

First Quarter FY 2020 Financial Report

Category	Current Year (in thousands)				Prior Yr. (in thousands)		
	FY20 Adp.	FY20 Amd.	Actual 9/30/19	% Amd.	Actual 6/30/19	Actual 9/30/18	% Act.
Revenue							
Property Taxes	43,487	43,487	4,274	10%	42,168	4,834	11%
From Other Gov't.	21,911	21,911	3,169	14%	22,774	4,724	21%
Fines /Forfeitures	1,361	1,361	440	32%	1,578	399	25%
Use of Money/Property	1,724	1,724	193	11%	2,013	100	5%
Charges for Services	7,161	7,161	2,967	41%	7,779	2,841	37%
Licenses/Permits	3,071	3,071	618	20%	3,464	394	11%
Other Revenue	5,525	5,525	1,168	21%	6,279	1,402	22%
Total Revenue (\$)	84,240	84,240	12,830	15%	86,056	14,693	17%
Expenditures							
Personnel	51,565	51,565	15,160	29%	49,833	14,588	29%
Operating	14,820	14,820	3,314	22%	13,954	2,950	21%
Capital Outlay	1,603	1,603	148	9%	2,488	158	6%
Other	2,247	2,247	122	5%	2,098	446	21%
CIP Transfer	6,800	6,800	1,700	25%	8,448	2,112	25%
Transfers Out	6,202	6,202	1,550	25%	6,429	1,585	25%
Total Expenditures (\$)	83,237	83,237	21,994	26%	83,251	21,838	26%

General Fund Summary

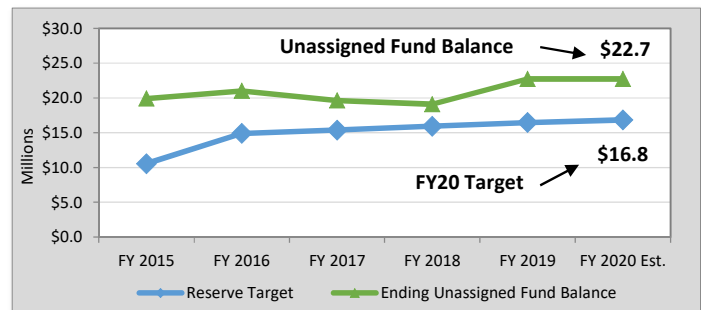
Overall, General Fund revenues and expenditures are consistent with staff expectations and remain in line with the budget. Notable variations are discussed on the next page.

Personnel spending tends to be highest in 1Q due to the City's retirement program payments.

The first FY20 budget amendment will take place on December 9, 2019.

General Fund Unassigned Fund Balance

The FY20 unassigned fund balance equals \$22.7 million, which is \$5.9 million above the FY20 reserve target of \$16.8 million. 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.



General Fund Contingency Status

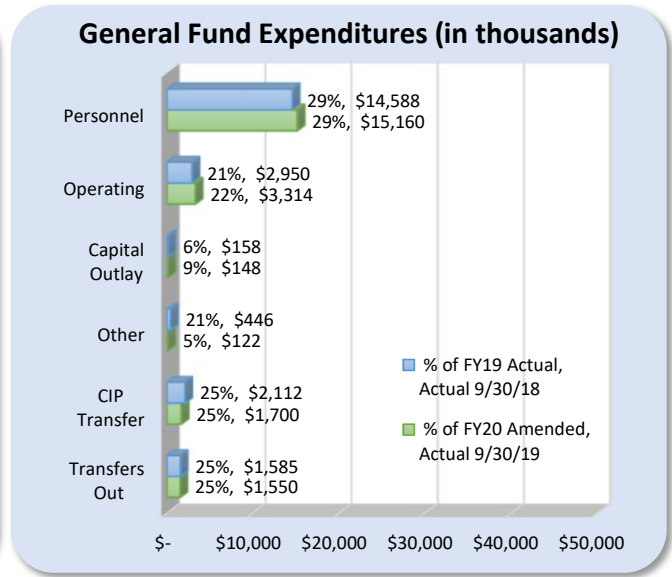
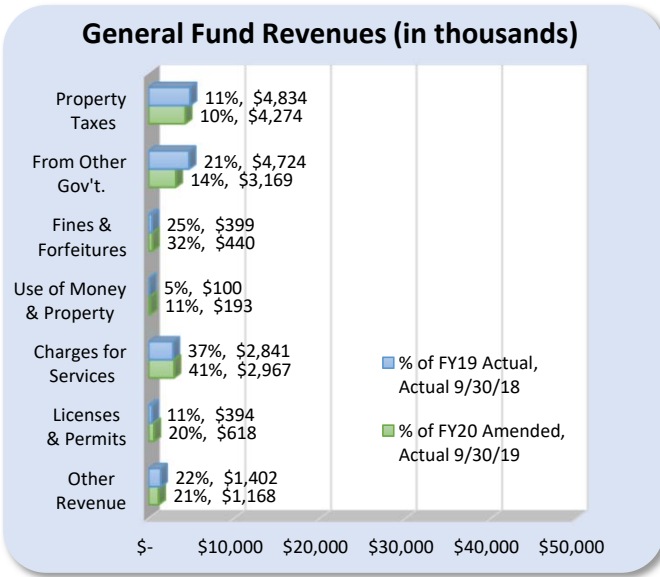
Per the City's Financial Management Policies, contingency funds are available for unanticipated, unbudgeted expenditures of a non-recurring nature and/or unexpected cost increases.

General Fund Contingency Usage through 1Q	Amount
Adopted FY20 General Fund Contingency	350,000
Sister City Event	(22,950)
Restore Hometown Holidays to two-day event	(48,000)
Montgomery County Rockville Goes Purple events	(592)
FY20 Contingency Remaining (\$)	278,458

Unspent Personnel Funds

Unspent funds related to vacant General Fund positions are tracked and reported quarterly, along with any uses of these funds. Historically, in addition to vacancy-related costs, these funds have been used for weather-related needs such as snow removal.

Unspent Personnel Funds	1Q Only	YTD FY20
Gross unspent funds from vacancies	354,671	354,671
Less vacancy-related costs	44,628	44,628
Net Unspent Funds	399,299	399,299
<i>Uses of Net Unspent Funds</i>		
No use to date	-	-
Net Unspent Funds Remaining (\$)	399,299	399,299



General Fund Revenues by Category

Property Taxes totaled \$4.3 million for 1Q, or approximately \$560,000 less than 1Q FY19. The majority of property tax revenue is received in 2Q.

Revenue **From Other Governments** totaled \$3.2 million for 1Q, compared to \$4.7 million in 1Q FY19. The large variance is due to the timing of the lump sum highway user revenue payment to the City, which varies from year to year between the 1Q and 2Q. Income tax, which is the largest individual revenue source within this category, totaled \$536,166 for 1Q, compared to \$479,349 in 1Q FY19.

Revenue from **Fines & Forfeitures** totaled \$0.4 million for 1Q, slightly ahead of 1Q FY19. Revenue from redlight camera citations makes up the largest portion of this category.

Use of Money & Property revenue totaled \$0.2 million for 1Q, up from \$0.1 million in 1Q FY19 due to revenue from interest on investments.

Charges for Services revenue totaled \$3 million for 1Q, compared with \$2.8 million in 1Q. The largest part of this variance is due to an increase in public works permit fees, which included a larger development fee in 1Q.

Licenses & Permits revenue totaled \$0.6 million for 1Q, compared to \$0.4 million for 1Q FY19, with the variance due to building permit revenue.

Other Revenue totaled \$1.2 million in 1Q, down from \$1.4 million in 1Q FY19 mainly due to the decrease in administrative charges paid by other funds that resulted from full implementation of the City's internal cost allocation model.

General Fund Expenditures by Category

Total **Personnel** spending totaled \$15.2 million through 1Q, or 29% of the adopted personnel budget. Personnel spending is typically highest in 1Q due to the timing of the City's contributions to the pension plan and the retiree benefit trust. Workers compensation spending for 1Q exceeded 1Q FY19 spending by over \$400,000 due to a collateral payment, which was not required in FY19.

Operating expenditures totaled \$3.3 million in 1Q, compared with \$3 million in 1Q FY19. This category includes contractual services, utilities, and supplies.

Capital Outlay expenditures totaled just under \$150,000 for 1Q, similar to 1Q FY19. 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 \$0.1 million for 1Q, down from 1Q FY19 due to the timing of grant payments to approved caregiver and outside agencies.

The **CIP Transfer** totaled \$1.7 million for 1Q. This category is expended quarterly based on the amended budget.

The **Transfers Out** category totaled \$1.6 million for 1Q. 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)		
	FY20	FY20	Actual	%	Actual	Actual	%
	Adp.	Amd.	9/30/19	Amd.	6/30/19	9/30/18	Act.
Total Revenue (\$)	14,276	14,276	1,762	12%	12,961	1,620	12%
<i>Expenses</i>							
Personnel	3,784	3,784	1,116	29%	3,772	1,042	28%
Operating	2,066	2,066	348	17%	2,080	312	15%
Capital Outlay ¹	115	115	26	22%	306	50	16%
Admin/Other/Interest	5,779	5,779	249	4%	5,568	274	5%
Total Expenses (\$)	11,743	11,743	1,739	15%	11,726	1,679	14%

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. 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)		
	FY20	FY20	Actual	%	Actual	Actual	%
	Adp.	Amd.	9/30/19	Amd.	6/30/19	9/30/18	Act.
Total Revenue (\$)	15,526	15,526	1,646	11%	14,979	1,459	10%
<i>Expenses</i>							
Personnel	1,920	1,920	572	30%	1,914	569	30%
Operating	3,886	3,886	82	2%	3,709	821	22%
Capital Outlay ¹	189	189	363	192%	14	0	0%
Admin/Other/Interest	7,587	7,587	131	2%	7,341	191	3%
Total Expenses (\$)	13,582	13,582	1,148	8%	12,979	1,582	12%

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

Operating costs appear low to date due to the timing of the payment for the City's share of Blue Plains operating and maintenance costs.

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 of any changes to the target date.

REFUSE FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY20	FY20	Actual	%	Actual	Actual	%
	Adp.	Amd.	9/30/19	Amd.	6/30/19	9/30/18	Act.
Total Revenue (\$)	6,241	6,241	529	8%	6,309	638	10%
<i>Expenses</i>							
Personnel	3,043	3,043	835	27%	2,695	739	27%
Operating	2,021	2,021	342	17%	1,675	298	18%
Capital Outlay ¹	511	511	0	0%	0	0	0%
Admin/Other/Interest	1,570	1,570	253	16%	1,835	334	18%
Total Expenses (\$)	7,144	7,144	1,430	20%	6,205	1,372	22%

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

Operating and capital outlay expenses may vary from the budget due to uncertainties with the current refuse and recycling program. More information on operational adjustments will be available in the next several months.

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)		
	FY20	FY20	Actual	%	Actual	Actual	%
	Adp.	Amd.	9/30/19	Amd.	6/30/19	9/30/18	Act.
Total Revenue (\$)	6,085	6,085	1,312	22%	6,996	1,114	16%
<i>Expenses</i>							
Personnel	2,678	2,678	770	29%	2,355	688	29%
Operating	821	821	86	11%	638	70	11%
Capital Outlay ¹	25	25	0	0%	1	0	0%
Admin/Other/Interest	1,731	1,731	173	10%	1,628	187	11%
Total Expenses (\$)	5,254	5,254	1,029	20%	4,622	945	20%

Revenue from SWM fees received in 1Q totaled \$1.3 million, compared to \$1.1 million in 1Q FY19. The bulk of this revenue is received in 2Q, with the remainder varying from year to year.

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

PARKING FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY20	FY20	Actual	%	Actual	Actual	%
	Adp.	Amd.	9/30/19	Amd.	6/30/19	9/30/18	Act.
Total Revenue (\$)	2,493	2,493	510	20%	2,621	785	30%
<i>Expenses</i>							
Personnel	304	304	80	26%	232	70	30%
Operating	102	102	55	54%	108	14	13%
Capital Outlay ¹	0	0	0	0%	0	0	0%
Admin/Other/Int. ²	1,556	3,683	2,067	56%	1,642	32	2%
Total Expenses (\$)	1,962	4,089	2,202	54%	1,983	116	6%

Parking Fund revenue is lower in 1Q compared to last year due to the timing of Montgomery County's contribution to the City's garage debt and payment in lieu of taxes for the Rockville library property. Parking Fund revenue includes a transfer from the General Fund; this transfer totaled \$275,000 through 1Q.

Expenses are higher in 1Q compared to last year due to costs associated with the 2019B bond refunding, which is included on the December 9, 2019 budget amendment.

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.

1Q CIP Transfers	Amount (\$)	Fund	Reason for Transfer
There were no CIP transfers in 1Q FY20.	-		

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.

²FY20 amended budget includes funding for additional defeased losses from the 2019B bond refunding that will be recognized on the December 9, 2019 budget amendment.