



Popular Annual Financial Report

Fiscal Year Ending June 30, 2010

City of Rockville Maryland

Letter from the City Manager



Scott Ullery

It is my privilege to present to you the City's fourth Popular Annual Financial Report (PAFR) for Fiscal Year (FY) 2010 (July 1, 2009 – June 30, 2010). The PAFR is designed to increase public confidence in the City government through user-friendly financial reporting.

It seems that every day there is a news article detailing the dire financial straits in which some cities, counties and states are finding themselves. There is much talk of governments defaulting on debt or not having enough cash on hand to meet payroll obligations due to dramatic decreases in major revenue sources.

Although the City is facing many challenges as a result of the recession, through sound financial management the City ended FY10 in a positive financial position and as you read this report you will see that:

- Net Assets increased by \$9.7 million to \$293.5 million;
- The City's debt decreased by \$7.6 million to \$110.4 million;
- The City maintained its debt rating at Triple-A; and
- The City's General Fund fund balance increased by \$1.7 million to \$15.3 million

The City's General Fund, our main operating fund, ended FY10 with a fund balance of \$15.3 million, of which \$1.6 million was a result of an operating surplus from FY10. As we began FY11, the City used \$1 million to balance the General Fund budget and an additional \$2.4 million to eliminate the accumulated and projected deficits in the RedGate Golf Fund.

The remainder of the fund balance (\$450,000 of which is reserved for open contracts) will provide the City with reserves equivalent to 18.4 percent of the adopted FY11 General Fund revenues, which exceeds the Mayor and Council's minimum requirement of 15 percent.

The City's financial management policies and fiscally conservative leadership by the Mayor and Council has enabled us to continue providing a high level of services to our residents. From this report we hope you gain a better understanding of the City's overall financial position, and how the City's main fund, the General Fund and the City's enterprise funds performed in FY10.

Respectfully Submitted,

Scott Ullery, City Manager

City of Rockville Mayor and Council

(Elected November 2009 to November 2011)



Mayor
Phyllis Marcuccio



Councilmember
John B. Britton



Councilmember
Piotr Gajewski



Councilmember
Bridget Donnell
Newton



Councilmember
Mark Pierzchala

Scott Ullery, City Manager

Prepared by the Department of Finance • Budget Division

Gavin Cohen, Chief Financial Officer; Stacey Webster, Budget and Finance Manager; Mary Sue Martin, Management and Budget Analyst; and Erica Tompkins, Management and Budget Analyst.

Looking Back on Fiscal Year 2010

- We completed the process of establishing a new in-house attorney function for the City and formally created the Department of the City Attorney.
- We reduced the General Fund operating budget by \$2.4 million in October 2009 as a result of reduced funding from the State of Maryland by:
 - Freezing 8.3 Full-Time Employee (FTE) General Fund vacant positions;
 - Reducing \$373,000 of General Fund supplies, employee travel, training and consultants; and
 - Reducing the transfer to the CIP by approximately \$1.7 million.
- We completed the migration of all City residents to the once-per-week single-stream recycling and refuse program in December 2009.
- We undertook a massive \$1.2 million snow removal initiative in response to the blizzards of 2010 and other snow storms this past winter.
- We utilized \$745,000 of the General Fund's fund balance to offset a reduction in building permit revenues and interest income revenues and to help pay for a portion of the \$1.2 million needed for snow removal.

Report to Residents

The PAFR includes financial information presented in the City of Rockville's FY10 Comprehensive Annual Financial Report (CAFR) and future information as estimated in the City's FY11 adopted budget. All financial numbers in the PAFR are actual and not estimates unless otherwise noted.

Since the PAFR is a summary, it does not comply with the Generally Accepted Accounting Principles (GAAP) requirements. Residents who prefer to review an independently audited GAAP compliant report should review the City's audited CAFR document.

The PAFR, CAFR and adopted budget are all available on the City's website at www.rockvillemd.gov/budget. A resident may also call the Finance Department at 240-341-8400 to request a copy of these documents (subject to availability).

At a Glance

Citywide (all Funds)	FY10	FY09	Change
Adopted Budget (\$ in millions)	\$101.8	\$102.7	(\$0.9)
Amended Budget (\$ in millions)	\$99.2	\$106.7	(\$7.5)
Net Assets (\$ in millions)	\$293.5	\$283.8	\$9.7
Bond Rating	AAA/Aaa	AAA/Aaa	No Change
Debt Outstanding (\$ in millions)	\$110.4	\$118.1	(\$7.6)
Adopted Full-time Regular Employees	555.1	553.4	1.70
Real Property Tax Rate (per \$100 of assessed value)	\$0.292	\$0.292	No Change
Personal Property Tax Rate (per \$100 of assessed value)	\$0.805	\$0.805	No Change
The General Fund (\$ in millions)	FY10	FY09	Change
Adopted Budget	\$62.1	\$61.8	\$0.2
Amended Budget	\$61.5	\$67.3	(\$5.8)
Actual Revenues	\$62.0	\$62.8	(\$0.9)
Actual Expenditures	\$60.3	\$64.3	(\$3.9)

City's Profile



The City of Rockville, Maryland, was incorporated on March 10, 1860. On March 10, 2010, the City celebrated its sesquicentennial—150th anniversary. The City has grown considerably from a small community of farmers and shop owners into an urban community with a population upwards of 62,000.

The City of Rockville is approximately 13 square miles and is made up of neighborhoods rich in history and diversity. Rockville is known for its booming technology corridor along Interstate 270, as well as for providing amenities such as the Town Center, F. Scott Fitzgerald Theatre and hundreds of acres of parks. The City is located 12 miles northwest of Washington, D.C., and serves as the seat for the Montgomery County government.

The City of Rockville is both a residential community and an employment center with an employed labor force of approximately 75,000. The City estimates that two-thirds of any future employment growth will be in professional jobs. This reflects the mix of employers represented in the City that center around professional, scientific, management, public administration and educational services.

The City has operated under a Council-Manager form of government since 1948.

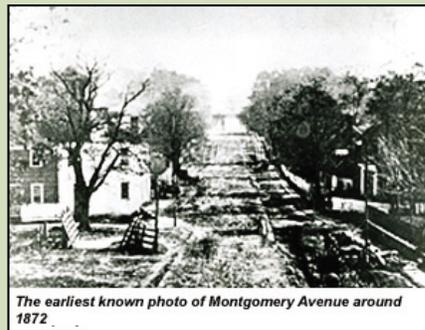
The City operates under the council-manager form of municipal government. The Mayor and City Council members are responsible for establishing City policy and providing direction to the City Manager. The Mayor and Council are a five-member board that includes a mayor and four at-large council members. All are elected every two years.

Rockville Has Evolved and Grown

Then



East Montgomery Avenue in 1954.

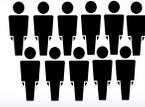


The earliest known photo of Montgomery Avenue around 1872.

Now



Rockville's Form of Government



Rockville Residents

Rockville residents elect a mayor and four at-large council members every two years.



Mayor and Council

The Mayor and Council appoint a City Clerk, City Attorney and City Manager.



Debra Yerg Daniel City Attorney

The City Attorney provides expert legal advice and support to the Mayor and Council and City Staff.



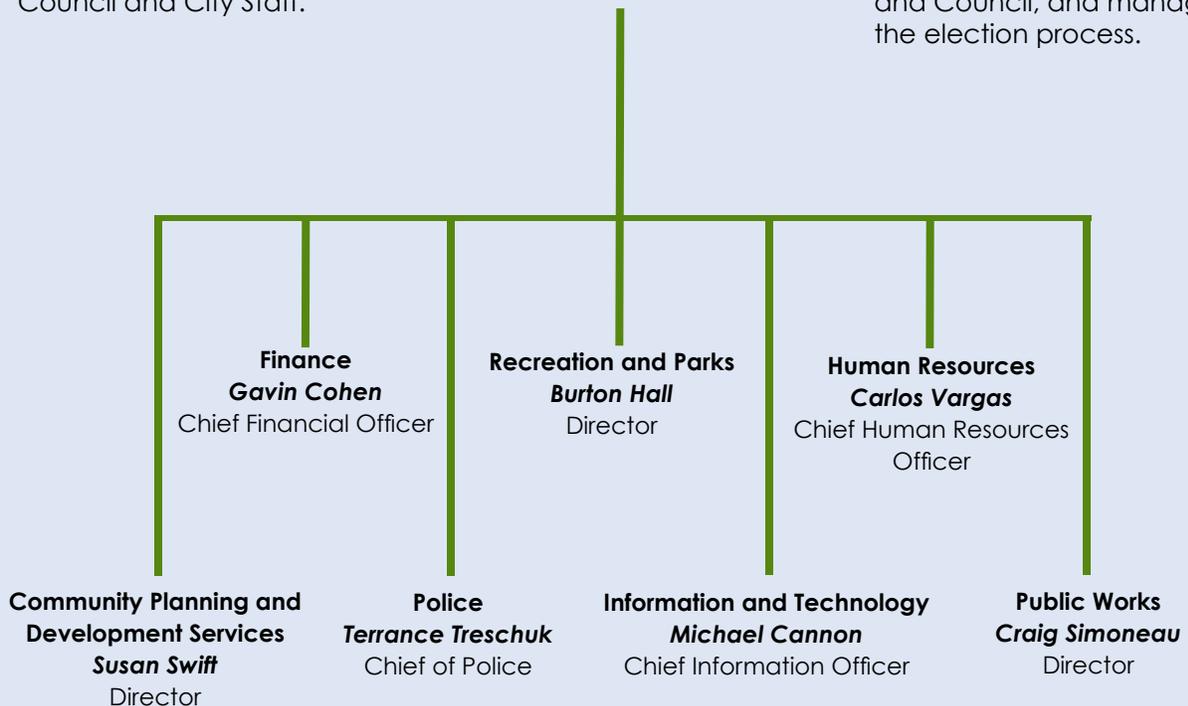
Scott Ullery City Manager

The City Manager oversees the day-to-day operations of City departments.



Glenda Evans City Clerk

The City Clerk provides administrative and clerical assistance to the Mayor and Council, and manages the election process.



City Provides Many Services and Programs

Rockville provides a full range of services, including public safety, water, sewer, stormwater management, refuse, recycling, licensing, permits, inspections, snow removal, leaf collection, street maintenance, parking, zoning, planning, public parks, recreation programs and municipal facilities.

A handful of the City's services are provided in partnership with other governmental and nonprofit entities. Both Montgomery County and the City of Rockville provide police protection to City residents. In King Farm, College Gardens and portions of Twinbrook and Potomac Woods the Washington Suburban Sanitation Commission (WSSC) provides water and sewer service. The County provides the City's fire protection, public education system, libraries and most social services.

We...

- Provide community policing
- Design and install pedestrian safety devices
- Equip and maintain City parks
- Service 70 percent of the City with water and sewer
- Operate the City's municipal golf course
- Provide stormwater management services to the entire city
- Collect recycling and refuse materials
- Provide recreation programs
- Repair and maintain city streets and sidewalks
- Operate cultural and recreation centers
- Remove snow
- Host major community events like Hometown Holidays, the Uncorked wine and music festival, and the Memorial Day parade



Rockville Provides City Services Through 13 Funds

Governmental Funds



General Fund

Purpose: to support the City's general or non-enterprise activities.
Major FY10 Revenue Source: property taxes.



Capital Projects Fund

Purpose: to support the Capital Improvements Program (CIP).
Major FY10 Revenue Source: transfer from the General Fund, grants and other governmental revenue.



Debt Service Fund

Purpose: to make principal and interest payments on bonds supporting the Capital Projects Fund.
Major FY10 Revenue: transfer from General Fund.



Speed Camera Fund

Purpose: to support speed camera operations and pedestrian safety initiatives.
Major FY10 Revenue: speed camera violations.



Special Activities Fund

Purpose: to support specific programs as defined by the legal or policy restrictions on the revenue.
Major FY10 Revenue Source: fundraising, community activities and payment-in-lieu programs.



Community Development Block Grant (CDBG) Fund

Purpose: to support non-profit public service providers, repair and renovate housing for low-to moderate-income residents.
Major FY10 Revenue: federal grant.



Town Center Management District (TCMD) Fund

Purpose: to maintain the Town Center Management District.
Major FY10 Revenue: property taxes from two special taxing districts.

Enterprise Funds



Water Fund

Purpose: to support the operating and CIP projects needed to provide safe potable water.
Major FY10 Revenue: water utility fees.



Sewer Fund

Purpose: to support the operating and CIP projects needed to transport raw sewage.
Major FY10 Revenue: sewer utility fees.



Refuse Fund

Purpose: to support the operating and CIP projects needed to collect recycling and refuse.
Major FY10 Revenue: annual refuse fee.



Stormwater Management (SWM) Fund

Purpose: to support the operating and CIP projects needed to transport rain water.
Major FY10 Revenue: annual SWM fee.



Parking Fund

Purpose: to support the operations of the City's parking garages and citywide parking meter program.
Major FY10 Revenue: parking meter fees and violations.



RedGate Golf Fund

Purpose: to support the operations of the City's golf course.
Major FY10 Revenue: golf fees.

Assessed Property Values Remain Steady

The City of Rockville charges residents a real property tax, and charges businesses a real and personal property tax. The amounts charged are based on the City's tax rates and the value of the properties. Every three years the State of Maryland assesses the value of real estate property.

Between FY09 and FY10, the City's actual assessed real property value increased by 4.3 percent to \$11.6 billion. Beginning in FY11, the current fiscal year, the City estimates that real property assessments will increase by less than 2 percent.

In FY10 the City's tax rates were 29.2 cents per \$100 of real property assessed value and 80.5 cents per \$100 of personal property assessed value. These property tax rates remain the same for FY11. The real property tax rate of 29.2 cents has remained the same since FY09. Prior to FY09, the Mayor and Council reduced the rate by 1 cent three years in a row (FY07, FY08, FY09).

In FY10, and continuing in the current fiscal year of FY11, the City has provided residents with real property tax relief in the form of credits. The **Homeowner's Tax Credit** program targets low-to moderate-income homeowners, which the City defines as households with gross incomes

up to \$85,000. Starting in FY09 this program was enhanced through the addition of the senior citizen's tax credit, in which seniors who are at least 70 years old can receive an additional 25 percent credit.

FY10 was the third consecutive year the City provided a **\$100 Income Tax Offset Property Tax Credit** for every owner-occupied household in the City. Under Maryland law, the City may grant a real property tax credit that offsets increased income tax revenue.

The City, County and State also offer residents a **Homestead Credit**. This credit slows increases to taxes due to rapidly increasing property assessments. This credit restricts jurisdictions to only taxing up to 10 percent of any increase in property assessments each year. In this new economic environment where property assessments are not increasing as rapidly, this tax credit is significantly decreasing or completely disappearing.

The City's personal property tax is a tax on business-owned personal property, such as computers, industrial equipment, machinery and tools. This tax rate of 80.5 cents per \$100 of assessed value remained unchanged in FY10 and continues at the same rate in FY11.

The City's Real Property Tax Rate Did Not Increase



Note: The Montgomery County real property rate shown above is only for properties in Rockville. The County charges different rates to other jurisdictions.

The City Offers Residents Tax Relief Programs

Rockville residents pay a State, County and City Tax. The Rockville City tax and fees are highlighted below.

101 PLEASANT DRIVE
ROCKVILLE, MD 20850-0001

FULL LEVY YEAR
LEVY YEAR 2009

PRINCIPAL RESIDENCE

					BILL DATE		
					08/16/2009		
					PROPERTY DESCRIPTION		
					COLLEGE GARDENS		
LOT	BLOCK	DISTRICT	SUB	TAX CLASS	BILL #	ACCOUNT #	
5	2	00	000	R050	00000001	00001111	
MORTGAGE INFORMATION			PROPERTY ADDRESS			REFUSE AREA	REFUSE UNITS
UNKNOWN			101 PLEASANT DRIVE			R40	1
TAX DESCRIPTION		ASSESSMENT	RATE	TAX/CHARGE	*PER \$100 OF ASSESSMENT		
STATE PROPERTY TAX		498,580	0.122*	558.41			
COUNTY PROPERTY TAX		498,580	0.826*	4,118.27			
ROCKVILLE PROPERTY TAX		498,580	0.292*	1,455.85	CURRENT YEAR FULL CASH VALUE TAXABLE ASSESSMENT		
SOLID WASTE CHARGE			24.45	24.45	498,580		
ROCKVILLE STORMWATER MGMT FEE				40.00			
TOTAL				6,196.98			
CREDIT DESCRIPTION		ASSESSMENT	RATE	AMOUNT	CONSTANT YIELD RATE INFORMATION		
STATE HOMEOWNER'S CREDIT				-2,721.02	COUNTY RATE OF 0.683 IS MORE THAN THE CONSTANT YIELD OF 0.628 BY 0.055		
STATE HOMESTEAD CREDIT		-109,370	0.122*	-122.49			
COUNTY HOMEOWNER'S CREDIT				-680.26			
COUNTY HOMESTEAD CREDIT		-109,370	0.826*	-903.40			
COUNTY PROPERTY TAX CREDIT				-690.00			
MUNICIPAL HOMEOWNER'S CREDIT				-356.23			
MUNICIPAL HOMESTEAD CREDIT		-109,370	0.292*	-319.36			
ROCKVILLE PROPERTY TAX CREDIT				-100.00			
TOTAL CREDITS				-5,892.76			
Total Annual Amount Due:				304.22			

City of Rockville Tax Credits

Tax Credit Title on Tax Bill	Amount	Requirements/Qualifications
Municipal Homeowner's Credit	Varies	Households with gross incomes up to \$85,000 and a household net worth of less than \$200,000 (excluding the value of the home or qualified retirement savings) can qualify for tax relief on the first \$400,000 of their home's assessed value. The senior property tax credit is included in the homeowner's credit and offers an additional 25 percent credit for seniors 70 years or older who are primary homeowners. Residents must apply for the Homeowner's Credit and eligibility will automatically be calculated by the Maryland State Department of Assessments and Taxation.
Municipal Homestead Credit	Varies	This tax credit limits the assessment increase that can be taxed to 10 percent a year by the State, County and City. The Homestead Tax Credit is not applicable the first year following the purchase of a home.
Rockville Property Tax Credit	\$100	This is a one-time \$100 credit given to every owner-occupied household through the State's Income Tax Offset Program.

Overall Financial Status Remains Healthy

The City maintains seven individual governmental funds and six enterprise funds for a total of 13 individual funds. The governmental funds reflect the City's basic services, including public safety, licensing, permits, inspections, snow removal, street maintenance, zoning, planning, public parks and recreation programs. The majority of these services are financed through real and personal property taxes. The enterprise funds reflect the City's main utilities and public services, including water, sewer, recycling and refuse, stormwater management, parking and golf.

increase over FY09. This means that the City's various revenues across all funds were more than sufficient to cover expenses, and the City's net worth increased.

The City's total assets did not change significantly between FY09 (\$418.9 million) and FY10 (\$418.7 million). Total cash and investments decreased by \$17.9 million and capital assets increased by \$16.9 million. This indicates that the City is completing projects and adding to City-owned infrastructure.

The City's net assets increased by \$9.7 million from FY09 to FY10.

A good measure of the City's overall financial health is the change in net assets, which indicates if the government has sufficient financial capacity to cover unforeseen events.

Across all 13 funds the City's net assets increased by \$9.7 million to \$293.5 million, a 3.4 percent

In FY10 the City focused on paying off outstanding debts, which resulted in total liabilities decreasing by \$9.9 million between FY09 and FY10. In FY10 the City reduced outstanding payables and accrued liabilities by \$3 million and outstanding bonds and loans also decreased by \$7.6 million. This strategy of reducing debt while investing in our infrastructure results in strengthening the City's balance sheet.

The City's Balance Sheet

(\$ in millions)	FY 2010			FY 2009		
	Gov. Activities	Enterprise Funds	Total	Gov. Activities	Enterprise Funds	Total
Assets						
Cash and Investments	\$34.2	\$8.3	\$42.5	\$42.5	\$17.9	\$60.4
Receivable, net	\$4.4	\$6.9	\$11.4	\$5.1	\$5.3	\$10.5
Capital assets	\$238.0	\$126.1	\$364.1	\$230.9	\$116.3	\$347.2
Other assets	\$0.8	\$0.0	\$0.8	\$0.8	\$0.0	\$0.8
Total Assets	\$277.3	\$141.4	\$418.7	\$279.3	\$139.6	\$418.9
Liabilities						
Payables and Accrued	(\$3.6)	\$11.9	\$8.2	\$4.5	\$4.7	\$9.2
Bonds and Loans	\$36.7	\$73.4	\$110.1	\$40.2	\$77.5	\$117.7
Compensated absences	\$4.3	\$0.9	\$5.1	\$4.2	\$0.8	\$5.0
Other Liabilities	\$2.5	\$1.3	\$3.7	\$2.8	\$0.4	\$3.2
Total Liabilities	\$39.9	\$87.3	\$127.2	\$51.7	\$83.4	\$135.1
Net Assets	\$238.5	\$55.1	\$293.5	\$227.6	\$56.2	\$283.8

The City's Debt Decreased

The City issues general obligation bonds to raise large amounts of cash in order to build and improve City services and infrastructure. Unlike debt issued to an individual, which can be secured by an asset such as a house, the City's bonds are secured by the City's ability to raise taxes as needed.

The City's financial management policies insure that we use debt responsibly. Among other things, the policies mandate that we cannot use debt to pay operating or routine maintenance costs, such as employee salaries. In lieu of an official debt limit, this policy also establishes a set of debt ratio targets the City must strive to maintain. The City's financial management policies can be found in the FY11 Adopted Operating book (page 2-4) and the City's debt ratio targets can be found in both the FY11 Adopted Operating book (page 3-25) and FY11 Adopted CIP book (page 10).

Not all debt is paid for through taxes on residents.

General tax revenues pay for bonds used to support projects funded through the Capital Projects fund, such as a new police

station. Bonds issued to support enterprise fund activities are paid by each individual enterprise fund through utility fees and charges.

In FY10 no new bonds were issued. The City paid a total of \$7.6 million in principal and interest

Long term debt decreased by \$7.6 million or 6.5% in FY10.

payments and at the end of FY10 the City reduced its outstanding long term debt to \$110.4 million, including all unamortized bond discounts.

At every bond sale the City is evaluated by two nationally recognized credit rating agencies: Moody's Investor Services and Standard and Poor's. The credit rating agencies evaluate Rockville based on four categories: debt burden, management, financial performance and the City's economic base.

In FY09, (our last bond sale) the City earned the highest bond rating from both Standard and Poor's (AAA) and Moody's (Aaa). The City's triple-A rating shows outside investors that the rating agencies are confident in the City's ability to repay our debt, and are comfortable with the stability of our tax base and our future prospects as a community. The Triple-A bond rating also saves the City money because we are able to borrow money at a lower interest rate.

The City's Outstanding Debt

(\$ in millions)	FY 2010	FY 2009
Governmental Activities		
Capital Projects Fund	\$36.7	\$40.2
Enterprise Funds (includes unamortized bond discount)		
Water Fund	\$20.6	\$22.4
Sewer Fund	\$16.2	\$17.5
Refuse Fund	\$2.6	\$2.9
Parking Fund	\$32.9	\$33.6
Golf Fund	\$0.3	\$0.3
Stormwater Management Fund	\$1.1	\$1.2
Total	\$110.4	\$118.1

General Fund Ends the Year in Positive Position

The City's General Fund supports the majority of governmental activities. Since the General Fund comprises more than 50 percent of total revenues and expenditures, its financial health is a key indicator of the City's ability to pay its financial obligations. In August 2009, near the beginning of FY10, the State cut \$2.4 million in funding to the City, and the General Fund expenditure budget was reduced in October to match the reduction in revenues.

Expenditures were less than revenues in FY10.

In FY10 the General Fund received \$62 million in revenue and spent \$60.3 million to provide City services including transfers from the General Fund to other City funds. Between FY09 and FY10, revenues decreased \$0.9 million and expenditures decreased \$3.9 million.

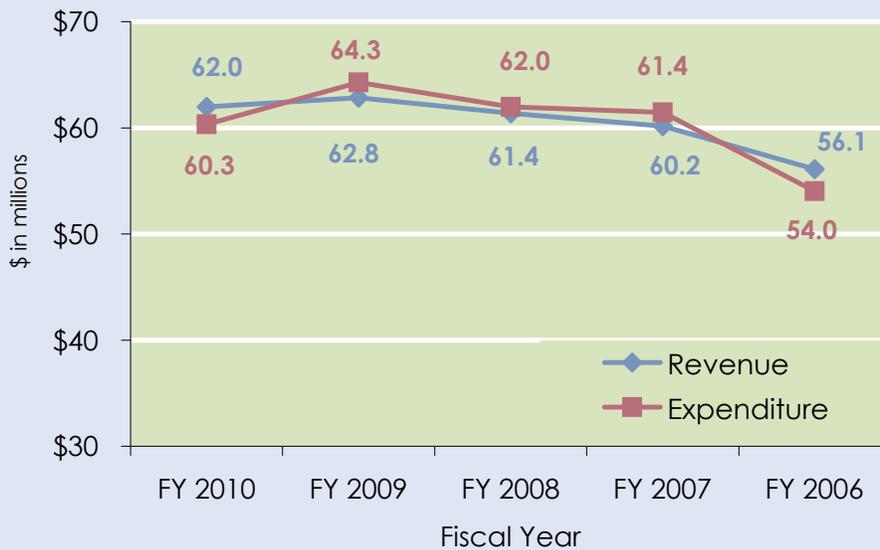
Other governments, such as the State of Maryland and Montgomery County, provided 25

percent or \$15.4 million in revenue to the General Fund. Due to the current fiscal condition of the State and County these revenue sources will continue to be closely monitored in FY11.

The total General Fund fund balance increased from \$13.6 million in FY09 to \$15.3 million in FY10. A portion (\$450,000) of the FY10 fund balance is set aside to pay for open contracts. The main factors contributing to the increase in the fund balance were FY10 income tax revenues coming in stronger than estimated, and close monitoring of City expenditures.

At the end of FY10 the total General Fund fund balance was 24.6 percent of FY10 adopted revenues, which is an increase from FY09. As part of the City's goal to prudently manage taxpayer resources, Rockville has set an annual 15 percent reserve requirement threshold. The 15 percent policy is calculated based on the General Fund's annual adopted revenues.

General Fund Revenues versus Expenditures



In addition to regular operating expenditures the General Fund transfers money to other City funds every year to pay the City's debt, to subsidize special programs or support enterprise operations. These transfers out of the General Fund are included in the total expenditures reported in this graph.

Total transfers out of the General Fund by Fiscal Year:

- FY10—\$7.4 million
- FY09—\$13.7 million
- FY08—\$14.5 million
- FY07—\$17.3 million
- FY06—\$11.6 million

Where Did the Money Come From?

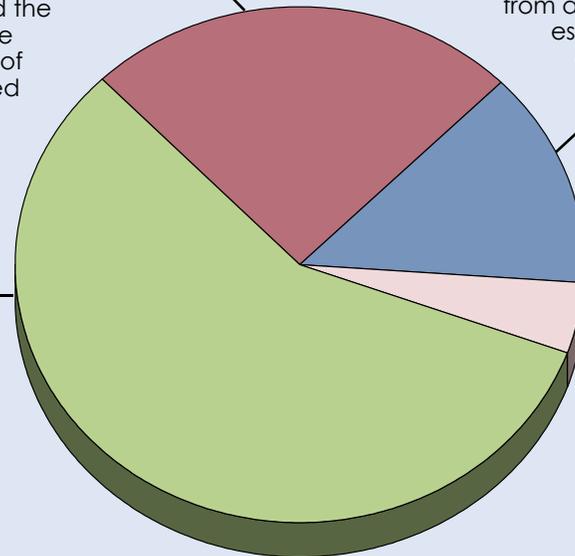
(FY10 Actual General Fund Revenues)

Revenue from Other Governments (\$15.4 million or 25%): The City of Rockville receives payments from Montgomery County, the State of Maryland and the federal government. These payments are in the form of grants, entitlements, shared revenues or payments in lieu of taxes. The largest payment in this category was income tax (\$10.3 million).

Service Charges and Fees (\$8.4 million or 14%): These charges consist of fees paid by the specific users who individually benefit from a City service. The two largest revenue generators in this category are recreation program fees and facility rental fees.

Other Revenue (\$2.7 million or 4%): Other revenue consists mainly of proceeds from the City's hotel tax, the auction of retired City vehicles, and payments received for overhead costs in the General Fund from the City's enterprise funds.

Property Taxes (\$35.5 million or 57%): Property taxes consist of real and personal property taxes, paid by Rockville property owners.



How Was the Money Spent?

(FY10 Actual General Fund Expenditures)

Community Development (\$3.9 million or 6%): Personnel and operating expenses for the City's Community Planning and Development Services.

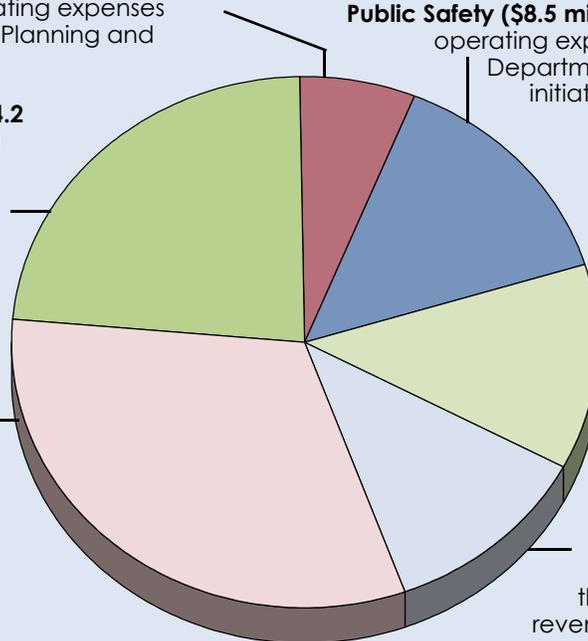
Public Safety (\$8.5 million or 14%): Personnel and operating expenses for the City's Police Department and public safety initiatives.

General Government (\$14.2 million or 24%): Personnel and operating expenses of the Mayor and Council, City Attorney, City Manager, Finance, Information and Technology and Human Resources departments.

Transfers Out (\$7.4 million or 12%): Transfers from the General Fund to the Debt Service (\$4 million), Capital Projects (\$2.4 million), Refuse (\$30,000), Parking (\$850,000) and Special Activities (\$144,266) funds.

Recreation and Parks (\$19.2 million or 32%): Personnel and operating expenses associated with the City's recreation programs, parks and maintenance of public facilities.

Public Works (\$7.1 million or 12%): Personnel and operating expenses for the Public Works department. Of the \$21.6 million spent, 33% was provided by the General Fund and the rest (\$14.5 million, or 67%) was from the City's enterprise and special revenue funds.



City's Enterprise Funds Show Mixed Results

The City's enterprise funds support the City's four main utility functions and two public services. An example of a City enterprise fund is the Water Fund. Residents who use the City's water services are billed monthly or quarterly based on the amount of water used. All costs associated with providing safe and dependable water to customers are entirely supported through these bills. Not all residents, businesses or taxpayers use the City's utility services.

Some enterprise funds performed better than others.

Services supported by the City's enterprise funds are designed to operate as separate businesses. This means that revenues for these funds are generated by directly charging customers for the services. Revenues generated by utility fees cannot be used for any other City services. Enterprise funds are generally self-sufficient and do not rely on taxes.

In FY10 the City's utility funds had a mixed performance. Total revenues equaled or exceeded

total expenses for the Sewer and Refuse Funds. The Stormwater Management (SWM) fund did not generate enough revenues to cover expenses and this was planned. The City spent down a portion of the SWM working capital in order to maintain the annual SWM fee at the most reasonable rate possible. The Water Fund also did not generate enough revenues to cover expenses and this is mainly due to the increasing costs related to capital repair and replacement. The City is planning additional water rate increases to support the large projects needed to repair the City's water system infrastructure.

The Parking and Golf Funds are competitive enterprises with the goal of generating sufficient revenues to cover all direct (day-to-day operations) and indirect (debt and overhead costs) expenses. It is more difficult for these funds to achieve this goal because of private competition. We are currently reviewing the status of these funds to determine financial viability and the potential need for General Fund subsidies in future years.

Enterprise Funds' Revenues versus Expenses



City's Enterprise Funds Receive a Mixed Grade

As stated in the City's financial policy an enterprise fund must meet two main goals.

Goal #1: Expenses vs. Revenues

The enterprise funds total revenue should equal or exceed total expenses. The exception in the financial management policies is for enterprise funds where the City is not the sole provider of the services, which include the City's Parking and Golf funds. Under these circumstances fees and rates must cover operating costs.

It is acceptable in any one year for expenses to

exceed revenues as long as there are sufficient reserves or a long-term financial plan in place.

Goal #2: Required Reserve Levels

The Water, Sewer and SWM funds must maintain working capital balances of 90 days of operating expenses as reserves. The City's Refuse Fund must maintain as reserves a working capital balance of 30 days. Although the Parking and Golf funds do not have a reserve requirement formally stated in the financial management policies, in practice staff aims to maintain a 30-day working capital balance in these two funds.

City of Rockville			
Enterprise Fund			
Report Card			
Fiscal Year 2010 (July 2009 - June 2010)			
Goal #1	FY10	FY09	Comments
Water Fund	✗	✗	Water rates are set to increase in FY11 and are proposed to increase in FY12 to better align revenues with expenses.
Sewer Fund	✓	✓	
Refuse Fund	✓	✓	
Parking Fund	✓	✗	Improvement from last year!
SWM Fund	✗	✗	The City is spending down a large cash balance.
Golf Fund	✗	✗	The National Golf Foundation is performing a study in FY11. The results of the study will be presented to the Mayor and Council during the winter of 2010/2011.
Goal #2	FY10	FY09	Comments
Water Fund	✗	✓	Bond issue is planned in FY11.
Sewer Fund	✗	✗	Bond issue is planned in FY11.
Refuse Fund	✓	✓	
Parking Fund	✓	✓	
SWM Fund	✓	✓	
Golf Fund	✗	✗	The National Golf Foundation is performing a study in FY11. The results of the study will be presented to the Mayor and Council during the winter of 2010/2011.

Rockville Receives Awards for Excellence

The Government Finance Officers Association of the United States and Canada (GFOA) has given an award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Rockville for its Popular Annual Financial Report for the fiscal year ended June 30, 2009. The award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

We believe our current report continues to conform to Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

For more information, please visit the Department of Finance's Website at www.rockvillemd.gov/government/finance.htm or call 240-314-8400.

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

**City of Rockville
Maryland**

for the Fiscal Year Ended

June 30, 2009




President
Jeffrey L. Esser
Executive Director



City of Rockville
111 Maryland Avenue
Rockville, MD 20850
240-314-5000
www.rockvillemd.gov

Any individual with disabilities who would like to receive the information in this publication in another form (e.g., large print, Braille, tape, etc.) may contact the City's Americans with Disabilities Act Coordinator at 240-314-8100; TTY 240-314-8137. For additional information about the City of Rockville, please visit our Website at www.rockvillemd.gov.