of at least 20% of annual adopted General Fund revenue (up through FY 2015 it was 15%).

#### When can reserves be used?

Reserves may be used in an emergency or natural disaster. If reserves exceed the policy target, they can be used to finance capital projects or other one-time needs.

#### Why do we need reserves?

The purpose is to alleviate significant unanticipated expenditures or revenue shortfalls and to ensure the orderly provision of services to residents.

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.



# CAPITAL INVESTMENT

## - debt financing -

### City of Rockville's Capital Budget

The City's capital budget focuses on maintaining and improving 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.

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

The City issues bonds to raise cash while promoting 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.

CURRENT DEBT*		2017	2018	2019	Change
Taxpayer Supported		\$31.1	\$32.4	\$34.9	↑ 7.8%
Enterprise Funds	Water	\$26.3	\$25.3	\$24.6	↓ -2.7%
	Sewer	\$39.0	\$39.0	\$42.9	↑ 9.9%
	Refuse	\$0.8	\$0.7	\$0.7	↓ -12.2%
	Stormwater	\$2.7	\$2.4	\$2.1	↓ -14.2%
	Parking	\$30.9	\$29.7	\$28.6	↓ -3.9%
	RedGate	\$0.1	\$0.1	\$0.1	↓ -12.0%
<b>Total Outstanding Debt</b>		<b>\$130.9</b>	<b>\$129.7</b>	<b>\$133.8</b>	<b>↑ 3.1%</b>

**NO LEGAL LIMIT**  
on amount of debt issued by the City

DEBT RATIOS - GOV'T FUNDS**	
Ratios and targets per adopted policies:	
Debt per assessed value ≤1%	City 0.4%
Debt per capita ≤\$1,304	City \$780
Debt per capita, % of per capita income ≤2.5%	City 1.5%
Debt service, % of operating budget ≤15%	City 9.2%

\*\*Source: FY 2019 Adopted Budget, page 280.

**BOND AAA RATING**

**CAPITAL FUNDS**  
90% comes from transfers in and bond proceeds

\$16 million in FY 2019 bonds were issued for Water, Sewer, and Facilities

\*Source: Annual CAFRs, "Long Term Debt" sections.

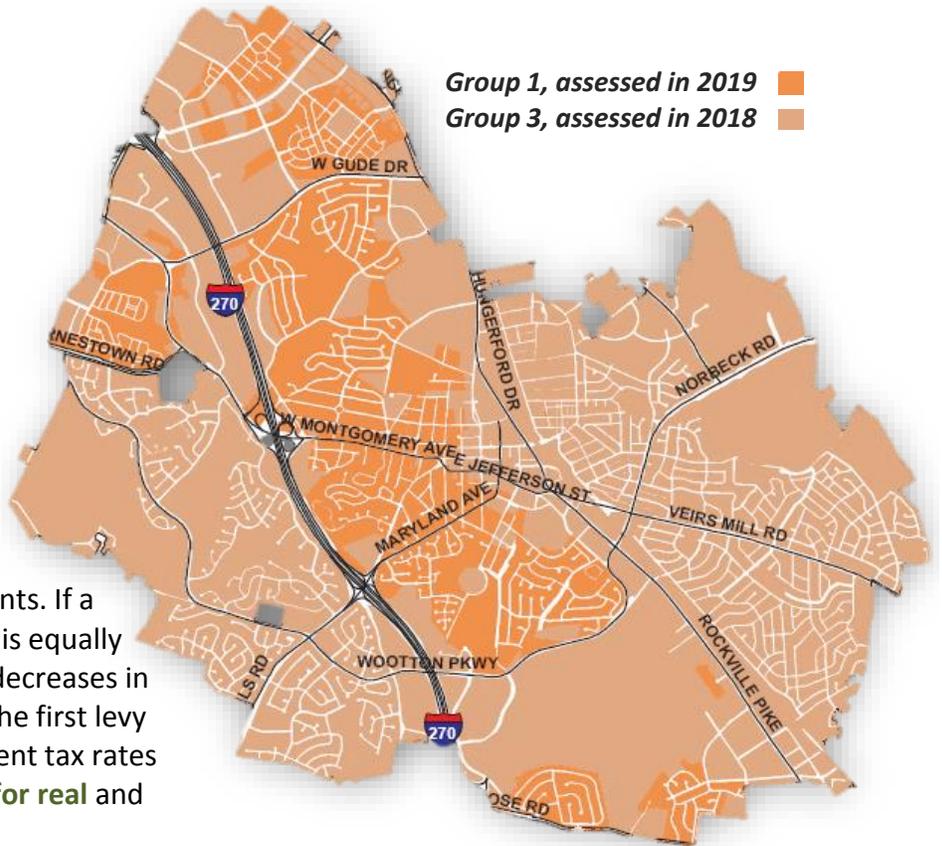


# PROPERTY TAXES

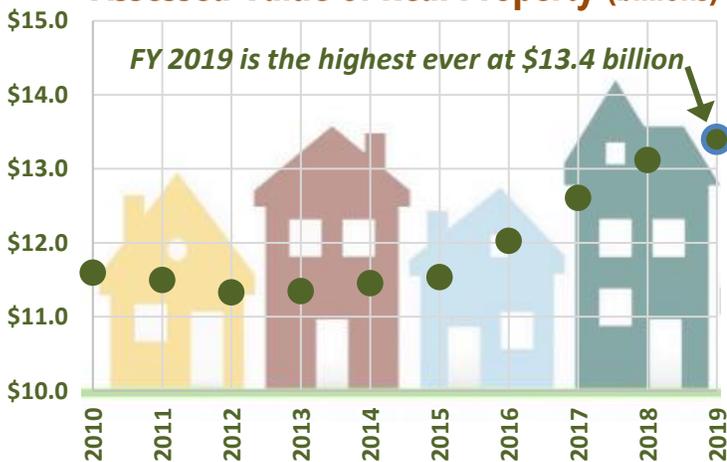
## - assessment areas -

### Rockville's Tax Assessment Areas

The City contains two real property assessment areas: Group 1 (dark orange) and Group 3 (light orange). 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. 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. The City's current tax rates per \$100 of assessed value equal **\$0.292 for real** and **\$0.805 for personal** property.



### Assessed Value of Real Property (billions)



Source: FY 2019 CAFR, page 88.

### Top 10 City Taxpayers

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

1. Congressional Plaza Assoc. LLC, 1.32%
2. Morguard Fenestra Apts LLC, 0.90%
3. Street Retail, Inc., 0.88%
4. Upper Rock LLC, 0.78%
5. 1800 Rockville Residential LLC, 0.69%
6. King Farm Apts Phase 2 LLC, 0.67%
7. MEPT Congressional Village LLC, 0.66%
8. JPI/KF Apt Sec 1 LLLP, 0.65%
9. Duball Rockville LLC, 0.64%
10. FP Redland Technology Center LP, 0.62%

Source: FY 2019 CAFR, page 90.



# SAMPLE TAX BILL

- real property -

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.

PRINCIPAL RESIDENCE

BILL DATE	
10/16/2019	
PROPERTY DESCRIPTION	
WEST END PARK	
BILL #	ACCOUNT #
00000001	00001111
REFUSE AREA	REFUSE UNITS
R40	1
*PER \$100 OF ASSESSMENT	
CURRENT YEAR FULL CASH VALUE TAXABLE ASSESSMENT	
525,967	
CONSTANT YIELD RATE INFORMATION	
COUNTY RATE OF 0.7166 IS LESS THAN THE CONSTANT YIELD RATE OF 0.7346 BY .018	

LOT	BLOCK	DISTRICT	SUB	TAX CLASS
98	52	04	324	R050

MORTGAGE INFORMATION		PROPERTY ADDRESS	
UNKNOWN		999 OWENS ST	

TAX DESCRIPTION	ASSESSMENT	RATE	TAX/CHARGE
STATE PROPERTY TAX	525,967	.1120	589.08
COUNTY PROPERTY TAX	525,967	.8916	4,689.52
ROCKVILLE PROPERTY TAX	525,967	.2920	1,535.82
SOLID WASTE CHARGE		20.9700	20.97
ROCKVILLE REFUSE CHARGE			445.00
ROCKVILLE STORMWATER MGMT FEE			132.00
TOTAL			7,412.39
CREDIT DESCRIPTION	ASSESSMENT	RATE	AMOUNT
COUNTY PROPERTY TAX CREDIT			-692.00
TOTAL CREDITS			-692.00
PRIOR PAYMENTS ****			3360.21
INTEREST			0
Total Annual Amount Due :			3,360.18

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

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.

YOU CAN VIEW AND PAY YOUR BILL ON THE INTERNET AT [www.montgomerycountymd.gov/finance](http://www.montgomerycountymd.gov/finance)

## Real Property Tax Credits

**Homestead Tax Credit**  
mitigates the impact of rapidly raising assessments by setting a 10% cap\* on the maximum annual assessment increase.  
\*Caps are set by each jurisdiction.



(Note: credits are not included on the sample tax bill.)

**Homeowners' Tax Credit**  
assists 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.



# ROCKVILLE UTILITIES

## - policy targets -

### TARGET #1: Revenues versus Expenses

Each fund's operating revenues must meet or exceed the fund's total operating budget expenses, unless there is a planned use of reserves. For FY 2019, all the utility funds were in compliance.

	2015	2016	2017	2018	2019
Water	✓	✓	✓	✓	✓
Sewer	✗	✗	✓	✓	✓
Refuse	✓	✓	✗	✓	✓
Stormwater Management	✓	✓	✓	✓	✓

### TARGET #2: Sufficient Reserve Levels

Water and Sewer funds must maintain a cash balance equal to six months, SWM three months, and Refuse Fund one month of operating expenses. SWM and Refuse funds were in compliance for FY 2019, but Water and Sewer were below the target. Fiscal Year 2019 was the 4th year of a six year rate plan to bring the funds into compliance.

	2015	2016	2017	2018	2019
Water	✗	✗	✗	✗	✗
Sewer	✗	✗	✗	✗	✗
Refuse	✓	✓	✓	✓	✓
Stormwater Management	✓	✓	✓	✓	✓

#### Services

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

#### Bills

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

#### Rates

For your current water and sewer rates, please visit the City's website at [rockvillemd.gov](http://rockvillemd.gov) and search "water and sewer rates." For your current SWM and refuse charges, please visit the County's website and view your property tax bill.



# SAMPLE UTILITY BILL

- water and sewer -



**CITY OF ROCKVILLE**  
 111 Maryland Ave. · Rockville, MD 20850-2364  
 Ph: 240-314-8420 Fax: 240-314-8419  
 Email: [utilitybilling@rockvillemd.gov](mailto:utilitybilling@rockvillemd.gov)

Acct. Number: 0101-000905.02  
 Bill Date: 09/15/19  
 Current Charges: 323.29  
 Total Amount Due: 323.29  
 Amount Due After 10/15/19: 354.12  
 \*Includes 10% late fee

Annual Water Quality Report  
 go to: [rockvillemd.gov/annualwaterquality2019](http://rockvillemd.gov/annualwaterquality2019)  
 Call Dept of Public Works at  
 240-314-8500 for mailed copy

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

## UTILITY BILL

The number of days in a billing period.

Per quarter 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	06/02-09/01	91				5.00	15.00	
WATER RTS 5/8" METER	06/02-09/01	91				13.13	13.13	
SEWER BILLING	05/11-08/05	86	806	823	17	10.50	178.50	
SEWER RTS 5/8" METER	06/02-09/01	91				15.25	15.25	
WATER 5/8" METER QUARTE	05/11-08/05	86	806	823	17		101.41	

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 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 @ 5.61	= 84.15	Previous Balance	287.27
Last Period:	16	2 @ 8.63	= 17.26	Payments Received	-287.27
Last Year:	15			Current Charges	323.29
Two Years Ago:	20			Total Amount Due	323.29

Water charges are based on a four tier structure. This customer used 15,000 gallons of water or 15 units at \$5.61 per unit (first tier) and 2 units at \$8.63 (second tier).

Sewer charge equals \$10.50 per 1,000 gallons or 1 unit.



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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, 2018**

*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, 2018. 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.

**Prepared by the Department of Finance**

City of Rockville, Maryland  
111 Maryland Avenue  
Rockville, MD 20850  
[www.rockvillemd.gov](http://www.rockvillemd.gov)