

City of Rockville, Maryland  
*Popular* Annual  
Financial Report



City of  
**Rockville**  
Get Into It  
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Fiscal Year Ended June 30, 2021



# CITY MANAGER LETTER



**To the Mayor and Council  
and Rockville community:**

*I am pleased to present the Fiscal Year (FY) 2021 Popular Annual Financial Report (PAFR) for the City of Rockville, Maryland. This report highlights a variety of relevant and helpful financial information in a simple, user-friendly format.*

*The City ended FY 2021 with an overall net position of \$307.1 million, an increase of 4.7 percent over last year. The change in net position is based on increases in property tax revenue, coupled with conservative spending across City departments and programs. At June 30, 2021, the City's unassigned fund balance in the General Fund was \$22.9 million or 27 percent of FY 2021 General Fund adopted revenue, and our bond rating was reaffirmed at AAA/Aaa.*

*Moving into FY 2022, City staff will continue to use resources wisely and collaborate with the Rockville community, as we work to implement the Mayor and Council's top priority initiatives.*

*If you have any suggestions or questions regarding our City's finances, please do not hesitate to contact me.*

*Sincerely,*

A handwritten signature in black ink that reads "Robert DiSpirito".

Robert DiSpirito  
City Manager  
rdispirito@rockvillemd.gov  
240-314-8102

## **What is the PAFR and is it consistent with GAAP?**

The PAFR or Popular Annual Financial Report is a document designed to increase transparency and awareness in City government finances through user-friendly financial reporting. The PAFR includes financial and other information that is presented in the City of Rockville's Annual Comprehensive Financial Report (ACFR) and annual budget document.

Because the PAFR is a summary document, not all the financial information complies with the requirements of Generally Accepted Accounting Principles (GAAP). Residents who prefer to review a GAAP-compliant report may review the ACFR at [www.rockvillemd.gov/budget](http://www.rockvillemd.gov/budget).

### **Inside the PAFR**

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# ALL ABOUT ROCKVILLE

## What is the form of government?

The City operates under the council-manager form of government. The Mayor and Council are responsible for establishing City policy and providing direction to the City Manager. There are five elected members comprised of a mayor and four at-large council members. All members are elected for 4-year terms.

## What makes up the community?

Rockville is one of the largest cities in Maryland, a county seat, and a vibrant home to some of the world's most prominent bio-med and technology companies. The City has a wide variety of housing styles, a low crime rate, a vast transportation network, an excellent school system, and a diverse population.

### MAYOR AND COUNCIL (2019-2023)



From Left to Right: David Myles, Beryl L. Feinberg, Bridget Donnell Newton (Mayor), Mark Pierzchala, Monique Ashton

## What services does the City provide?

Rockville provides a full range of services, including:

- ✓ community centers
- ✓ community development
- ✓ community outreach
- ✓ farmers market
- ✓ housing
- ✓ leaf collection
- ✓ licensing and permits
- ✓ police protection
- ✓ property code maint.
- ✓ public parking
- ✓ public parks
- ✓ recreation programs
- ✓ recycling/refuse collection
- ✓ senior services
- ✓ snow removal
- ✓ stormwater management
- ✓ street maintenance
- ✓ water and sewer utilities
- ✓ zoning and planning

Some services are provided by other entities. Both Montgomery County and the City provide police protection to city residents. In some areas of the city, the Washington Suburban Sanitation Commission (WSSC) provides water and sewer service. The County provides fire protection, the public education system, libraries, and most social services in Rockville.

## Where is Rockville, Maryland located?

Rockville is a 13.5 square mile municipality located in the southern portion of Montgomery County, approx. 12 miles northwest of Washington DC, and 35 miles southwest of Baltimore, Maryland.





# IMPACTS OF COVID-19

## COVID-19 and the City of Rockville

Fiscal Year 2021 was a full year of City operations during the pandemic. The City adapted and innovated to meet the needs of the community, while continuing to provide a high level of service. When restrictions forced facilities to close and events to be cancelled, staff found ways to keep the community safe, informed, and connected.

### Virtual Programs/Events

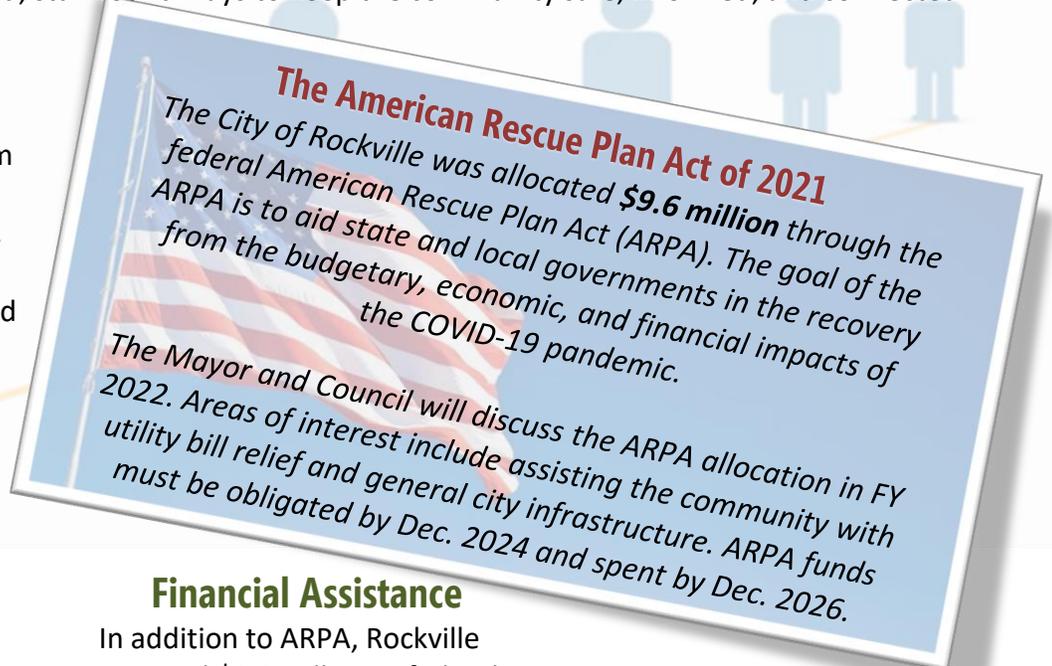
Virtual programs enabled the community to safely connect from home in a variety of ways including a virtual Rocktoberfest, Mysteries from the Mansion, a Master Gardener series, ballet and fitness classes, book clubs, virtual International Night, and a virtual Memorial Day ceremony.

### Virtual Meetings

Almost 10,000 virtual meetings were held using the Cisco Webex platform. City staff conducted regular Mayor and Council and boards and commissions meetings, interview sessions, internal team meetings, virtual classes, and large-scale public events using this platform.

### Distribution of Food/Supplies

Community centers and the Rockville Senior Center coordinated with residents and local nonprofits to collect and distribute food for neighbors in need. Thousands of face coverings were given away and some community centers were used as COVID-19 testing sites.



### Financial Assistance

In addition to ARPA, Rockville received \$1.1 million in federal CARES Act and FEMA reimbursements for pandemic-related expenditures.

### City Parks/Facilities

City parks experienced an unprecedented increase in use, as did open spaces and bikeways. RedGate Park became a favorite new destination, with portable toilets added and increased maintenance to meet need. Physical distancing signs, hands-free soap dispensers, and other safety related improvements were made to City facilities.

### Police Services

Rockville City Police Dept (RCPD) maintained full operations of police services and responded to calls for service without interruption during the pandemic, establishing internal and external protocol for, and taking proper precautions to maintain, the health and wellness of all essential personnel. RCPD also safely conducted drive-thru National Drug Take Back Day events, holiday food donation drives, and toy donation drop-offs.

# FINANCIAL STRUCTURE

## What is the City of Rockville's financial structure?

The City records its financial transactions in 6 governmental and 6 enterprise funds. The governmental funds account for the City's basic operations, like street maintenance, inspections, police services, and recreation. Most of these services are financed by property and income taxes. The enterprise funds account for the City's main utilities and public services and are managed like private industry, where costs are covered by fees and charges.

## Why use separate funds?

Separate funds show accountability and stewardship of specific resources. For example, the City wants to ensure that all payments received from its water utility customers are spent to provide water services to those customers.

	Fund Name	Purpose is to support the...	Type
Governmental Funds	GENERAL	City's general provision of programs and services	Operating
	CAPITAL PROJECTS	Capital (CIP) projects benefitting all residents	Capital
	DEBT SERVICE	Principal and interest payments on bonds supporting the Capital Projects Fund	Operating
	SPEED CAMERA	Speed camera operations and pedestrian safety initiatives	Operating Capital
	SPECIAL ACTIVITIES	Specific programs as defined by the legal or policy restrictions on the revenue	Operating Capital
	COMMUNITY DEVEL. BLOCK GRANT	Nonprofit service providers and home renovations for low- to-moderate income homeowners	Operating
Enterprise Funds	WATER	Production, delivery, and storage of safe water	Operating Capital
	SEWER	Collection and transportation of wastewater to the Blue Plains treatment facility	Operating Capital
	REFUSE	Collection and disposal of residential recycling and refuse	Operating Capital
	STORMWATER MANAGEMENT	Protection of streams and watersheds from stormwater runoff	Operating Capital
	PARKING	Parking permit program, parking meter program, and debt service for parking garages	Operating Capital
	REDGATE GOLF	Debt service on past improvements to the municipal golf course (course is now closed)	Operating

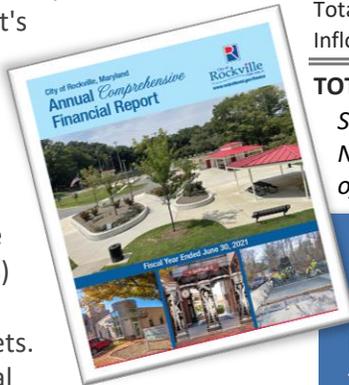
The City's budget supports **TWO TYPES OF SPENDING**: operating and capital. Operating accounts for the day-to-day costs to provide services to City residents. Capital or CIP is a five-year investment plan that maps out how the City will replace, repair, or build new infrastructure. Several of the funds support both the operating and capital budgets.



# FINANCIAL RESULTS

## What is the City's Net Position?

The City had a solid financial year with the FY 2021 net position increasing by \$13.7 million to \$307.1 million. Change in net position is a useful indicator of a government's financial health and represents total assets less total liabilities on an organization-wide basis.



The largest portion of the City's net position (78.9%) is reflected in its net investment in capital assets. The City uses these capital assets to provide services to residents making them not available for future spending.

## What is the City's Reserve Balance?

The City's target reserve equals at least 20 percent of annual adopted General Fund revenue. Reserves may be used for an emergency or natural disaster. If reserves exceed the target, they can be used for capital projects or other one-time needs with approval by the Mayor and Council.

At the end of FY 2021, the actual General Fund reserve balance was \$22.9 million, which is \$5.9 million over the FY 2021 reserve target.

Reserve Target versus Actual Reserve (millions)



## Net Position (millions)

	2017	2018	2019	2020	2021
Total Assets and Deferred Outflows of Resources	\$528.7	\$546.8	\$475.5	\$478.1	\$500.9
Total Liabilities and Deferred Inflows of Resources	\$179.9	\$187.2	\$192.5	\$184.7	\$193.7
<b>TOTAL NET POSITION</b>	<b>\$348.8</b>	<b>\$359.6</b>	<b>\$283.1</b>	<b>\$293.4</b>	<b>\$307.1</b>

Source: Annual CAFRs, "Management's Discussion and Analysis."

Note: Deferred outflows/inflows of resources refers to the consumption of/acquisition of net assets that is applicable to a future reporting period.

## FY 2021 General Fund Budget Activity

The largest General Fund revenue category, property tax, increased each year over the past five years. For FY 2021, property taxes made up 54 percent of all revenues. Other General Fund revenue categories were lower in FY 2021 compared to previous years due to the impacts of the pandemic. The property tax revenue increase, combined with conservative spending across all city departments, led to the increase in the unassigned reserve balance.

Rev. (in \$1,000s)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Property Taxes	40,106	41,385	42,168	42,552	44,327
Other Gov't.	20,599	20,568	22,774	23,201	24,560
Fines/Forfeitures	1,267	1,443	1,578	1,510	948
Use Money/Prop.	1,442	1,567	2,013	2,364	1,553
Charges for Serv.	6,817	7,526	7,779	5,472	2,996
Licenses/Permits	2,927	3,085	3,464	3,595	2,833
Other Revenue	6,725	7,029	6,279	5,204	4,380
<b>Total (\$)</b>	<b>79,883</b>	<b>82,604</b>	<b>86,056</b>	<b>83,896</b>	<b>81,597</b>
Exp. (in \$1,000s)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Personnel	45,793	47,691	49,833	51,146	49,248
Operating	12,681	13,119	13,954	13,092	12,515
Capital Outlay	2,665	1,852	2,488	2,097	1,797
Other	3,040	1,641	2,098	2,307	2,372
CIP Transfer	12,115	11,500	8,448	9,800	7,507
Transfers Out	6,229	6,246	6,429	6,202	6,962
<b>Total (\$)</b>	<b>82,523</b>	<b>82,050</b>	<b>83,251</b>	<b>84,644</b>	<b>80,401</b>

Source: Annual Budget Documents, Financial Summaries section.



# CAPITAL INVESTMENT

## City of Rockville's Capital Budget

The City's capital budget focuses on maintaining and improving existing infrastructure—including roadways, sidewalks, water and sewer systems, and facilities— while incorporating new projects that promote the health, recreation, and general livability of the city. New capital projects that were funded in FY 2021 include:



Promenade Park Elevator



Splash Pad



King Farm Farmstead Fire Suppression



Traffic Signal Upgrades

## How is the Capital Budget Funded?

Capital investments are funded from various revenue sources, including:

- ✓ transfers from the General Fund/other funds,
- ✓ developer and community contributions,
- ✓ State of Maryland and federal grants,
- ✓ speed camera citation revenues, and
- ✓ bond proceeds.

## Why does the City issue Bonds?

The City issues bonds to raise cash while promoting intergenerational equity by spreading the investment costs over time. General tax revenues pay for bonds used to support projects funded through the Capital Projects Fund. Revenues from utility rates and charges pay for bonds used to support the projects funded through each enterprise fund.

There are **no restrictions on the amount of debt the City of Rockville can issue** per Maryland State law or the City Charter. The City ensures that debt is being used responsibly by setting affordability guidelines or debt ratios in Rockville's Financial Management Policies.

## New Bonds in FY 2021

The City issued **\$18.7 million in new bonds** (Series 2020B) and **\$23.7 million in taxable refunding bonds** (Series 2020C) in September 2020. The new bonds were issued to support water and sewer infrastructure.

## What is the City's Bond Rating?

The City maintains a **AAA/Aaa** bond rating by Moody's Investor Services and Standard and Poor's. This rating saves the taxpayers money by allowing the City to issue bonds at the lowest possible interest rates. Ratings are based on debt burden, financial management, financial performance, and economic base/prospects.

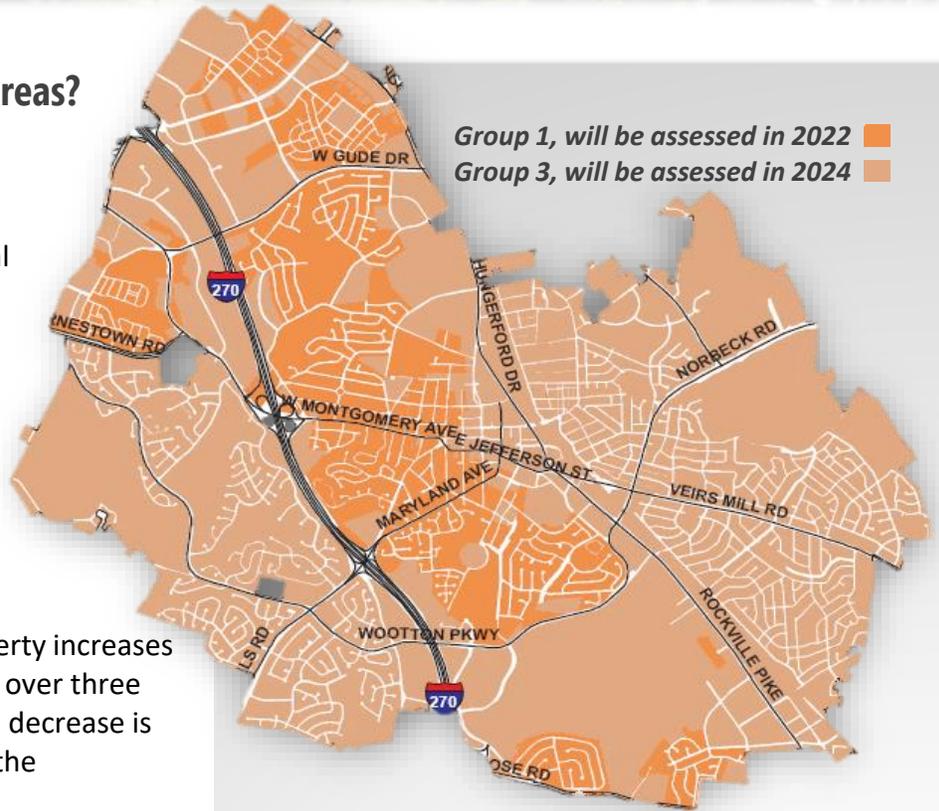


# PROPERTY TAXES

## What are Rockville's Assessment Areas?

The City contains two real property assessment areas: Group 1 (dark orange) and Group 3 (light orange). Property value is determined by the assessed value of real estate (including land and structures on the land) and the assessed value of personal property (including inventory, furniture, and fixtures). The State Department of Assessments and Taxation (SDAT) is responsible for determining the assessed values for all properties located in the City. The State assesses real property **every three years**, and tax bills are based on those assessments. If a property increases in value, that increase is equally phased in over three years. If a property decreases in value, the decrease is fully factored into the first levy year after the assessment.

The City's tax rates per \$100 of assessed value equal **\$0.292 for real property** and **\$0.805 for personal property**.

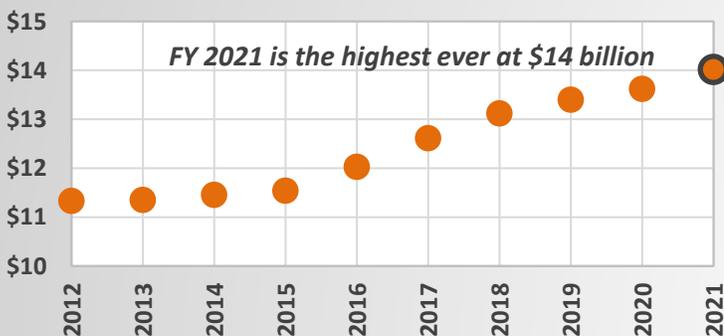


**Group 1, will be assessed in 2022** (dark orange)  
**Group 3, will be assessed in 2024** (light orange)

## Revenue from Property Tax

Property taxes comprised a larger percentage of the FY 2021 total General Fund revenues due to the impact of the COVID-19 pandemic on the City's other revenue sources.

## Assessed Value of Real Property (billions)



Source: FY 2021 ACFR, page 88.

Fiscal Year	Property Tax Revenue	% of Total Revenues
2017	\$40,105,715	50.2%
2018	\$41,385,200	50.1%
2019	\$42,167,988	49.0%
2020	\$42,551,677	50.7%
2021	\$44,327,269	54.3%

Source: Annual Budget Documents.

# SAMPLE TAX BILL

**ASSESSMENT** is the value of the property that is determined by the Maryland State Department of Assessments and Taxation.

**TAX CLASS** determines the tax rate that is charged. Over 99% of Rockville properties are located in Tax Class R050.

BILL DATE	
12/08/2021	
PROPERTY DESCRIPTION	
WEST END PARK	
BILL #	ACCOUNT #
00000001	00001111
REFUSE AREA	REFUSE UNITS
R40	1

LOT	BLOCK	DISTRICT	SUB	TAX CLASS
98	52	04	324	R050
MORTGAGE INFORMATION		PROPERTY ADDRESS		
UNKNOWN SEE REVERSE		999 OWENS ST		
TAX DESCRIPTION	ASSESSMENT	RATE	TAX/CHARGE	
STATE PROPERTY TAX	581,300	.1120	651.06	
COUNTY PROPERTY TAX	581,300	.8914	5,181.70	
ROCKVILLE PROPERTY TAX	581,300	.2920	1,697.40	
SOLID WASTE CHARGE		38.0700	38.07	
ROCKVILLE REFUSE CHARGE			459.00	
ROCKVILLE STORMWATER MGMT FEE			132.00	
TOTAL			8,159.23	
CREDIT DESCRIPTION			AMOUNT	
COUNTY PROPERTY TAX CREDIT			-692.00	
TOTAL CREDITS			-692.00	
PRIOR PAYMENTS ****			3733.63	
INTEREST			0	
Total Annual Amount Due :			3,733.60	

*PER \$100 OF ASSESSMENT	
CURRENT YEAR FULL CASH VALUE TAXABLE ASSESSMENT	
581,300	
CONSTANT YIELD RATE INFORMATION	
COUNTY RATE OF 0.7178 IS MORE THAN THE CONST 0.0319	

**CREDIT DESCRIPTION** lists the property tax credits that were applied to the account. Although not on this bill, Rockville properties might see a homeowners' tax credit or a homestead tax credit.

**ROCKVILLE PROPERTY TAX** is the annual amount that is due to the City for real property tax. This amount is calculated by multiplying the assessed value by the City's property tax rate of \$0.292 per \$100 of assessed value.

YOU CAN VIEW AND PAY YOUR BILL ON THE INTERNET AT [apps.montgomerycountymd.gov](https://apps.montgomerycountymd.gov)

The **ROCKVILLE REFUSE CHARGE** and **STORMWATER MGMT FEE** are the annual amounts that are due for the City's stormwater management program and recycling and refuse services.

**VIEW AND PAY YOUR BILL** online at <https://apps.montgomerycountymd.gov/realpropertytax/>. You can select property tax records to view and/or make payment online by credit card or automatic deduction from your bank account as appropriate.

ACCOUNT NUMBER	01234567	<a href="#">VIEW</a>
BILL NUMBER	12345678	<a href="#">VIEW</a>
STREET ADDRESS	123 MAIN	<a href="#">VIEW</a>
CONDOMINIUM	Street Address 123 MAIN Unit # 101	<a href="#">VIEW</a>

# ROCKVILLE'S UTILITIES

## What Utility Services are Operated by the City of Rockville?

The City of Rockville manages four utility services: **water, sewer, recycling and refuse**, and **stormwater management (SWM)**. The City accounts for these services in enterprise funds, which operate and account for their transactions like private businesses. Customers pay for water and sewer on a monthly or quarterly bill that comes from the City of Rockville (page 11). Customers pay for SWM and recycling and refuse services on their annual real property tax bill that comes from Montgomery County (page 9).

## What are the Enterprise Fund Policy Targets?

There are two policy targets that the City uses to manage the utility or enterprise funds. **TARGET #1** analyzes revenues versus expenses. For each utility fund, **total operating revenues must meet or exceed total operating expenses**, unless there is a planned drawdown of reserves. For FY 2021, all utility funds were in compliance with this target.

**TARGET #2** looks at the **cash balance at fiscal year end**. For this target, the Water and Sewer funds must maintain a cash balance (less bond proceeds) equal to six months, Refuse one month, and SWM three months of operating expenses. Refuse and SWM were in compliance for FY 2021, but Water and Sewer remain below the target.

### TARGET #1: Revenues versus Expenses

	2017	2018	2019	2020	2021
Water	✓	✓	✓	✓	✓
Sewer	✓	✓	✓	✓	✓
Refuse	✗	✗	✓	✓	✓
SWM	✓	✓	✓	✓	✓

Source: Annual Budget Documents.

### TARGET #2: Sufficient Reserve Levels

	2017	2018	2019	2020	2021
Water	✗	✗	✗	✗	✗
Sewer	✗	✗	✗	✗	✗
Refuse	✓	✓	✓	✓	✓
SWM	✓	✓	✓	✓	✓

Source: Annual Budget Documents.

To hit **TARGET #2** for Water and Sewer, a new rate structure that considers the cost of service by property classification will begin Jan. 1, 2022. Based on the adopted rates and assumptions, the Water Fund is expected to be in compliance by FY 2024 and the Sewer Fund by FY 2023.



# SAMPLE UTILITY BILL



**City of Rockville**  
111 Maryland Ave.  
Rockville, MD 20850-2364

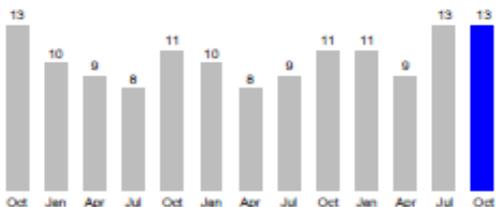
Billing Inquiries: 240-314-8420  
or Email: [utilitybilling@rockvillemd.gov](mailto:utilitybilling@rockvillemd.gov)  
Mon - Fri, 8:30 AM - 5:00 PM

24-Hour Emergency Service: 240-314-8567  
Water Quality: 240-314-8570

### Account Information

Account Number: 012345  
Customer Name: SAMPLE CUSTOMER  
Service Address: 999 OWENS ST

### Usage History



### Message Center

Visit [www.rockvillemd.gov/annualwaterquality2021](http://www.rockvillemd.gov/annualwaterquality2021) for the city's Annual Water Quality Report or call the Dept. of Public Works at 240-314-8500 for a mailed copy. The City has moved to a new payment portal with Invoice Cloud. Please visit [www.invoicecloud.com/rockvillemd](http://www.invoicecloud.com/rockvillemd) to sign up for Pay-by-Text, AutoPay, and Paperless Billing.

Sign up for Paperless Bills, Pay-By-Text, and AutoPay by visiting [www.invoicecloud.com/rockvillemd](http://www.invoicecloud.com/rockvillemd)

## Total Amount Due \$252.81 by 12/15/21

### Account Summary as of 11/15/21

Previous Balance:	251.18
Payments:	(251.18)
Current Charges:	252.81
Account Balance:	252.81

### Additional charges if not paid by 12/15/21

#### Details as of 11/15/21

Meter No.	Meter Size	Prior Read	Current Read	1000 Gallons
63101234	5/8	556	569	13

Reading Period Covers: 07/12 - 10/08

### Current Charges:

Meter: 63101234	
PREVIOUS BALANCE	251.18
PAYMENTS	(251.18)
WATER RTS	13.13
SEWER RTS	15.25
WTR USG QTRLY	72.93
SEWER USAGE	136.50
BAY FEE	15.00
<b>Total Current Charges</b>	<b>\$252.81</b>
<b>Total Amount Due</b>	<b>\$252.81</b>
Total Due After 12/15/21	\$252.81

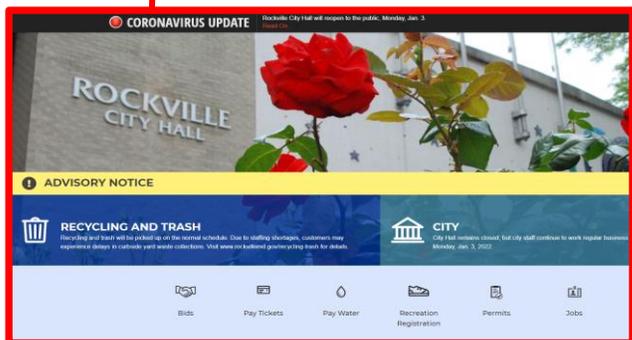
**BAY FEE** or Chesapeake Bay Restoration fee is a fee mandated by the State of Maryland.

The **WATER/SEWER RTS** is the water and sewer ready to serve charge. This charge recovers a portion of the fixed costs of operations. The amount of charge is based on the meter size.

Units in a billing period.  
1 unit = 1,000 gallons

**WATER USG QTRLY** is the quarterly water charge and is based on a four tier structure. This customer used 13,000 gallons of water or 13 units at \$5.61 per unit (first tier).

**SEWER USAGE** is the sewer charge and equals \$10.50 per 1,000 gallons or 1 unit.



# CITY RECOGNITION

Government Finance Officers Association (GFOA) is pleased to announce the City of Rockville, Maryland has received **GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting** (PAFR award).



Government Finance Officers Association

## Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**City of Rockville  
Maryland**

For its Annual Financial Report  
for the Fiscal Year Ended

**June 30, 2020**

*Christopher P. Morrill*

Executive Director/CEO

The award represents a significant achievement by the entity. In order to be eligible for the PAFR award, a government must also submit its Annual Comprehensive Financial Report (ACFR) to GFOA's Certificate of Achievement for Excellent in Financial Reporting Program and receive the Certificate for the current fiscal year. Each eligible report is reviewed by judges who evaluate the report based on the following categories: reader appeal, understandability, distribution methods, creativity and other elements.

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*GFOA advances excellence in government finance by providing best practices, professional development, resources, and practical research for more than 21,000 members and the communities they serve.*

**Prepared by the Department of Finance**

City of Rockville, Maryland

111 Maryland Avenue

Rockville, MD 20850

[www.rockvillemd.gov](http://www.rockvillemd.gov)