

## Second Quarter FY 2020 Financial Report

Category	Current Year (in thousands)				Prior Yr. (in thousands)		
	FY20 Adp.	FY20 Amd.	Actual 12/31/19	% Amd.	Actual 6/30/19	Actual 12/31/18	% Act.
<b>Revenue</b>							
Property Taxes	43,487	43,487	30,075	69%	42,168	30,423	72%
From Other Gov't.	21,911	21,911	9,833	45%	22,774	10,282	45%
Fines /Forfeitures	1,361	1,361	870	64%	1,578	789	50%
Use of Money/Property	1,724	1,724	795	46%	2,013	529	26%
Charges for Services	7,161	7,161	4,070	57%	7,779	3,852	50%
Licenses/Permits	3,071	3,071	1,746	57%	3,464	1,043	30%
Other Revenue	5,525	5,525	2,776	50%	6,279	3,154	50%
<b>Total Revenue (\$)</b>	<b>84,240</b>	<b>84,240</b>	<b>50,166</b>	<b>60%</b>	<b>86,056</b>	<b>50,072</b>	<b>58%</b>
<b>Expenditures</b>							
Personnel	51,565	51,733	27,254	53%	49,833	26,828	54%
Operating	14,820	15,312	6,682	44%	13,954	6,076	44%
Capital Outlay	1,603	2,125	979	46%	2,488	457	18%
Other	2,247	2,247	1,468	65%	2,098	1,135	54%
CIP Transfer	6,800	6,800	3,400	50%	8,448	4,224	50%
Transfers Out	6,202	6,202	3,101	50%	6,429	3,170	49%
<b>Total Expenditures (\$)</b>	<b>83,237</b>	<b>84,420</b>	<b>42,884</b>	<b>51%</b>	<b>83,251</b>	<b>41,890</b>	<b>50%</b>

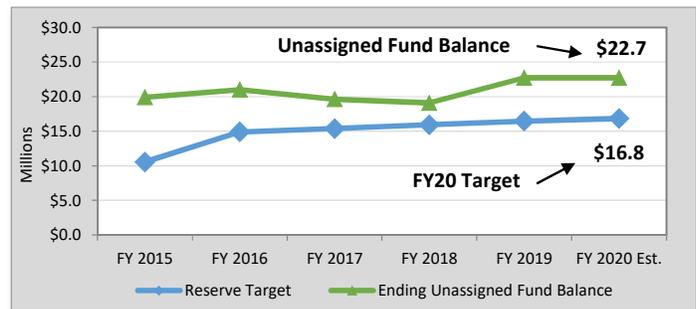
### General Fund Summary

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.

The second FY20 budget amendment will take place on March 2, 2020, and will recommend increases to income tax, building permit, and redlight camera citation revenues as discussed on the next page.

### 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. The upcoming March budget amendment will recommend that the Mayor and Council appropriate \$2.1 million of this balance to increase the CIP transfer to add funding to the Maintenance and Emergency Operations Facility (GD19) CIP project. In addition to the amendment, the FY21 proposed budget ordinance commits \$450,000 of the unassigned fund balance to a one percent cost of living adjustment for retirees effective January 1, 2021, and \$300,000 for the master planning of RedGate.



### General Fund Contingency Status

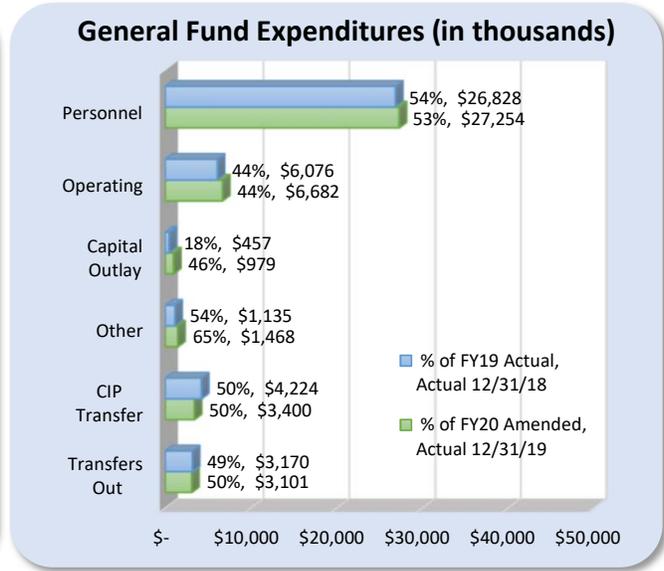
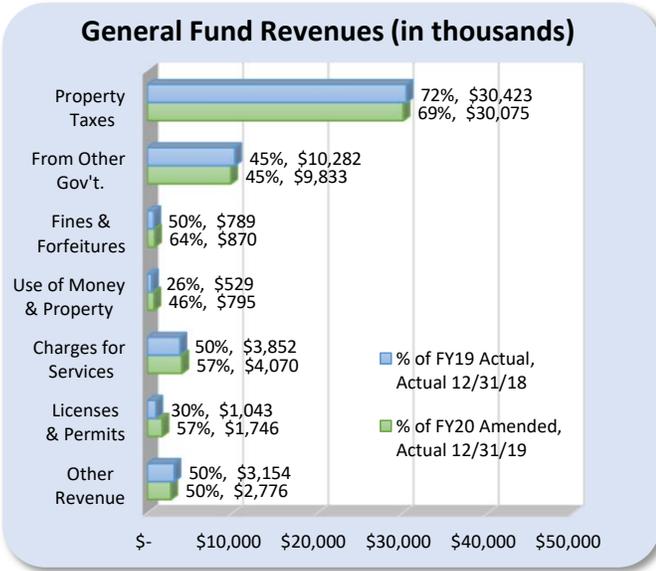
Per the City's Financial Management Policies, contingency funds are available for unanticipated, unbudgeted expenditures of a non-recurring nature and/or unexpected cost increases.

General Fund Contingency Usage through 2Q	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)
Add power to dais in Mayor and Council Chambers	(4,262)
Glenview Mansion porch design and repair	(49,500)
<b>FY20 Contingency Remaining (\$)</b>	<b>224,696</b>

### 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	2Q Only	YTD FY20
Gross unspent funds from vacancies	339,405	694,076
Vacancy-related costs/savings	(175,217)	(130,589)
<b>Net Unspent Funds</b>	<b>164,188</b>	<b>563,487</b>
<i>Uses of Net Unspent Funds</i>		
No use to date	-	-
<b>Net Unspent Funds Remaining (\$)</b>	<b>164,188</b>	<b>563,487</b>



### General Fund Revenues by Category

**Property Taxes** totaled \$30.1 million for 2Q, or approximately \$350,000 less than 2Q FY19. The majority of property tax revenue is received in 2Q.

Revenue **From Other Governments** totaled \$9.8 million for 2Q, or approximately \$450,000 less than 2Q FY19. The large variance is due to the timing of the highway user revenue payments to the City. Income tax totaled \$6 million for 2Q, compared to \$5.3 million in 2Q FY19. An \$800,000 increase to the income tax estimate will be recommended in the March budget amendment.

Revenue from **Fines & Forfeitures** totaled \$0.9 million for 2Q, or 64% of the current amended budget. Revenue from redlight camera citations makes up the largest portion of this category. An increase of just under \$350,000 to the redlight camera citation revenue budget estimate will be recommended in the March budget amendment.

**Use of Money & Property** revenue totaled \$0.8 million for 2Q, up from \$0.5 million in 2Q FY19 due to a one-time payment from the County of \$216,000 for the use of 6 Taft Ct. as a temporary location for a men's homeless shelter.

**Charges for Services** revenue totaled \$4 million for 2Q, compared with \$3.9 million in 2Q. This variance is due to an increase in fire safety and review fees, and public works fees.

**Licenses & Permits** revenue totaled \$1.7 million for 2Q, compared to \$1 million for 2Q FY19, with the variance due to building permit revenue. A \$340,000 increase to the building permit revenue budget estimate will be recommended in the March budget amendment.

**Other Revenue** totaled \$2.8 million in 2Q, down from \$3.2 million in 2Q 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 \$27.3 million through 2Q, or 53% of the total personnel budget. Workers compensation spending through 2Q exceeded 2Q FY19 spending by over \$400,000 due to a collateral payment, which was not required in FY19.

**Operating** expenditures totaled \$6.7 million in 2Q, or 44% of the total operating budget, tracking similarly to FY19. This category includes contractual services, utilities, and supplies.

**Capital Outlay** expenditures totaled just under \$1 million for 2Q, compared to \$0.5 million in 2Q FY19. This funding covers one-time equipment purchases including vehicle replacements, and varies from year to year based on needs and replacement schedules.

**Other** expenditures totaled \$1.5 million for 2Q, up from 2Q FY19 due an increase in funding paid to REDI.

The **CIP Transfer** totaled \$3.4 million for 2Q. This category is expended quarterly based on the amended budget. An increase to the CIP transfer of \$3 million will be recommended in the March budget amendment to support the Maintenance and Emergency Operations Facility (GD19) CIP project.

The **Transfers Out** category totaled \$3.1 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)		
	FY20	FY20	Actual	%	Actual	Actual	%
	Adp.	Amd.	12/31/19	Amd.	6/30/19	12/31/18	Act.
<b>Total Revenue (\$)</b>	<b>14,276</b>	<b>14,276</b>	<b>5,564</b>	<b>39%</b>	<b>12,961</b>	<b>5,141</b>	<b>40%</b>
<i>Expenses</i>							
Personnel	3,784	3,784	2,028	54%	3,772	2,027	54%
Operating	2,066	2,130	850	40%	2,080	820	39%
Capital Outlay <sup>1</sup>	115	115	61	53%	306	65	21%
Admin/Other/Interest	5,779	5,779	1,018	18%	5,568	1,063	19%
<b>Total Expenses (\$)</b>	<b>11,743</b>	<b>11,808</b>	<b>3,956</b>	<b>34%</b>	<b>11,726</b>	<b>3,975</b>	<b>34%</b>

Water Fund 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.

The City is currently undergoing a study that evaluates the cost of service by property classification. The results of this study may impact the City's future rates and rate structure starting in FY22. Results of the study will be presented in spring/summer 2020.

SEWER FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY20	FY20	Actual	%	Actual	Actual	%
	Adp.	Amd.	12/31/19	Amd.	6/30/19	12/31/18	Act.
<b>Total Revenue (\$)</b>	<b>15,526</b>	<b>15,526</b>	<b>5,710</b>	<b>37%</b>	<b>14,979</b>	<b>5,377</b>	<b>36%</b>
<i>Expenses</i>							
Personnel	1,920	1,920	983	51%	1,914	1,050	55%
Operating	3,886	3,927	1,436	37%	3,709	1,680	45%
Capital Outlay <sup>1</sup>	189	551	364	66%	14	3	18%
Admin/Other/Interest	7,587	7,587	1,145	15%	7,341	1,121	15%
<b>Total Expenses (\$)</b>	<b>13,582</b>	<b>13,985</b>	<b>3,929</b>	<b>28%</b>	<b>12,979</b>	<b>3,854</b>	<b>30%</b>

Sewer Fund revenue appears low until the end of the year due to the timing of the receipt of quarterly bill payments.

Operating costs are lower than in 2Q FY19 due to a reconciliation credit of approximately \$250,000 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 FY22, 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.	12/31/19	Amd.	6/30/19	12/31/18	Act.
<b>Total Revenue (\$)</b>	<b>6,241</b>	<b>6,241</b>	<b>3,636</b>	<b>58%</b>	<b>6,309</b>	<b>3,687</b>	<b>58%</b>
<i>Expenses</i>							
Personnel	3,043	3,133	1,548	49%	2,695	1,418	53%
Operating	2,021	2,021	838	41%	1,675	607	36%
Capital Outlay <sup>1</sup>	511	511	0	0%	0	0	0%
Admin/Other/Interest	1,570	1,570	522	33%	1,835	686	37%
<b>Total Expenses (\$)</b>	<b>7,144</b>	<b>7,234</b>	<b>2,908</b>	<b>40%</b>	<b>6,205</b>	<b>2,711</b>	<b>44%</b>

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

Due to some changes in the recyclables market, the City is evaluating options for the future of the City's recycling program, with the possibility of transitioning to a more affordable dual stream system. More information will be presented to the Mayor and Council during the FY21 budget deliberations.

<sup>1</sup>Capital 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.	12/31/19	Amd.	6/30/19	12/31/18	Act.
<b>Total Revenue (\$)</b>	<b>6,085</b>	<b>6,085</b>	<b>4,405</b>	<b>72%</b>	<b>6,996</b>	<b>4,869</b>	<b>70%</b>
<i>Expenses</i>							
Personnel	2,678	2,678	1,374	51%	2,355	1,303	55%
Operating	821	830	288	35%	638	182	29%
Capital Outlay <sup>1</sup>	25	25	1	5%	1	0	0%
Admin/Other/Interest	1,731	1,731	374	22%	1,628	405	25%
<b>Total Expenses (\$)</b>	<b>5,254</b>	<b>5,263</b>	<b>2,037</b>	<b>39%</b>	<b>4,622</b>	<b>1,891</b>	<b>41%</b>

The majority of SWM revenue is received in 2Q. Revenue is lower compared to last year due to several large developments paying SWM permit and waiver fees in FY19.

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.	12/31/19	Amd.	6/30/19	12/31/18	Act.
<b>Total Revenue (\$)</b>	<b>2,493</b>	<b>2,493</b>	<b>1,440</b>	<b>58%</b>	<b>2,621</b>	<b>1,431</b>	<b>55%</b>
<i>Expenses</i>							
Personnel	304	304	136	45%	232	121	52%
Operating	102	102	74	73%	108	24	22%
Capital Outlay <sup>1</sup>	0	0	0	0%	0	0	0%
Admin/Other/Int.	1,556	3,683	2,396	65%	1,642	577	35%
<b>Total Expenses (\$)</b>	<b>1,962</b>	<b>4,089</b>	<b>2,605</b>	<b>64%</b>	<b>1,983</b>	<b>722</b>	<b>36%</b>

Parking Fund revenue includes a transfer from the General Fund; this transfer totaled \$550,000 through 2Q, equal to FY19.

Expenses are higher through 2Q compared to last year due to costs associated with the 2019B bond refunding. This refunding saves the Parking Fund over \$2.5 million in debt service costs over the remaining life of the bonds.

**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.

<b>2Q CIP Transfers</b>	<b>Amount (\$)</b>	<b>Fund</b>	<b>Reason for Transfer</b>
Stream Restoration Spot Repairs (SD16)	150,000	SWM	Emergency repairs needed at Dogwood Park; Additional funding required to award projects at Bullards and Woodley Gardens Parks
Storm Drain Rehab & Improvement (SA16)	(150,000)		

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