City of Rockville Get Into It

Second Quarter FY 2024 Financial Report

GENERAL FUND

Category	Current Year (in thousands)				Prior Yr. (in thousands)		
	FY24 Adp.	FY24 Amd.	Actual 12/31/23	% Amd.	Actual 6/30/23	Actual 12/31/22	% Act.
Revenue							
Property Taxes	46,950	46,950	32,595	69%	46,054	32,108	70%
From Other Gov't.	33,311	33,381	16,212	49%	32,121	15,190	47%
Fines/Forfeitures	1,353	1,353	1,684	124%	576	277	48%
Use of Money/Property	1,187	1,241	1,668	134%	2,124	318	15%
Charges for Services	7,742	7,742	4,901	63%	8,258	4,231	51%
Licenses/Permits	4,140	4,140	1,215	29%	3,363	1,255	37%
Other Revenue	6,943	6,943	3,767	54%	8,662	2,657	31%
Total Revenue ($)	**101,626**	**101,749**	**62,042**	**61%**	**101,157**	**56,036**	**55%**
Expenditures							
Personnel	60,066	61,035	31,052	51%	55,765	28,038	50%
Operating	19,709	21,089	7,489	36%	14,818	7,440	50%
Capital Outlay	3,699	5,638	991	18%	4,300	1,065	25%
Other	3,643	3,809	1,426	37%	4,814	1,539	32%
CIP Transfer	9,200	10,990	5,495	50%	14,207	4,000	28%
Transfers Out	5,309	5,680	2,840	50%	5,887	2,860	49%
Total Expenditures ($)	**101,626**	**108,241**	**49,292**	**46%**	**99,791**	**44,942**	**45%**

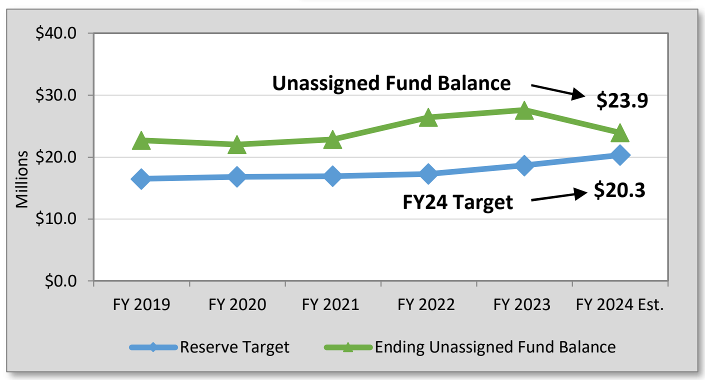
General Fund Summary

The FY24 amended budget in this report reflects adjustments included on the July and October budget amendments. The March budget amendment adjustments will be shown on the 3Q report, but are factored into the discussion of unassigned fund balance below.

The Fines/Forfeitures and Use of Money/Property revenue categories have both exceeded their budgeted estimates as of the end of 2Q. On the expenditure side, electricity costs (operating category) are expected to be well below budget. These items along with any recommended budget adjustments are discussed on page 2 of this report.

General Fund Unassigned Fund Balance

The FY24 estimated ending unassigned fund balance as of 2Q equals $23.9 million, which is $3.6 million above the FY24 target. The March budget amendment recommends the use of $250,000 of this balance to support the Maintenance and Emergency Operations Facility Improvements (GD19) CIP project. Additionally, the FY25 proposed budget ordinance commits $500,000 in reserves for outdoor fitness pool replastering, a comprehensive permit and fee study, and the development of a maintenance complex master plan. If adopted, these uses would result in an estimated ending unassigned fund balance of $23.2 million, or $2.9 million above the FY24 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.

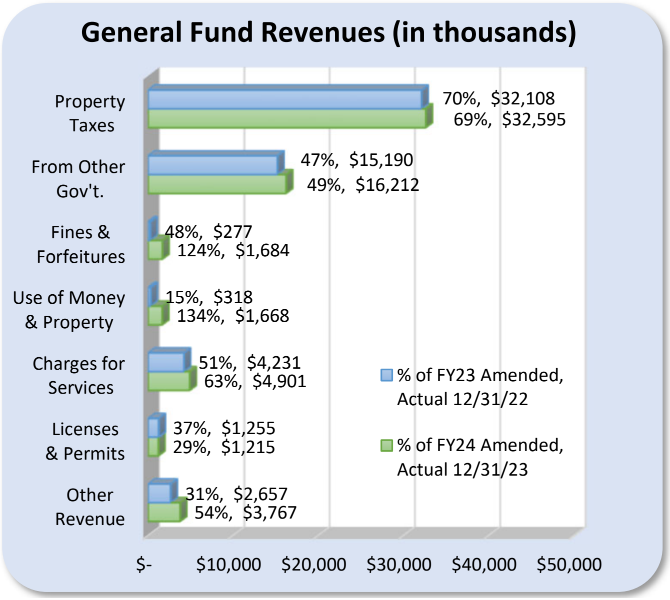
General Fund Contingency Usage through 2Q	Amount
Adopted FY24 General Fund Contingency	350,000
Police actuarial study	(2,500)
Hazmat cleanup	(9,000)
Line striping contract award	(13,700)
Branding project re-scope	(58,400)
MML collaborative paid parental leave RFP	(10,000)
Outfield sports lighting system repair	(25,000)
Snow removal equipment	(51,500)
FY24 Contingency Remaining ($)*	**179,900**

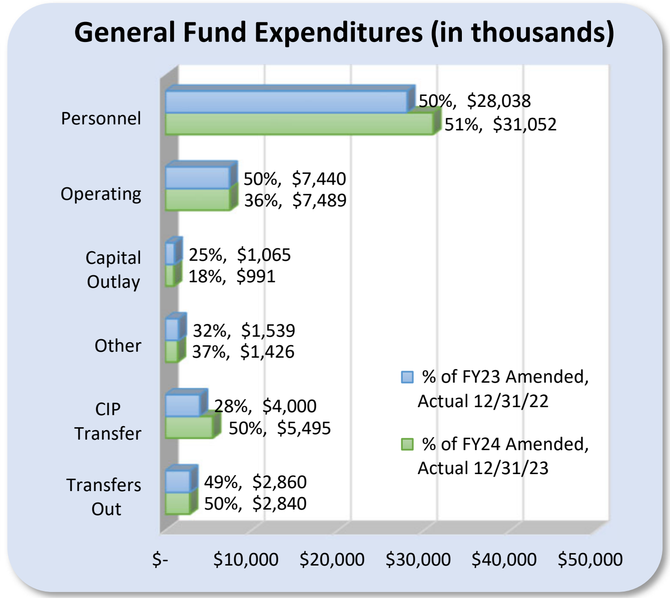
**In addition to the uses above, a total of $60,000 has been utilized as of 3/1/24 for the branding project scope change, a pavilion design, JEDI training, and an economic development incentive.*

Unspent Personnel Funds

Unspent funds related to vacant General Fund positions are tracked and reported quarterly, along with any uses of these funds outside of routine personnel adjustments. 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 FY24
Gross unspent funds from vacancies	611,164	1,250,301
Vacancy-related (costs)/savings	(433,794)	(945,591)
Net Unspent Funds	**177,370**	**304,710**
Uses of Net Unspent Funds		
Executive recruitment	(34,900)	(34,900)
Net Unspent Funds Remaining ($)	**142,470**	**269,810**





General Fund Revenues by Category

Property Taxes totaled $32.6 million, or 69% of the adopted budget, in line with 2Q FY23. The majority of property tax revenue is received in 2Q.

Revenue **From Other Governments** totaled $16.2 million, slightly ahead of 2Q FY23 due to the increase in County tax duplication revenue. This category includes income tax, which totaled $7.5 million in 2Q, roughly $540,000 ahead of 2Q FY23.

Revenue from **Fines & Forfeitures** totaled $1.7 million, exceeding the total revenue target for the year. The main revenue source in this category is redlight camera citations. After long supply-chain delays the city's redlight cameras were upgraded over the summer and are now fully operational, resulting in a rebound in citation revenue. This revenue source is recommended for an adjustment on the March budget amendment.

Use of Money & Property revenue totaled $1.7 million, exceeding the total revenue target for the year due to better interest and investment earnings than budgeted.

Charges for Services revenue totaled $4.9 million, ahead of 2Q FY23 due to recreation revenues and fire safety and review fees outpacing last year's totals to date. Several recreation program adjustments are recommended on the March budget amendment to recognize greater than expected program participation.

Licenses & Permits revenue totaled $1.2 million, slightly behind 2Q FY23. The majority of revenue in this category comes from rental licenses and building permits. Rental license revenue is received mostly in the second half of the fiscal year.

Other Revenue totaled $3.8 million, and includes a return of workers compensation collateral from the city's former insurance carrier of $670,099 ($863,307 all funds). Hotel tax, also in this category, totaled just under $375,000 through 2Q, or 37% higher than 2Q FY23.

General Fund Expenditures by Category

Personnel spending totaled $31.1 million, or 51% of the total personnel budget. Other than budgeted increases in regular wages and health insurance costs, both overtime and temporary employee spending show the largest increases compared to FY23. Temporary employee spending, up 17%, is tied to strong recreation program participation and resulting increased revenues. Overtime spending, up 34%, is tied primarily to the Police Department, and has increased significantly in FY24 due to vacancies as well as the County's reduction in police support services within the city.

Operating expenditures totaled $7.5 million, or 36% of the amended operating budget. This category includes services and commodities, including utilities. The FY24 budget included a large increase in electricity costs based on a consultant's overestimation. A corrective adjustment is recommended on the March amendment.

Capital Outlay expenditures totaled $1 million through 2Q. This funding covers one-time major repairs and equipment purchases including vehicle replacements, and varies from year to year based on needs and repair/replacement schedules. Due to long lead times for this type of equipment, the majority of spending in this category typically occurs later in the fiscal year.

Other expenditures totaled $1.4 million through 2Q, or 37% of the amended budget. This category includes grants to outside agencies and to REDI, as well as lease agreements.

The **CIP Transfer** totaled $5.5 million for 2Q. The October budget amendment utilized available reserves to fund portions of CIP projects that were unfunded during the FY24 budget process, and the March budget amendment recommends use of reserves for the Maintenance and Emergency Operations Facility Improvements (GD19) CIP project.

The **Transfers Out** category totaled $2.8 million for 2Q. This category includes quarterly transfers to the Parking, Debt Service, Refuse (for RHE refuse bills), and Special Act. funds.

WATER FUND

	Current Year (in thousands)				Prior Year (in thousands)		
	FY24 Adp.	**FY24 Amd.**	**Actual 12/31/23**	**% Amd.**	**Actual 6/30/23**	**Actual 12/31/22**	**% Amd.**
Total Revenue ($)	**14,301**	**14,301**	**5,295**	**37%**	**13,230**	**4,937**	**37%**
Expenses							
Personnel	4,385	4,385	2,334	53%	4,151	2,087	50%
Operating[1]	3,293	3,466	1,382	40%	2,751	1,071	39%
Capital Outlay[1]	137	618	92	15%	466	80	17%
Admin/Other/Interest	6,175	6,175	1,197	19%	6,189	1,061	17%
Total Expenses ($)	**13,989**	**14,643**	**5,006**	**34%**	**13,556**	**4,299**	**32%**

Usage patterns have changed in recent years due to the pandemic, making forecasting more challenging. Staff worked with a consultant to update the utility rate model to propose rates for FY25 and beyond. A return of workers compensation collateral from the city's former insurance carrier of $59,309 is also included in the total revenue received in 2Q.

In the operating category, costs for chemicals used at the Water Treatment Plant have increased, with spending through 2Q totaling 59% higher than in 2Q FY23. As a result, the March budget amendment recommends an adjustment to the chemicals budget.

SEWER FUND

	Current Year (in thousands)				Prior Year (in thousands)		
	FY24 Adp.	**FY24 Amd.**	**Actual 12/31/23**	**% Amd.**	**Actual 6/30/23**	**Actual 12/31/22**	**% Amd.**
Total Revenue ($)	**16,133**	**16,133**	**5,624**	**35%**	**15,071**	**5,354**	**36%**
Expenses							
Personnel	2,203	2,203	1,130	51%	2,039	1,038	51%
Operating[1]	4,793	4,937	2,302	47%	5,011	1,879	38%
Capital Outlay[1]	276	735	30	4%	594	9	2%
Admin/Other/Interest	7,397	7,397	943	13%	7,438	917	12%
Total Expenses ($)	**14,668**	**15,271**	**4,405**	**29%**	**15,081**	**3,843**	**25%**

Usage patterns have changed in recent years due to the pandemic, making forecasting more challenging. Staff worked with a consultant to update the utility rate model to propose rates for FY25 and beyond. A return of workers compensation collateral from the city's former insurance carrier of $28,748 is also included in the total revenue received in 2Q.

Operating category costs have increased compared to FY23 due to the city's share of operating costs for sewage disposal. An adjustment will likely be needed later in the year to account for these increased costs.

A large portion of Sewer Fund spending occurs in the CIP and goes toward the city's capital contribution to the Blue Plains Wastewater Treatment Facility.

REFUSE FUND

	Current Year (in thousands)				Prior Year (in thousands)		
	FY24 Adp.	**FY24 Amd.**	**Actual 12/31/23**	**% Amd.**	**Actual 6/30/23**	**Actual 12/31/22**	**% Amd.**
Total Revenue ($)	**7,144**	**7,144**	**4,241**	**59%**	**7,072**	**3,998**	**57%**
Expenses							
Personnel	3,667	3,667	1,776	48%	3,202	1,648	51%
Operating[1]	2,346	2,346	956	41%	2,051	957	47%
Capital Outlay[1]	516	1,069	0	0%	790	3	0%
Admin/Other/Interest	1,849	1,849	652	35%	1,625	615	38%
Total Expenses ($)	**8,379**	**8,932**	**3,384**	**38%**	**7,668**	**3,222**	**42%**

The majority of refuse revenue is received during 2Q, as it is collected through property tax bills. A return of workers compensation collateral from the city's former insurance carrier of $59,655 is also included in the total revenue received in 2Q.

Overtime and temporary labor usage remain down compared to FY23 due to fewer vacancies.

[1] *Capital 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)		
	FY24 Adp.	FY24 Amd.	Actual 12/31/23	% Amd.	Actual 6/30/23	Actual 12/31/22	% Amd.
Total Revenue ($)	**6,282**	**6,319**	**4,822**	**76%**	**7,274**	**4,843**	**67%**
Expenses							
Personnel	2,942	2,942	1,437	49%	2,697	1,404	52%
Operating[1]	1,264	1,333	403	30%	1,146	348	30%
Capital Outlay[1]	110	110	88	81%	15	9	59%
Admin/Other/Interest	2,583	2,614	608	23%	2,112	437	21%
Total Expenses ($)	**6,898**	**6,998**	**2,536**	**36%**	**5,970**	**2,197**	**37%**

The majority of the city's SWM fee revenue is received during 2Q, as it is collected through property tax bills. A return of workers compensation collateral from the city's former insurance carrier of $36,691 is also included in the total revenue received in 2Q.

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

PARKING FUND

	Current Year (in thousands)				Prior Year (in thousands)		
	FY24 Adp.	FY24 Amd.	Actual 12/31/23	% Amd.	Actual 6/30/23	Actual 12/31/22	% Amd.
Total Revenue ($)	**2,380**	**2,380**	**1,323**	**56%**	**2,817**	**1,304**	**46%**
Expenses							
Personnel	304	304	158	52%	301	151	50%
Operating[1]	149	149	43	29%	115	40	35%
Capital Outlay[1]	0	0	0	0%	0	0	0%
Admin/Other/Int.	1,635	1,635	334	20%	1,685	365	22%
Total Expenses ($)	**2,089**	**2,089**	**535**	**26%**	**2,100**	**556**	**26%**

The General Fund transfer to the Parking Fund totaled $550,000 for 2Q, compared to $500,000 in FY23.

Parking meter revenue increased by 19%, and parking fines and violations increased by 12% compared to 2Q FY23.

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.

2Q CIP Transfers	Amount ($)	Fund	Reason for Transfer
There were no CIP transfers in 2Q FY24.	-		

[1]*Capital 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.*