

Compatibility of the CIP with City Financial Policies, Including Financial Ratios Related to Debt

The City's policies for capital financing and debt management, which are found in the Policies and Goals section of the operating budget document, establish quantitative parameters designed to ensure that debt burdens remain within manageable levels. Neither Maryland State law nor the City Charter mandates a limit on municipal debt. Each year, the CIP is crafted with a view toward ensuring that these quantitative targets are maintained. The Capital Projects Fund ratios below include the debt issued for the Town Center Parking Garages. With the inclusion of the parking garage debt, some ratios exceed the City's quantitative targets. Discussions with the bond rating agencies indicate that this higher interim level is reasonable given the City's overall financial profile.

In the Capital Projects Fund, the City strives to 1) maintain its net tax-supported debt at a level not to exceed 1.0 percent of the assessed valuation of taxable property within the City, 2) ensure that its net tax-supported debt per capita does not exceed \$700, 3) ensure that its net tax-supported debt per capita as a percentage of Federal adjusted gross income does not exceed 2.5 percent, and 4) maintain its annual net tax-supported debt service costs at a level less than 15 percent of the combined expenditure budgets for the General, Special Revenue, and Debt Service Funds. For the Enterprise Funds, the City strives to set Enterprise Fund rates at levels needed to fully cover debt service requirements as well as operations, maintenance, administration and capital improvement costs. Debt service coverage ratios are calculated annually for all of the City's Enterprise Funds. A minimum of a 1.2 coverage ratio should be maintained for each of the Enterprise Funds.

DEBT PROJECTIONS: CAPITAL PROJECTS FUND

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Beginning Net Tax-Supp. Debt	70,160,102	79,417,804	75,025,684	77,348,148	73,128,087
Amount of New Debt	13,000,000	-	6,500,000	-	-
Total Amount to be Retired	(3,742,298)	(4,392,120)	(4,177,536)	(4,220,061)	(4,250,061)
Ending Net Tax-Supp. Debt	79,417,804	75,025,684	77,348,148	73,128,087	68,878,026
Net Bonded Debt at Year-End	76,924,862	72,822,782	75,015,358	70,932,413	66,640,244
Assessed Valuation¹	12,232,329,600	12,353,502,896	12,356,234,946	12,478,647,295	12,602,283,768
Population of City²	62,908	63,984	64,660	66,019	67,341
Per Capita Income³	47,162	49,048	51,010	53,051	55,173

1. Includes all real and personal property property within the City of Rockville boundaries.

2. Source: City of Rockville Department of Community Planning and Development Service, February 2010 estimate.

3. Source: U.S. Census Bureau, 2005-2007 American Community Survey for Rockville, Maryland (adjusted for annual inflation).

DEBT RATIOS: CAPITAL PROJECTS FUND

	Target	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Debt per Assessed Valuation	1.0%	0.63%	0.59%	0.61%	0.57%	0.53%
Debt per Capita	\$700	\$1,223	\$1,138	\$1,160	\$1,074	\$990
Debt per Capita as % of per Capita Income	2.5%	2.60%	2.30%	2.30%	2.00%	1.80%
Debt Service as % of Operating Budget	15.0%	11.20%	11.70%	10.90%	10.90%	10.50%