

First Quarter FY 2021 Financial Report

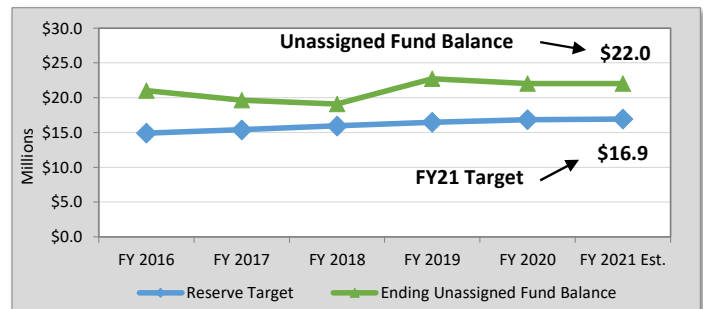
Category	Current Year (in thousands)				Prior Yr. (in thousands)		
	FY21 Adp.	FY21 Amd.	Actual 9/30/20	% Amd.	Actual 6/30/20	Actual 9/30/19	% Act.
Revenue							
Property Taxes	43,816	43,816	3,785	9%	42,552	4,274	10%
From Other Gov't.	21,650	21,650	4,281	20%	23,201	3,169	14%
Fines /Forfeitures	1,583	1,583	313	20%	1,510	440	29%
Use of Money/Property	1,341	1,341	69	5%	2,364	193	8%
Charges for Services	7,405	7,405	753	10%	5,472	2,967	54%
Licenses/Permits	3,411	3,411	553	16%	3,595	618	17%
Other Revenue	5,399	5,399	1,078	20%	5,204	1,168	22%
Total Revenue (\$)	84,605	84,605	10,832	13%	83,896	12,830	15%
Expenditures							
Personnel	51,813	51,813	13,668	26%	51,146	15,160	30%
Operating	15,033	15,033	3,048	20%	13,092	3,314	25%
Capital Outlay	1,722	1,722	137	8%	2,097	148	7%
Other	2,476	2,476	990	40%	2,307	122	5%
CIP Transfer	6,330	6,330	1,583	25%	9,800	1,700	17%
Transfers Out	6,261	6,261	1,565	25%	6,202	1,550	25%
Total Expenditures (\$)	83,635	83,635	20,990	25%	84,644	21,994	26%

General Fund Summary

General Fund revenues and expenditures remain impacted by the current pandemic. The Mayor and Council adopted a budget amendment on November 2, 2020 that recognized revenue and expenditure adjustments based on 1Q facility and program closures. (Because this amendment did not happen until 2Q, it is not reflected in the tables presented in this report.) Additional amendments are planned for February and May 2021 to recognize 2Q and 3Q impacts, respectively. Staff have identified several financial strategies to help mitigate the impacts.

General Fund Unassigned Fund Balance

The FY21 unassigned fund balance equals \$22 million, which is \$5.1 million above the FY21 reserve target of \$16.9 million. In addition to this balance, the FY21 adopted budget included a planned addition to reserves of \$970,000. The November 2, 2020 budget amendment utilized \$280,000 of that planned addition, bringing the total to \$690,000. This amount is available to offset any reductions in revenues or increases in expenditures during the remainder of the year that cannot be offset by other adjustments within the current budget.



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.

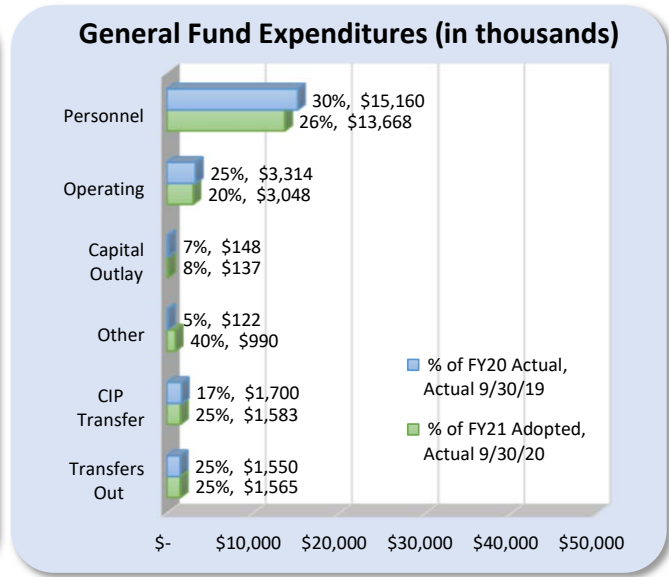
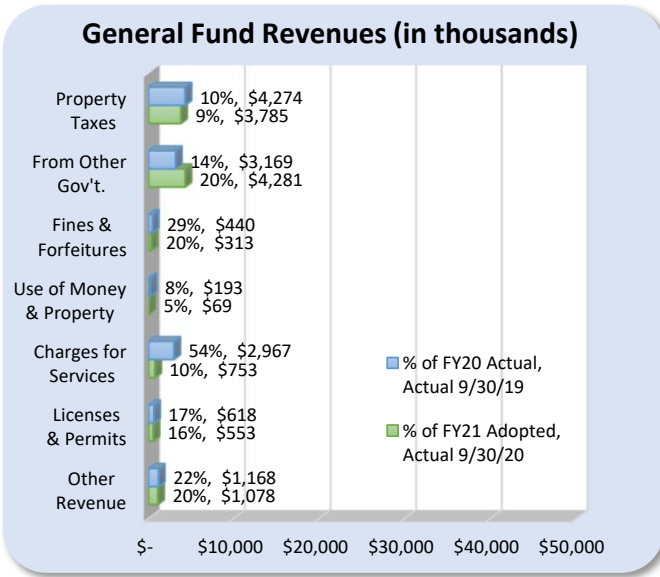
General Fund Contingency Usage through 1Q	Amount
Adopted FY21 General Fund Contingency	310,000
Additional funding for police parking lease	(6,000)
Additional credit card fees due to online permitting	(21,000)
FY21 Contingency Remaining (\$)*	283,000

*In addition to the uses above, \$40,000 has been utilized to date in the 2Q for electronic bidding software, bringing the remaining balance to \$243,000.

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 FY21
Gross unspent funds from vacancies	468,167	468,167
Vacancy-related costs/savings	(234,902)	(234,902)
Net Unspent Funds	233,265	233,265
<i>Uses of Net Unspent Funds</i>		
No use to date	-	-
Net Unspent Funds Remaining (\$)	233,265	233,265



General Fund Revenues by Category

Property Taxes totaled \$3.8 million for 1Q, or approximately \$490,000 less than 1Q FY20. The majority of property tax revenue is received in 2Q; other quarters vary by year.

Revenue **From Other Governments** totaled \$4.3 million for 1Q, or \$1.1 million more than 1Q FY20. The largest variance compared to FY20 is in income tax, which totaled \$1.2 million higher than 1Q FY20. The 1Q distribution amount of \$1.8 million is much larger than the typical 1Q distribution due to the extension of the income tax deadline from April to July. This category also includes admissions and amusement tax revenue, which typically isn't received until 2Q. This year, however, the city received its 1Q distribution on time. This distribution totaled less than \$21,000, compared to over \$300,000 in past years. Estimates for this revenue source will likely need to be adjusted downward on a future budget amendment.

Revenue from **Fines & Forfeitures** totaled \$0.3 million for 1Q, compared to \$0.4 million in 1Q FY20. Redlight camera revenue, which makes up the largest portion of this category, was down by 33% compared to last year due to decreased vehicle traffic as a result of the current pandemic.

Use of Money & Property revenue totaled less than \$70,000 for 1Q, down from \$0.2 million in 1Q FY20 due to a decrease in investment income as a result of low interest rates.

Charges for Services revenue totaled approximately \$750,000, compared with \$3 million in 1Q FY20. This category includes recreation programming, event, and rental fees which have been significantly impacted by the COVID-19 pandemic. The November 2, 2020 budget amendment included reductions accounting for 1Q revenue losses, along with related expenditure reductions.

Licenses & Permits revenue totaled approximately \$550,000, compared to \$620,000 in 1Q FY20, with the variance due to building permit revenue. This revenue source has exceeded targets in recent years, and remains on target at this time.

Other Revenue totaled \$1.1 million in 1Q, down from \$1.2 million in 1Q FY20 due to a decline in hotel tax revenue. Hotel tax receipts totaled approximately \$44,000 in 1Q FY21, compared to just under \$138,000 in 1Q FY20. Estimates for this revenue source will likely need to be adjusted downward on a future budget amendment.

General Fund Expenditures by Category

Total **Personnel** spending totaled \$13.7 million through 1Q, or 26% of the total personnel budget. 1Q expenditures include the city's full annual contributions to the pension plan and retiree healthcare. Spending on temporary employees was down over \$600,000 compared to 1Q FY20 due to pandemic-related facility and program closures; much of this savings (\$560,000) was recognized on the November 2, 2020 budget amendment.

Operating expenditures totaled \$3 million in 1Q, or 20% of the total operating budget. This category includes contractual services, utilities, and supplies. The November 2, 2020 budget amendment captured reductions in this category accounting for 1Q expenditure savings due to facility closures and programming modifications. Restrictions on non-essential spending remain in effect for this category.

Capital Outlay expenditures totaled \$0.1 million for 1Q, similar to FY20. 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 just under \$1 million for 1Q, up from \$0.1 million in 1Q FY20 due to the timing of payments to REDI.

The **CIP Transfer** totaled \$1.6 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)		
	FY21	FY21	Actual	%	Actual	Actual	%
	Adp.	Amd.	9/30/20	Amd.	6/30/20	9/30/19	Act.
Total Revenue (\$)	14,565	14,565	1,756	12%	13,931	1,762	13%
<i>Expenses</i>							
Personnel	3,903	3,903	1,023	26%	3,918	1,116	28%
Operating	2,450	2,450	411	17%	1,907	348	18%
Capital Outlay ¹	380	380	33	9%	117	26	22%
Admin/Other/Interest	5,843	5,843	339	6%	5,771	249	4%
Total Expenses (\$)	12,576	12,576	1,806	14%	11,713	1,739	15%

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

The FY21 budget includes no water rate increases, which is a change from the plan originally adopted by the Mayor and Council in May 2018 to bring the Water Fund into compliance with the city's Financial Management Policies. Staff are working with the city's utility rate consultant to develop a

recommendation for future rate adjustments that will improve the health of the Fund while aligning the City's cost of service with property type or classification. The recommended rates and rate structure will be publicly presented to the Mayor and Council in January 2021.

SEWER FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY21	FY21	Actual	%	Actual	Actual	%
	Adp.	Amd.	9/30/20	Amd.	6/30/20	9/30/19	Act.
Total Revenue (\$)	16,022	16,022	1,754	11%	15,812	1,646	10%
<i>Expenses</i>							
Personnel	1,950	1,950	549	28%	1,915	572	30%
Operating	3,959	3,959	62	2%	3,462	82	2%
Capital Outlay ¹	88	88	5	6%	515	363	71%
Admin/Other/Interest	7,517	7,517	252	3%	7,491	131	2%
Total Expenses (\$)	13,514	13,514	868	6%	13,383	1,148	9%

Sewer 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 Sewer Fund spending occurs in the CIP and goes toward the City's contribution to the Blue Plains Wastewater Treatment Facility.

The FY21 budget includes no sewer rate increases, which is a change from the plan originally adopted by the Mayor and Council in May 2018 to bring the Sewer Fund into compliance with the city's Financial Management Policies. Staff are working with the city's utility rate consultant to develop a recommendation for future rate adjustments that will improve the health of the Fund while aligning the city's cost of service with property type or classification. The recommended rates and rate structure will be publicly presented to the Mayor and Council in January 2021.

REFUSE FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY21	FY21	Actual	%	Actual	Actual	%
	Adp.	Amd.	9/30/20	Amd.	6/30/20	9/30/19	Act.
Total Revenue (\$)	6,216	6,216	562	9%	6,298	529	8%
<i>Expenses</i>							
Personnel	3,235	3,235	784	24%	3,072	835	27%
Operating	2,019	2,019	377	19%	1,859	342	18%
Capital Outlay ¹	441	441	0	0%	143	0	0%
Admin/Other/Interest	1,660	1,660	280	17%	1,505	253	17%
Total Expenses (\$)	7,354	7,354	1,441	20%	6,579	1,430	22%

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

Recycling and refuse staff continue to see higher-than-average volume from residences due to more time spent at home and increased home delivery services (with recyclable packaging) as a result of the pandemic.

The city's current recycling processing contract ends in April 2021. Staff is currently reviewing options for this service, but based on market conditions costs could increase by 15-20%. These increases will be factored in to the FY22 proposed budget.

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)		
	FY21	FY21	Actual	%	Actual	Actual	%
	Adp.	Amd.	9/30/20	Amd.	6/30/20	9/30/19	Act.
Total Revenue (\$)	6,133	6,133	813	13%	5,650	1,312	23%
<i>Expenses</i>							
Personnel	2,681	2,681	771	29%	2,643	770	29%
Operating	879	879	168	19%	673	86	13%
Capital Outlay ¹	94	94	0	0%	1	0	0%
Admin/Other/Interest	1,830	1,830	207	11%	1,723	173	10%
Total Expenses (\$)	5,484	5,484	1,145	21%	5,040	1,029	20%

The majority of SWM revenue is received in 2Q. Permitting revenue is lower compared to FY20 by approximately \$225,000; this revenue source varies based on the timing and size of development activity.

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

PARKING FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY21	FY21	Actual	%	Actual	Actual	%
	Adp.	Amd.	9/30/20	Amd.	6/30/20	9/30/19	Act.
Total Revenue (\$)	2,691	2,691	743	28%	2,311	510	22%
<i>Expenses</i>							
Personnel	307	307	86	28%	281	80	28%
Operating	99	99	12	12%	141	55	39%
Capital Outlay ¹	0	0	0	0%	0	0	0%
Admin/Other/Int.	1,077	1,077	23	2%	3,189	2,067	65%
Total Expenses (\$)	1,483	1,483	120	8%	3,610	2,202	61%

Meter, violation, and fine revenue through 1Q totaled approximately \$83,000, less than half of the \$193,000 that was received in 1Q FY20. Revenue appears higher in FY21 due to the timing of the County's payments related to the library in Town Square; in FY21 the city received this revenue in 1Q, compared to 2Q in FY20. Parking Fund revenue includes a transfer from the General Fund; this transfer totaled \$312,500 through 1Q, up from \$275,000

Expenses in FY20 included costs associated with the 2019B bond refunding, which will save 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.

1Q CIP Transfers	Amount (\$)	Fund	Reason for Transfer
Rockville Intermodal Access: Baltimore Rd (8A11)	443,120	Special Activities	Additional funding required to award construction and maintain adequate contingency. Southlawn project is complete and had leftover contingency.
Southlawn Lane Sidewalk (6A11)	(443,120)		

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