Third Quarter FY 2013 Financial Report

City of Rockville, Maryland

Prepared by the Department of Finance

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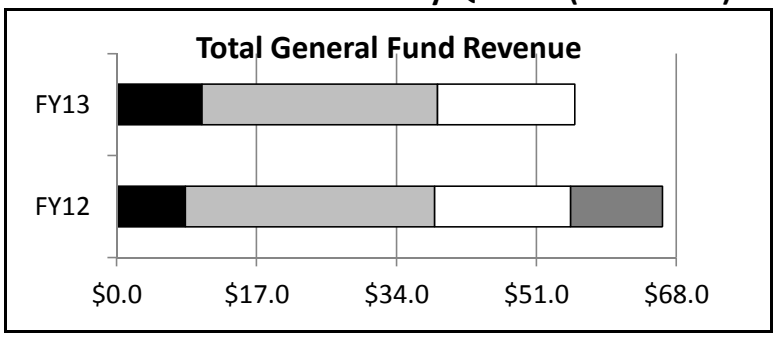
City of Rockville Get Into It

General Fund Revenue as of March 31, 2013

General Fund Revenue Budget to Actual

Revenue Category	Current Fiscal Year				Previous Yr
	FY13 Adopted	FY13 Amended	Actual 3/31/13	% Amend. Received	Actual 3/31/12
Property Taxes	$ 35,090,580	$ 35,090,580	$ 33,843,373	96.4%	$ 34,872,119
From Other Gov't.	16,060,490	16,080,490	11,056,565	68.8%	9,816,443
Fines & Forfeitures	654,500	1,875,500	1,126,253	60.1%	425,638
Use of Money & Property	239,600	239,600	167,949	70.1%	215,690
Charges for Service	6,104,240	6,104,240	4,168,610	68.3%	4,269,749
Licenses & Permits	2,386,000	2,386,000	1,678,952	70.4%	1,969,005
Other Revenue	4,770,290	5,125,449	3,659,175	71.4%	3,626,917
Total Revenue	$ 65,305,700	$ 66,901,859	$ 55,700,877	83.3%	$ 55,195,561

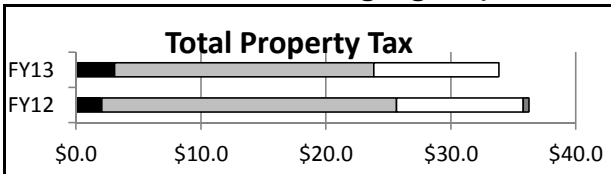
Total General Fund Revenue by Quarter (in millions)



General Fund Revenue Trend

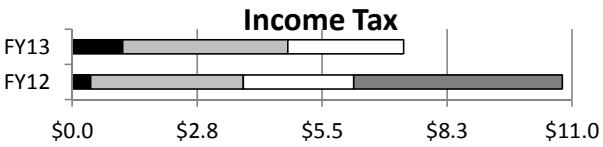
3Q General Fund revenues are slightly ahead of FY12 levels, with **property tax**, **income tax**, and **redlight camera** revenue showing the greatest variances. **Property tax** and **income tax** are discussed below. **Redlight camera** revenues have increased due to the installation of redlight cameras with new technology that captures right turn on red violations.

General Fund Revenue Highlights (in millions)



Total **Property Tax** revenue for FY13 of $33.8 million is approximately $1 million lower than FY12 revenue of $34.9 million due to the State Department of Assessments and Taxation (SDAT) being behind on its personal property tax billing. In addition to this delay, staff contacted the SDAT's personal property manager and was made aware that the FY13 personal property revenues may come in slightly under budget by $100,000 to $200,000, mainly due to the State's current property valuation system.

The budget amendment does not include a decrease to personal property tax revenues because staff believes that it will be offset by higher than budgeted real property tax revenues.



Income tax ("From Other Gov't." category) is the second largest single revenue source for the General Fund. Historically, the largest portion of income tax revenue is received in the fourth quarter. Income tax revenue is difficult to estimate because there is very little information available from the County or State. Through 3Q, income tax revenues were $1.1 million ahead of revenues received through the same period last year ($7.3 million through 3Q FY13 versus $6.2 million through 3Q FY12). Because of this trend, an increase of $400,000 is included on the May budget amendment.

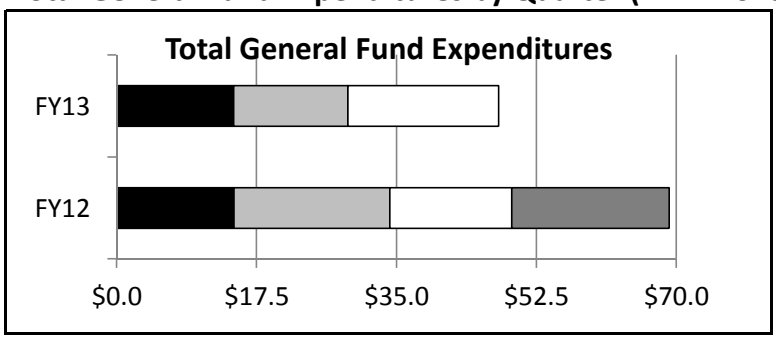
Income tax totaled $10.8 million in FY12 and, with the amendment, is estimated to total $11.4 million in FY13. FY14 is currently estimated at a conservative $11.2 million.

General Fund Expenditures as of March 31, 2013

General Fund Expenditures Budget to Actual

Expenditure Category	Current Fiscal Year				Previous Yr
	FY13 Adopted	FY13 Amended	Actual 3/31/13	% Amend. Spent	Actual 3/31/12
Personnel					
Salary	$ 30,029,260	$ 30,029,260	$ 21,517,980	71.7%	$ 20,981,576
Benefits	11,374,420	11,372,564	9,407,949	82.7%	8,260,371
Overtime	786,210	806,210	608,519	75.5%	565,070
Contractual Services	6,759,520	7,594,722	4,700,280	61.9%	4,558,391
Commodities	5,133,820	5,200,134	2,978,913	57.3%	3,143,111
Capital Outlays	517,500	615,135	358,432	58.3%	279,742
Other / Transfer	2,104,970	2,106,826	1,669,860	79.3%	1,844,629
Transfer to Debt Service	4,700,000	4,700,000	3,525,000	75.0%	3,825,000
Transfer to CIP	3,900,000	3,995,000	3,020,000	75.6%	5,975,250
Total Expenditures	$ 65,305,700	$ 66,419,852	$ 47,786,933	71.9%	$ 49,433,140

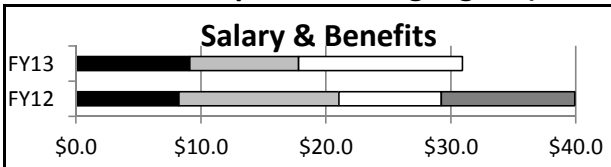
Total General Fund Expenditures by Quarter (in millions)



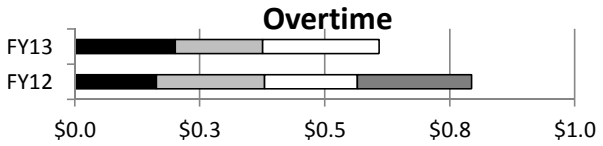
General Fund Expenditure Trend

Total 3Q General Fund expenditures are behind the same period last year, with the largest variances in **salaries** and **benefits** (discussed below) and decreased **transfers**. **Transfers** appear lower compared to FY12 because the transfer to the Debt Service Fund and CIP were budgeted lower in FY13. Other one-time savings due to vacant positions and contract savings have been included on the May budget amendment as an addition to fund balance, as discussed on page A-4.

General Fund Expenditure Highlights (in millions)



Salaries and **benefits** are trending higher in 3Q FY13 than in 3Q FY12 due to the timing of the City's retiree healthcare contributions and an increase in the City's Workers Compensation premium and claims. The FY13 Retiree Benefit Trust contribution was made in full in 3Q, while the FY12 contribution was divided between the 2Q and 4Q. The City's Workers Compensation insurance premium increased by about $60,000 between FY12 and FY13, and there has also been an increase in the dollar amount paid for claims.



3Q **overtime** spending exceeded FY12 levels due to more inclement weather events in FY13 than in FY12. Even though there were no major winter storms, City crews had to treat roadways for a number of light snow and ice events, which led to increased overtime spending for 3Q. City crews were on alert for 14 storms during the months of January, February, and March.

General Fund Summary as of March 31, 2013

General Fund Budget to Actual

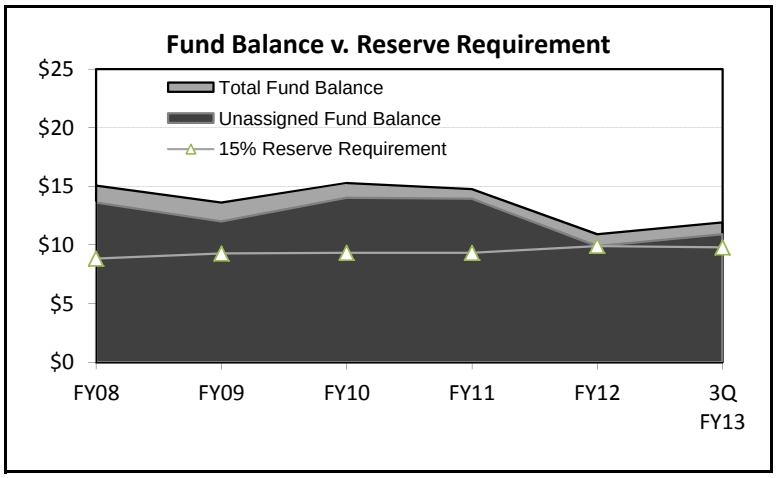
	Current Fiscal Year				Previous Yr
	FY13 Adopted	FY13 Amended	Actual 3/31/13	% Amend. Rec/Spent	Actual 3/31/12
Total Revenue	$ 65,305,700	$ 66,901,859	$ 55,700,877	83.3%	$ 55,195,561
Total Expenditures	65,305,700	66,419,852	47,786,933	71.9%	49,433,140
Add to / (Use of) Reserves	$ -	$ 482,007	$ 7,913,944		$ 5,762,421

General Fund Unassigned Fund Balance

	Amount	% of FY13 Adp. Rev.	Explanation
Audited FY13 Beginning Total Fund Bal.	$ 10,914,055	16.7%	Fund balance = **Accumulated** total of revenues less expenditures
Less Nonspendable Portion	(499,301)		
Plus Amended General Fund Revenue	66,901,859		
Less Amended General Fund Expenditures*	(66,419,852)		
Est. FY13 Ending Unassigned Fund Bal.**	**10,896,761**	**16.7%**	Projected ending balance exceeds 15% target
Target Minimum FY13 Unassigned Fund Bal.	9,795,855	15.0%	
Estimated Variance from FY13 Target	**$ 1,100,906**		

**$510,752 in purchase orders that carried over from FY12 are included in the amended expenditures total. The portion of fund balance that is used to fund these purchase orders is considered "assigned."*

***A $1 million addition to fund balance is not included here, but will be included in the May budget amendment. This addition will bring the ending unassigned balance above 18% of FY13 Adopted General Fund revenue.*



General Fund Unassigned Fund Balance Status

The FY13 estimated ending unassigned fund balance is in compliance with the City's policy of maintaining an unassigned fund balance that is equal to or greater than 15% of adopted General Fund revenue.

Historically, the unassigned balance has exceeded the 15% requirement, which has contributed to the City's ability to maintain its triple-A credit status.

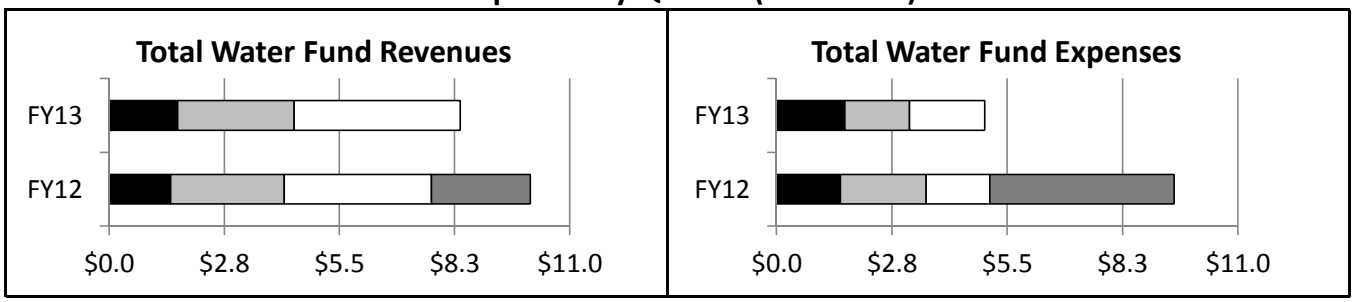
The February budget amendment included a $1 million addition to fund balance. The planned May amendment will include an additional $1 million addition to fund balance due to General Fund savings throughout the year. These additions strengthen the City's reserve position above the 15% requirement, to an estimated 18%.

Water Fund Summary as of March 31, 2013

Water Fund Budget to Actual

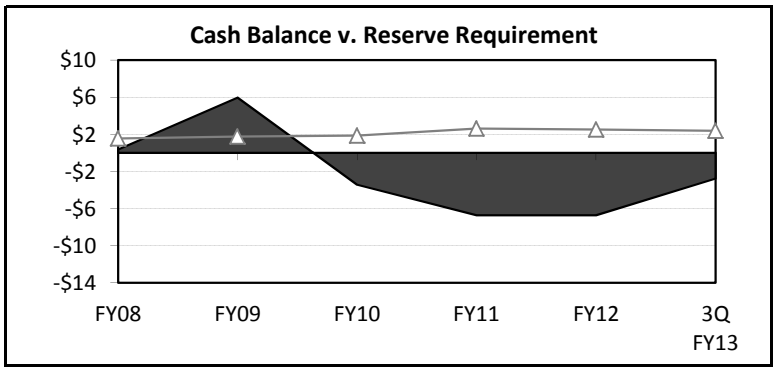
	Current Fiscal Year				Previous Yr
	FY13 Adopted	FY13 Amended	Actual 3/31/13	% Amend. Rec/Spent	Actual 3/31/12
Revenues					
Utility charges	$ 10,306,100	$ 10,306,100	$ 7,831,084	76.0%	$ 7,136,651
Connection Charges	20,000	20,000	98,900	494.5%	104,784
Sales of materials	10,000	10,000	23,032	230.3%	31,826
Interest income/Other	45,000	45,000	20,944	46.5%	22,434
Penalties	60,000	60,000	71,764	119.6%	59,848
Trans. from Sewer/Refuse	455,490	455,490	341,618	75.0%	338,228
Total Revenue	$ 10,896,590	$ 10,896,590	$ 8,387,342	77.0%	$ 7,693,771
Expenses					
Personnel	$ 3,406,430	$ 3,406,430	$ 2,571,826	75.5%	$ 2,489,378
Operating	1,935,650	1,963,362	1,130,713	57.6%	1,389,028
Capital	66,940	68,114	108,786	159.7%	66,439
Debt serv., transfer, other	4,092,890	4,092,890	1,155,771	28.2%	1,138,824
Total Expenses	$ 9,501,910	$ 9,530,796	$ 4,967,095	52.1%	$ 5,083,670
Add to / (Use of) Reserves	$ 1,394,680	$ 1,365,794	$ 3,420,247		$ 2,610,101

Total Water Fund Revenues and Expenses by Quarter (in millions)



Water Fund Cash Balance

FY13 Reserve Requirement = 90 Days / $2,375,478	6/30/2012 Actual	1Q Actual	2Q Actual	3Q Actual	4Q Actual
	$ (6,725,203)	$ (7,165,058)	$ (7,912,094)	$ (2,778,103)	N/A
Is this fund compliant?	No	No	No	No	



Water Fund Cash Balance Status

Large capital improvement costs, combined with revenues that have struggled to keep pace with spending, have lowered the fund's cash balance significantly in recent years. The positive change from 2Q to 3Q was due to the April bond issue.

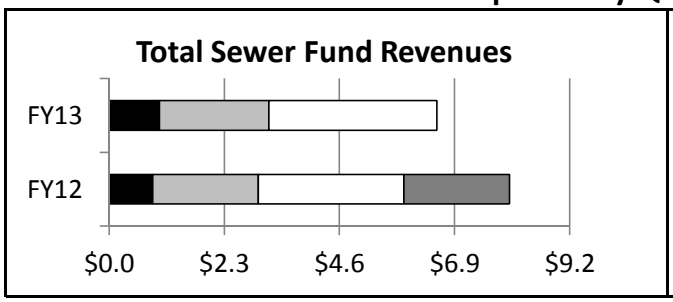
Staff supports bringing in outside expertise to review the current rate structure and to provide the Mayor and Council with options that would bring the fund into compliance while keeping rates reasonably competitive.

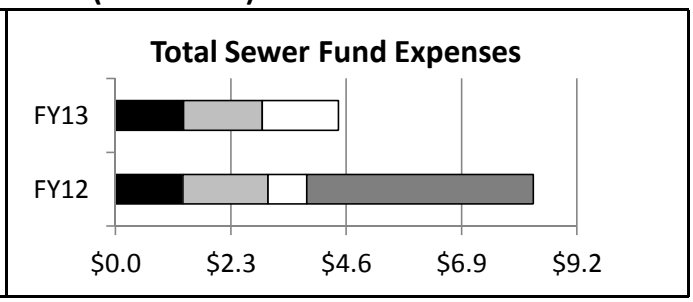
Sewer Fund Summary as of March 31, 2013

Sewer Fund Budget to Actual

	Current Fiscal Year				Previous Yr
	FY13 Adopted	FY13 Amended	Actual 3/31/13	% Amend. Rec/Spent	Actual 3/31/12
Revenues					
Utility charges	$ 8,717,300	$ 8,717,300	$ 6,339,218	72.7%	$ 5,663,623
Connection charges	20,000	20,000	147,600	738.0%	159,400
Interest income/Other	17,000	17,000	5,000	29.4%	17,200
Penalties	60,000	60,000	56,963	94.9%	48,199
Total Revenue	$ 8,814,300	$ 8,814,300	$ 6,548,781	74.3%	$ 5,888,422
Expenses					
Personnel	$ 1,525,410	$ 1,525,410	$ 1,172,274	76.8%	$ 1,081,745
Operating	3,556,940	3,683,434	2,207,073	59.9%	1,626,455
Capital	50,000	50,000	-	0.0%	95,117
Debt serv., transfer, other	3,971,170	3,971,170	1,068,275	26.9%	1,010,796
Total Expenses	$ 9,103,520	$ 9,230,014	$ 4,447,622	48.2%	$ 3,814,112
Add to / (Use of) Reserves	$ (289,220)	$ (415,714)	$ 2,101,159		$ 2,074,310

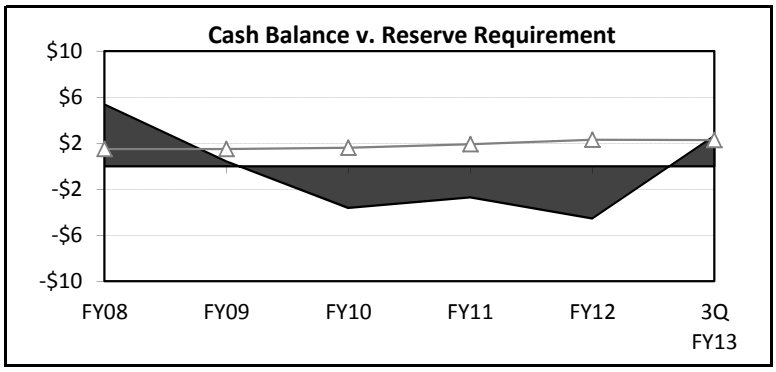
Total Sewer Fund Revenues and Expenses by Quarter (in millions)





Sewer Fund Cash Balance

FY13 Reserve Requirement = 90 Days / $2,275,880	6/30/2012 Actual	1Q Actual	2Q Actual	3Q Actual	4Q Actual
	$ (4,541,267)	$ (5,731,257)	$ (6,841,616)	$ 2,632,781	N/A
Is this fund compliant?	No	No	No	Yes	



Sewer Fund Cash Balance Status

Large capital improvement costs, combined with revenues that have struggled to keep pace with spending, have lowered the fund's cash balance significantly in recent years. The positive change from 2Q to 3Q was due to the April bond issue.

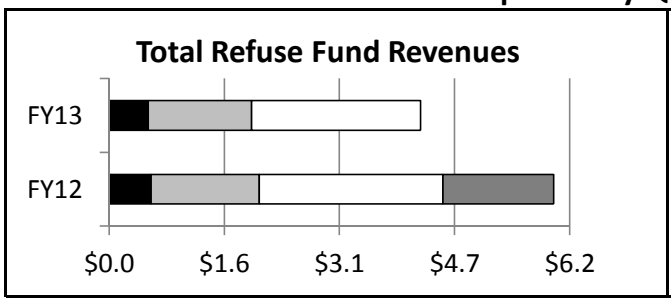
Staff supports bringing in outside expertise to review the current rate structure and to provide the Mayor and Council with options that would bring the fund into compliance while keeping rates reasonably competitive.

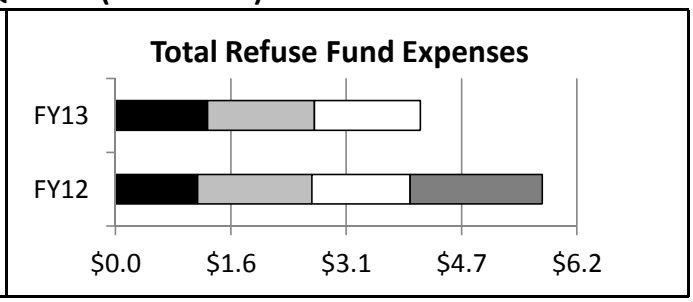
Refuse Fund Summary as of March 31, 2013

Refuse Fund Budget to Actual

	Current Fiscal Year				Previous Yr
	FY13 Adopted	FY13 Amended	Actual 3/31/13	% Amend. Rec/Spent	Actual 3/31/12
Revenues					
Utility charges	$ 5,100,120	$ 5,100,120	$ 3,873,773	76.0%	$ 4,052,734
GF contribution to RHE	39,060	39,060	29,295	75.0%	30,900
Interest income/Other	2,300	2,300	1,708	74.3%	11,236
Sale of materials	408,900	408,900	234,164	57.3%	345,146
Penalties	63,600	63,600	53,053	83.4%	52,556
Total Revenue	$ 5,613,980	$ 5,613,980	$ 4,191,994	74.7%	$ 4,492,572
Expenses					
Personnel	$ 2,607,960	$ 2,607,960	$ 1,903,409	73.0%	$ 1,746,547
Operating	1,963,270	1,965,901	1,292,937	65.8%	1,325,698
Capital	29,810	29,810	17,685	59.3%	4,690
Debt serv., transfer, other	1,549,100	1,549,100	883,889	57.1%	881,802
Total Expenses	$ 6,150,140	$ 6,152,771	$ 4,097,921	66.6%	$ 3,958,737
Add to / (Use of) Reserves	$ (536,160)	$ (538,791)	$ 94,073		$ 533,835

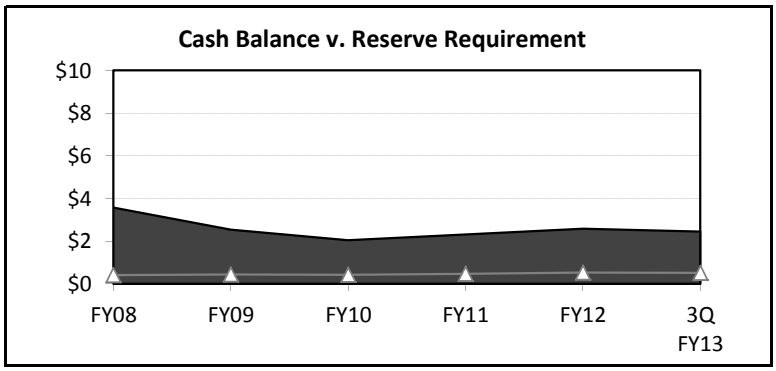
Total Refuse Fund Revenues and Expenses by Quarter (in millions)





Refuse Fund Cash Balance

FY13 Reserve Requirement = 30 Days / $512,512	6/30/2012 Actual	1Q Actual	2Q Actual	3Q Actual	4Q Actual
	$ 2,572,544	$ 2,625,142	$ 2,551,897	$ 2,444,736	N/A
Is this fund compliant?	Yes	Yes	Yes	Yes	



Refuse Fund Cash Balance Status

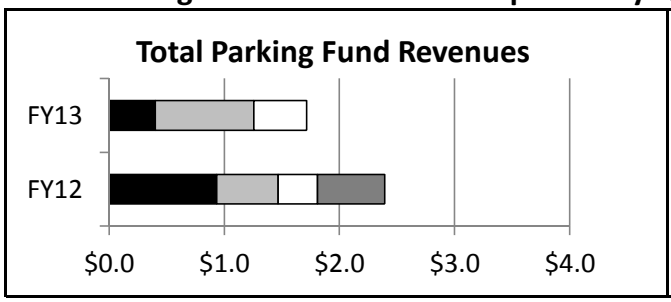
The Refuse Fund's cash balance is above the required level. Refuse rates decreased for FY13 as the fund is stable and has no planned debt in the future. Due to the large cash balance in the fund, the FY14 refuse rate is proposed to remain unchanged.

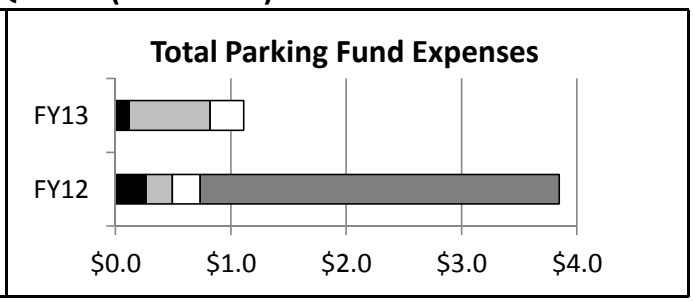
Parking Fund Summary as of March 31, 2013

Parking Fund Budget to Actual

	Current Fiscal Year				Previous Yr
	FY13 Adopted	FY13 Amended	Actual 3/31/13	% Amend. Rec/Spent	Actual 3/31/12
Revenues					
Real property tax	$ 161,300	$ 161,300	$ 156,443	97.0%	$ (40,061)
County contribution	295,000	295,000	298,875	101.3%	301,322
Parking meters	400,000	400,000	285,573	71.4%	480,408
Parking violations	650,000	650,000	599,243	92.2%	636,103
Interest income/Other	1,800	1,800	813	45.2%	56,108
Trans. from General Fund	500,000	500,000	375,000	75.0%	375,000
Total Revenue	$ 2,008,100	$ 2,008,100	$ 1,715,947	85.5%	$ 1,808,880
Expenses					
Personnel	$ 262,700	$ 262,700	$ 197,627	75.2%	$ 162,450
Operating	185,350	185,350	210,609	113.6%	194,165
Debt serv., transfer, other	2,031,740	2,031,740	703,420	34.6%	376,807
Total Expenses	$ 2,479,790	$ 2,479,790	$ 1,111,656	44.8%	$ 733,423
Add to / (Use of) Reserves	$ (471,690)	$ (471,690)	$ 604,290		$ 1,075,457

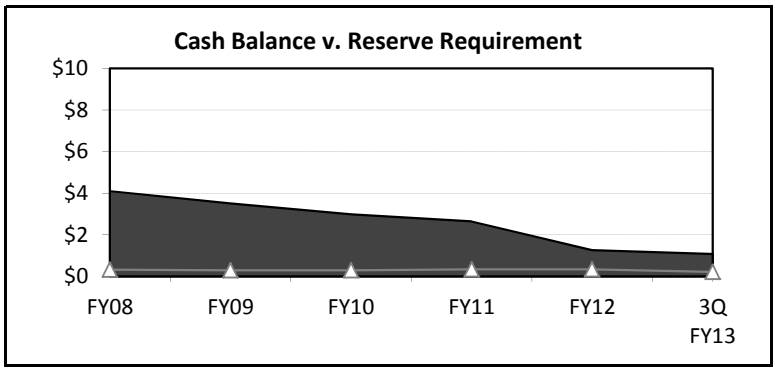
Total Parking Fund Revenues and Expenses by Quarter (in millions)





Parking Fund Cash Balance

FY13 Reserve Requirement = 30 Days / $206,649	6/30/2012 Actual	1Q Actual	2Q Actual	3Q Actual	4Q Actual
	$ 1,260,243	$ 854,239	$ 987,203	$ 1,074,632	N/A
Is this fund compliant?	Yes	Yes	Yes	Yes	



Parking Fund Cash Balance Status

FY13 is the first full year of the lease of the Town Center parking garages. In order to keep the fund in compliance with the reserve requirement, staff recommends continuing a General Fund transfer until more of the annual revenues offset annual expenses. These expenses include 4 regular FTEs, the street meter program, and the debt service payments on the bonds issued to support the construction of the garages.

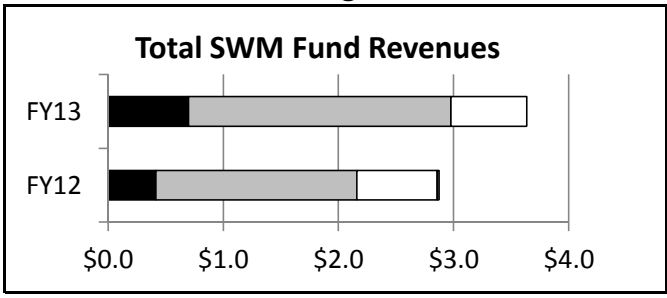
Stormwater Management Fund Summary as of March 31, 2013

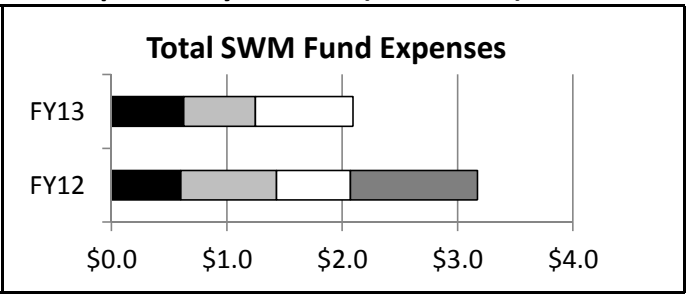
Stormwater Management Fund Budget to Actual

	Current Fiscal Year				Previous Yr
	FY13 Adopted	FY13 Amended	Actual 3/31/13	% Amend. Rec/Spent	Actual 3/31/12
Revenues					
SWM utility fees	$ 3,105,500	$ 3,105,500	$ 2,881,953	92.8%	$ 2,353,904
SWM permits	250,000	250,000	316,141	126.5%	324,038
Regional SWM fees*	130,000	130,000	432,160	332.4%	177,029
Interest income/Other	11,000	11,000	5,908	53.7%	2,454
Total Revenue	$ 3,496,500	$ 3,496,500	$ 3,636,163	104.0%	$ 2,857,425
Expenses					
Personnel	$ 1,883,810	$ 1,883,810	$ 1,382,723	73.4%	$ 1,243,859
Operating	793,150	840,247	236,775	28.2%	357,266
Debt serv., transfer, other	932,440	932,440	473,550	50.8%	470,710
Total Expenses	$ 3,609,400	$ 3,656,497	$ 2,093,047	57.2%	$ 2,072,498
Add to / (Use of) Reserves	$ (112,900)	$ (159,997)	$ 1,543,115		$ 784,927

** In Oct. 2012, the City received a $351,880 SWM fee from JBG Market Square for the Upper Rock development.*

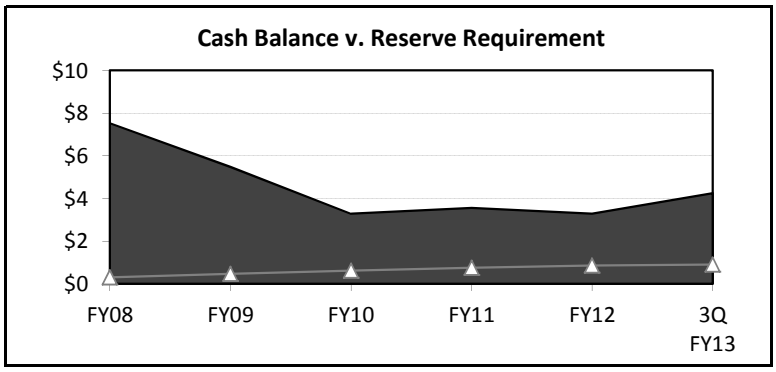
Total Stormwater Management Fund Revenues and Expenses by Quarter (in millions)





Stormwater Management Fund Cash Balance

FY13 Reserve Requirement = 90 Days / $902,350	6/30/2012 Actual	1Q Actual	2Q Actual	3Q Actual	4Q Actual
	$ 3,279,205	$ 3,206,974	$ 4,621,459	$ 4,249,019	N/A
Is this fund compliant?	Yes	Yes	Yes	Yes	



SWM Fund Cash Balance Status

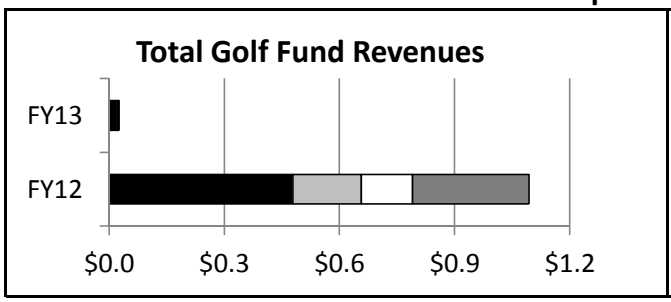
The SWM Fund receives most of its revenue in 2Q, as is visible in the Total SWM Fund Revenues graph above. The stormwater management fee increased by 26% from FY12 to FY13. While the fund is currently in compliance with reserve requirements, planned capital improvements and the possibility of not receiving SWM fees from properties owned by Montgomery County Public Schools, Montgomery County, Montgomery College, and the State of Maryland may cause a larger and quicker spend down of the cash balance than originally planned.

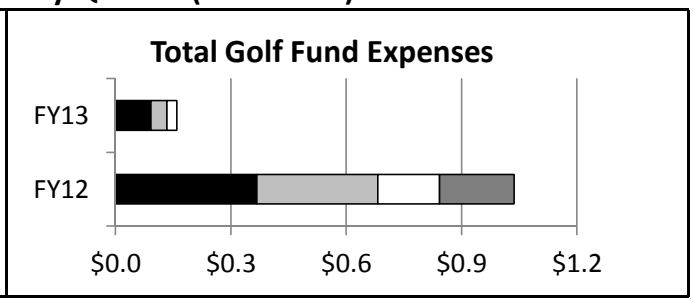
RedGate Golf Fund Summary as of March 31, 2013

RedGate Golf Fund Budget to Actual

	Current Fiscal Year				Previous Yr
	FY13 Adopted	FY13 Amended	Actual 3/31/13	% Amend. Rec/Spent	Actual 3/31/12
Revenues					
Golf fees	$ -	$ -	$ -	N/A	$ 439,874
Performance/Misc.	71,670	71,670	17,482	24.4%	27,015
Course lease	12,000	12,000	9,000	75.0%	4,000
Trans. From General Fund	-	-	-	N/A	319,500
Total Revenue	$ 83,670	$ 83,670	$ 26,482	31.7%	$ 790,389
Expenses					
Personnel	$ 155,830	$ 155,830	$ 152,450	97.8%	$ 491,267
Operating	-	-	-	N/A	216,261
Capital	-	-	-	N/A	19,500
Debt serv., transfer, other	142,210	142,210	6,984	4.9%	115,498
Total Expenses	$ 298,040	$ 298,040	$ 159,434	53.5%	$ 842,526
Add to / (Use of) Reserves	$ (214,370)	$ (214,370)	$ (132,952)		$ (52,137)

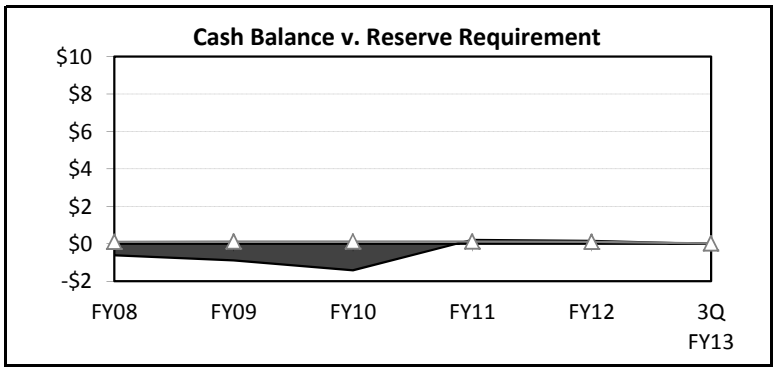
Total RedGate Golf Fund Revenues and Expenses by Quarter (in millions)





RedGate Golf Fund Cash Balance

FY13 Reserve Requirement = 30 Days / $24,837	6/30/2012 Actual	1Q Actual	2Q Actual	3Q Actual	4Q Actual
	$ 164,899	$ 90,047	$ 43,744	$ (5,959)	N/A
Is this fund compliant?	Yes	Yes	Yes	No	



RedGate Golf Fund Cash Balance Status

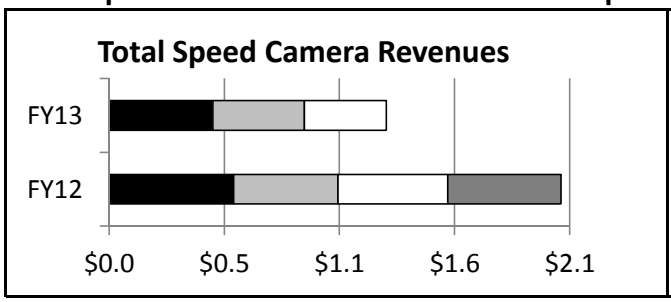
FY13 is the first full fiscal year of the lease of the RedGate Golf Course to Billy Casper Golf (BCG). This year's budget is primarily made up of employee severance payouts and debt service payments. The cash in the RedGate Fund is currently depleted due to the severance agreements with former RedGate employees. These agreements were never funded; therefore, the payments utilized the Fund's remaining cash reserves. If future performance revenues from BCG do not offset the negative cash balance, staff will likely recommend a one-time General Fund transfer to offset the negative balance.

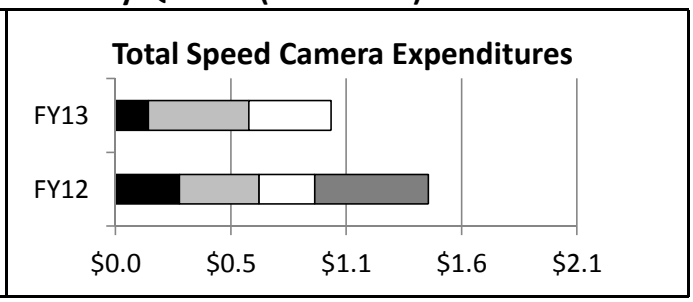
Speed Camera Fund Summary as of March 31, 2013

Speed Camera Fund Budget to Actual

	Current Fiscal Year				Previous Yr
	FY13 Adopted	FY13 Amended	Actual 3/31/13	% Amend. Rec/Spent	Actual 3/31/12
Revenues					
Speed camera citations	$ 2,076,000	$ 2,076,000	$ 1,262,047	60.8%	$ 1,542,050
Interest income	900	900	1,053	117.0%	1,004
Total Revenue	$ 2,076,900	$ 2,076,900	$ 1,263,101	60.8%	$ 1,543,053
Expenditures					
Personnel	$ 407,920	$ 407,920	$ 316,425	77.6%	$ 264,493
Operating	1,000,290	1,000,290	477,036	47.7%	474,655
Debt serv., transfer, other	346,790	346,790	170,093	49.0%	168,405
Total Expenditures	$ 1,755,000	$ 1,772,928	$ 981,481	55.4%	$ 907,553
Add to / (Use of) Reserves	$ 321,900	$ 303,972	$ 281,620		$ 635,500

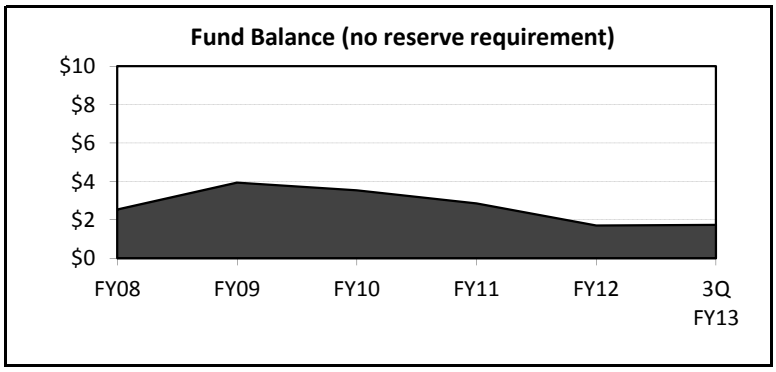
Total Speed Camera Fund Revenues and Expenditures by Quarter (in millions)





Speed Camera Fund Total Fund Balance

FY13 Reserve Requirement = None (legally restricted)	6/30/2012 Actual	1Q Actual	2Q Actual	3Q Actual	4Q Actual
	$ 2,331,515	$ 2,613,135	$ 1,781,144	$ 1,724,008	N/A
Is this fund compliant?	N/A	N/A	N/A	N/A	



Speed Camera Fund Total Fund Balance Status
Speed Camera funds support the speed camera enforcement program and 6 Transportation projects in the CIP. A majority of the current fund balance is appropriated for these capital projects. These funds are legally restricted for these uses; therefore, the fund has no minimum reserve requirement. This fund has experienced a decrease in revenue compared to FY12 due to a court order issued last spring that prevents jurisdictions from charging late penalties on citations, as well as a slight decrease in the number of citations issued.

Debt Ratios

Debt Service Fund Debt Ratios*

	Target	FY13	FY14	FY15	FY16	FY17
Debt per assessed valuation	≤1.0%	0.6%	0.6%	0.6%	0.5%	0.5%
Debt per capita	≤$1,200	$1,194	$1,118	$1,043	$959	$876
Debt per capita (not incl. parking garages)	≤$1,200	$653	$630	$535	$507	$412
Debt per capita as percent of per capita income	≤2.5%	2.4%	2.2%	2.1%	1.9%	1.7%
Debt service as percent of operating budget	≤15.0%	11.7%	11.0%	10.5%	9.9%	9.5%
Amortization rate - 5 years	≥25%	26%	28%	30%	33%	36%
Amortization rate - 10 years	≥50%	55%	58%	60%	63%	64%

**All ratios include debt issued for the Town Center Parking Garages unless otherwise noted.*

3Q FY13 CIP Transfers

Project Name	Amount	Fund	Dept	Reason for Transfer
Transportation Improvements	$ (206,800)	420	850	Developer contribution to be used for signal upgrade
Pedestrian Safety	$ 206,800			

City Manager Contingency Usage

Adopted Budget Contingency Level	**$**	**250,000**
Transfer to the City Manager's Office to fund a contract increase for Saul Ewing to complete the personnel investigation, approved by the M&C on 8/6/12.	$	(82,550)
Transfer to Public Works for cleanup related to the derecho storm.		(77,914)
Transfer to CPDS for consultant to analyze the costs and revenues associated with new development.		(24,000)
Restore City Manager contingency through transfer of 1Q salary savings.		206,550
Transfer to the City Manager's Office to fund recruitment expenses for the vacant director positions.		(57,000)
Transfer to the City Manager's Office to fund a compensation and classification study.		(75,000)
Transfer to Recreation & Parks for well testing at RedGate Golf Course.		(8,900)
Unused Balance *	**$**	**131,186**

** The May budget amendment includes a reduction in the City Manager's contingency of $100,000.*