

First Quarter FY 2023 Financial Report

Category	Current Year (in thousands)				Prior Yr. (in thousands)		
	FY23 Adp.	FY23 Amd.	Actual 9/30/22	% Amd.	Actual 6/30/22	Actual 9/30/21	% Act.
Revenue							
Property Taxes	45,950	45,950	4,532	10%	44,932	5,487	12%
From Other Gov't.	28,552	29,120	8,108	28%	29,939	1,014	3%
Fines/Forfeitures	1,353	1,353	141	10%	512	182	36%
Use of Money/Property	1,294	1,294	0	0%	775	193	25%
Charges for Services	7,446	7,446	3,207	43%	6,310	2,263	36%
Licenses/Permits	3,337	3,337	724	22%	3,480	476	14%
Other Revenue	5,389	5,389	1,257	23%	6,307	1,199	19%
Total Revenue (\$)	93,320	93,889	17,969	19%	92,256	10,813	12%
Expenditures							
Personnel	57,654	58,238	15,569	27%	51,172	13,793	27%
Operating	17,441	18,182	3,635	20%	14,621	2,199	15%
Capital Outlay	2,504	2,830	458	16%	2,326	172	7%
Other	2,902	3,255	1,160	36%	2,486	1,138	46%
CIP Transfer	7,000	7,000	1,750	25%	10,220	1,750	17%
Transfers Out	5,720	5,720	1,430	25%	6,252	1,549	25%
Total Expenditures (\$)	93,220	95,225	24,003	25%	87,076	20,600	24%

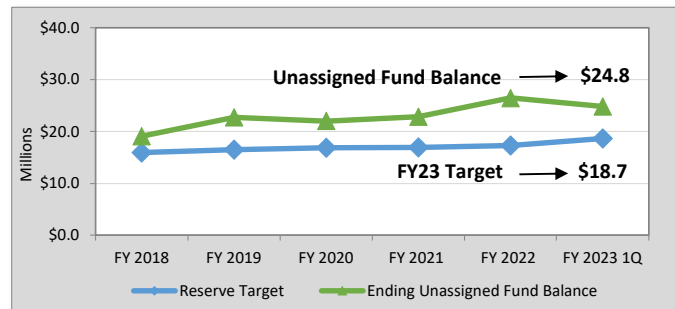
General Fund Summary

The FY23 amended budget in this report reflects adjustments included on the July 11, 2022 budget amendment. The adjustments included on the October 3, 2022 amendment are not included in the tables shown in this report as they occurred in 2Q, but their impacts on fund balance are discussed below.

The City is seeing increases in the costs of many goods and services based on current economic conditions. The City's excellent financial standing including strong reserve levels make it easier to address these increases near-term, but their long-term impacts will be a major factor in the coming budget process.

General Fund Unassigned Fund Balance

The current FY23 estimated unassigned fund balance equals \$24.8 million, or \$6.2 million above the FY23 reserve target. This amount includes the uses on the October 3, 2022 budget amendment, which totaled \$1.4 million. The November 14, 2022 budget amendment includes a use of \$100,000 in unassigned fund balance for the design of the third floor of the north wing of 6 Taft Ct. This amendment, if adopted by the Mayor and Council, would bring the total unassigned fund balance to \$6.1 million above the reserve target.



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.

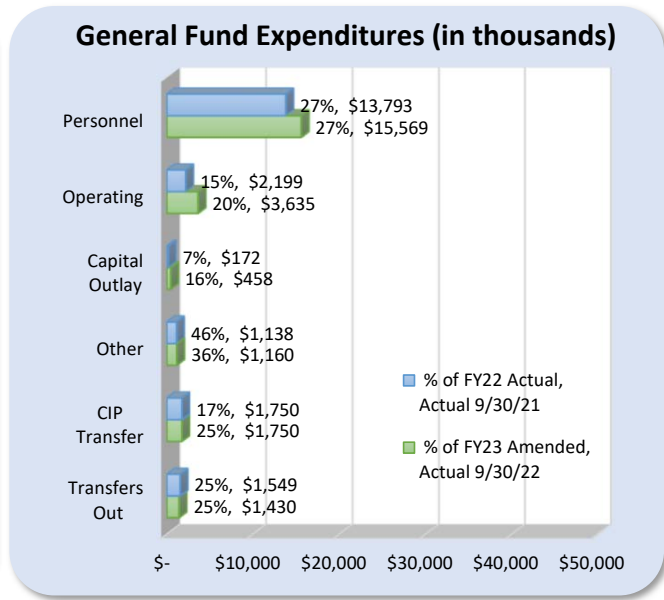
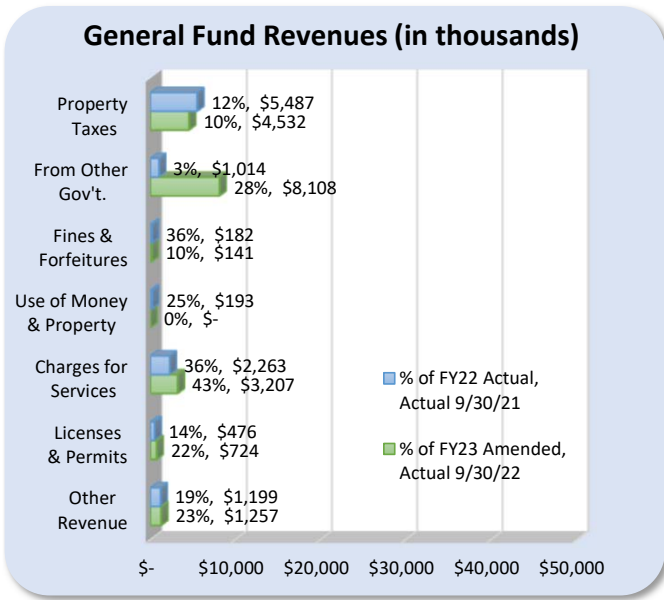
General Fund Contingency Usage through 1Q	Amount
Adopted FY23 General Fund Contingency	350,000
National Night Out event	(1,000)
Property survey	(8,947)
State of the City event	(6,339)
Add'l funds needed to award grants mgmt contract	(9,242)
Rockville Goes Purple event	(8,000)
Public safety lighting projects	(22,195)
MPIA request	(11,848)
Add'l funds needed for fall protection solutions	(21,000)
FY23 Contingency Remaining (\$)*	261,429

*As of 11/1/22, an additional \$23,432 in contingency has been utilized for an office space reconfiguration, bringing the remaining balance to \$237,997.

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 FY23
Gross unspent funds from vacancies	1,255,192	1,255,192
Vacancy-related (costs)/savings	(792,766)	(792,766)
Net Unspent Funds	462,426	462,426
<i>Uses of Net Unspent Funds</i>		
Recruitment (CPDS Asst. Director)	(24,500)	(24,500)
Net Unspent Funds Remaining (\$)	437,926	437,926



General Fund Revenues by Category

Property Taxes totaled \$4.5 million for 1Q, or 10% of the adopted target. The majority of property tax revenue is received in 2Q.

Revenue **From Other Governments** totaled \$8.1 million for 1Q. This amount includes the County's full tax duplication payment of \$6.6 million, which was received in 2Q and 4Q in FY22, and totaled \$5.3 million. Income tax revenue in 1Q was nearly identical to FY22 at 1 million.

Revenue from **Fines & Forfeitures** totaled \$141,000 for 1Q, down from \$182,000 in FY22 due to continued concerns with redlight camera equipment and resulting low citations. This pattern is expected to continue through at least early 2023 and will likely result in a revenue adjustment on a future budget amendment.

Use of Money & Property revenue remained at zero for 1Q due to investment losses. This category also includes cable franchise fees which are typically not recognized until 2Q.

Charges for Services revenue totaled \$3.2 million through 1Q, compared to \$2.3 million in FY22 due to increases in recreation revenues including program fees, facility rentals, and admission charges.

Licenses & Permits revenue totaled \$0.7 million, compared to \$0.5 million in FY22, due to higher building permit revenue.

Other Revenue totaled \$1.3 million in 1Q, a slight increase over FY22 due to higher hotel tax and community contribution revenue.

General Fund Expenditures by Category

Personnel spending totaled \$15.6 million through 1Q, or 27% of the total personnel budget. Spending in 1Q tends to be the highest as the city's contributions to the pension and retiree healthcare are made in full in the 1Q.

Operating expenditures totaled \$3.6 million through 1Q, or 20% of the amended operating budget. This category includes contractual services, utilities, and supplies, and payment timing can vary from year to year. The City is expecting a significant increase in electricity costs based on new contract pricing effective in the second half of FY23. This category will likely be amended once the impact of this increase is known.

Capital Outlay expenditures totaled \$0.5 million through 1Q. 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 \$1.2 million through 1Q, or 36% of the amended budget. This category includes the City's outside agency grants and contribution to REDI.

The **CIP Transfer** totaled \$1.8 million through 1Q. This category is expended quarterly based on the amended budget. The remaining quarterly transfers will be higher due to the increase in the CIP transfer on the October budget amendment to add \$1.4 million to the Maintenance and Emergency Operations Facility Improvements (GA19) CIP project.

The **Transfers Out** category totaled \$1.4 million through 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)		
	FY23	FY23	Actual	%	Actual	Actual	%
	Adp.	Amd.	9/30/22	Amd.	6/30/22	9/30/21	Act.
Total Revenue (\$)	14,260	14,260	1,600	11%	12,588	586	5%
<i>Expenses</i>							
Personnel	4,158	4,200	1,120	27%	3,841	1,039	27%
Operating ¹	2,313	2,313	412	18%	2,044	361	18%
Capital Outlay ¹	667	667	37	6%	218	49	22%
Admin/Other/Interest	6,070	6,070	284	5%	5,868	267	5%
Total Expenses (\$)	13,208	13,250	1,853	14%	11,971	1,716	14%

In 1Q FY22 there were several significant billing adjustments, which cause the total revenue to appear much lower than 1Q FY23 despite usage decreasing by 11.5%. Usage patterns have changed in recent years due to the pandemic, making forecasting more challenging. The Mayor and Council have adopted rates through FY24. Staff will work with a consultant in FY23 to update the current rate model that will be used to set rates for FY25 and beyond.

SEWER FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY23	FY23	Actual	%	Actual	Actual	%
	Adp.	Amd.	9/30/22	Amd.	6/30/22	9/30/21	Act.
Total Revenue (\$)	16,292	16,292	1,551	10%	14,689	2,095	14%
<i>Expenses</i>							
Personnel	2,073	2,094	586	28%	1,887	531	28%
Operating ¹	4,152	4,152	849	20%	3,746	131	3%
Capital Outlay ¹	948	948	9	1%	317	44	14%
Admin/Other/Interest	7,416	7,416	159	2%	7,421	143	2%
Total Expenses (\$)	14,588	14,609	1,603	11%	13,371	849	6%

Usage decreased by 11.5% compared to FY22, resulting in a decrease in revenue. Usage patterns have changed in recent years due to the pandemic, making forecasting more challenging. The Mayor and Council have adopted rates through FY24. Staff will work with a consultant in FY23 to update the current rate model that will be used to set rates for FY25 and beyond.

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.

REFUSE FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY23	FY23	Actual	%	Actual	Actual	%
	Adp.	Amd.	9/30/22	Amd.	6/30/22	9/30/21	Act.
Total Revenue (\$)	6,732	6,732	586	9%	6,617	604	9%
<i>Expenses</i>							
Personnel	3,532	3,565	937	26%	2,916	746	26%
Operating ¹	2,283	2,283	334	15%	2,188	370	17%
Capital Outlay ¹	873	873	3	0%	308	0	0%
Admin/Other/Interest	1,763	1,763	304	17%	1,549	283	18%
Total Expenses (\$)	8,451	8,484	1,578	19%	6,960	1,399	20%

The city's refuse fee is the only major source of income for the Refuse Fund. This fee is collected through property tax bills, with the majority of the revenue being received in 2Q.

The city implemented a recruitment and retention program mid-FY22 in response to difficulty filling and retaining refuse worker positions. This program is continuing in FY23 as staffing remains a challenge across the industry.

¹Capital outlay purchases and operating leases with useful lives of more than five years are capitalized and depreciated or amortized 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 will differ from the financial statements in the amount of the cost of any capitalized assets or leases.

SWM FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY23	FY23	Actual	%	Actual	Actual	%
	Adp.	Amd.	9/30/22	Amd.	6/30/22	9/30/21	Act.
Total Revenue (\$)	6,316	6,316	1,450	23%	6,076	892	15%
<i>Expenses</i>							
Personnel	2,873	2,904	772	27%	2,578	717	28%
Operating ¹	1,180	1,180	187	16%	877	58	7%
Capital Outlay ¹	8	8	9	109%	128	0	0%
Admin/Other/Interest	2,291	2,291	200	9%	1,816	194	11%
Total Expenses (\$)	6,353	6,384	1,167	18%	5,400	969	18%

The city's SWM fee makes up the bulk of the SWM revenue budget. This fee is collected through property tax bills, with the majority of the revenue being received in 2Q.

A large portion of SWM Fund spending occurs in the multi-year CIP. Capital outlay spending appears high due to payments against purchase orders (POs) that rolled from FY22 to FY23. The funding for these POs was included in the October 3, 2022 budget amendment, which will be reflected in the 2Q Financial Report.

PARKING FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY23	FY23	Actual	%	Actual	Actual	%
	Adp.	Amd.	9/30/22	Amd.	6/30/22	9/30/21	Act.
Total Revenue (\$)	2,403	2,403	764	32%	2,991	845	28%
<i>Expenses</i>							
Personnel	288	291	85	29%	277	70	25%
Operating ¹	113	113	15	14%	225	3	2%
Capital Outlay ¹	0	0	0	0%	0	0	0%
Admin/Other/Int.	1,019	1,019	32	3%	1,729	22	1%
Total Expenses (\$)	1,420	1,423	133	9%	2,232	95	4%

A General Fund transfer to the Parking Fund of \$275,000 was recognized in 1Q, compared to \$375,000 in FY22. This transfer is made quarterly according to the adopted budget, which totals \$1.1 million for FY23.

1Q parking meter revenue was roughly equal to FY22, while revenue from violations and other fines increased by approximately \$10,000.

The increase in operating costs from FY22 to FY23 is due to payment timing.

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 FY23.			

¹Capital outlay purchases and operating leases with useful lives of more than five years are capitalized and depreciated or amortized 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 will differ from the financial statements in the amount of the cost of any capitalized assets or leases.