Second Quarter FY 2013 Financial Report

City of Rockville, Maryland

Prepared by the Department of Finance

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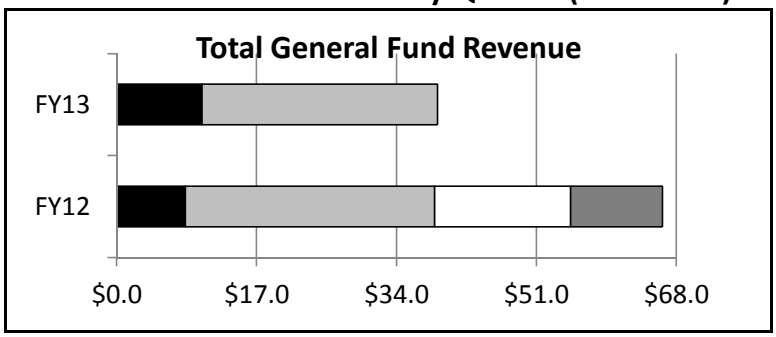
City of Rockville Get Into It

General Fund Revenue as of December 31, 2012

General Fund Revenue Budget to Actual

Revenue Category	Current Fiscal Year				Previous Yr
	FY13 Adopted	FY13 Amended	Actual 12/31/12	% Amend. Received	Actual 12/31/11
Property Taxes	$ 35,090,580	$ 35,090,580	$ 23,795,707	67.8%	$ 25,242,129
From Other Gov't.	16,060,490	16,080,490	7,793,148	48.5%	6,621,775
Fines & Forfeitures	654,500	654,500	803,818	122.8%	255,133
Use of Money & Property	239,600	239,600	111,051	46.3%	153,686
Charges for Service	6,104,240	6,104,240	3,039,267	49.8%	2,924,562
Licenses & Permits	2,386,000	2,386,000	881,440	36.9%	925,112
Other Revenue	4,770,290	4,770,290	2,589,926	54.3%	2,525,942
Total Revenue	$ 65,305,700	$ 65,325,700	$ 39,014,358	59.7%	$ 38,648,340

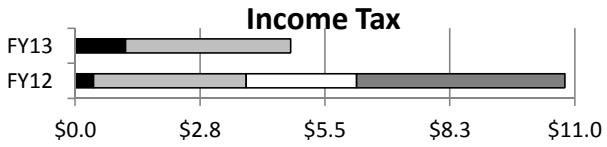
Total General Fund Revenue by Quarter (in millions)



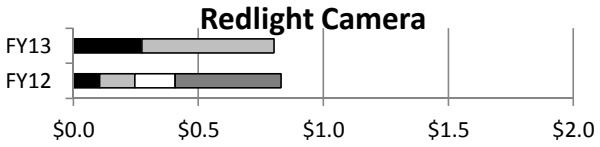
General Fund Revenue Trend

Overall, 2Q General Fund revenues are relatively consistent with FY12 levels, with **property tax**, **income tax**, **redlight camera**, and **miscellaneous revenue** showing the greatest variances. **Property taxes** appear lower than last year mainly due to decreasing assessed values from FY12 to FY13. **Income tax** revenues and **redlight camera** revenues are discussed below. **Miscellaneous revenue** is up due to FEMA reimbursement from the derecho storm last summer.

General Fund Revenue Highlights (in millions)



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 has been received in the fourth quarter. 1Q and 2Q FY13 income tax revenues are ahead of revenues received in the same period last year. The FY13 budget assumes the City will receive $11.0 million in total, up from $10.79 received in FY12. Income tax revenue is difficult to estimate because there is very little information available from the County or State.



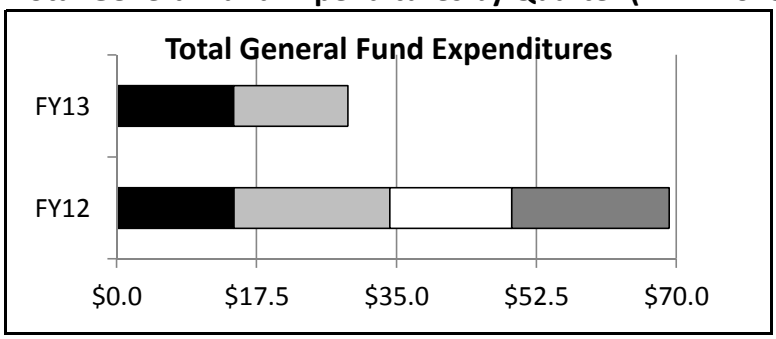
Redlight camera citation revenue ("Fines and Forfeitures" category) is estimated to increase from the adopted FY13 budget of $637,500 to $1.9 million (this increase is included in the February budget amendment). The increase in revenue is due to the City installing five new redlight cameras in August 2012, with plans to install additional cameras in the spring. These new cameras have upgraded technology that allows the cameras to capture right turn on red violations. The City's previous redlight cameras captured only straight through violations and right turn on red restrictions. As a result of this added capability, there has been an increase in the number of redlight camera citations issued.

General Fund Expenditures as of December 31, 2012

General Fund Expenditures Budget to Actual

Expenditure Category	Current Fiscal Year				Previous Yr
	FY13 Adopted	FY13 Amended	Actual 12/31/12	% Amend. Spent	Actual 12/31/11
Personnel					
Salary	$ 30,029,260	$ 30,029,260	$ 14,099,643	47.0%	$ 14,221,943
Benefits	11,374,420	11,372,564	3,711,282	32.6%	6,815,775
Overtime	786,210	806,210	376,080	46.6%	379,600
Contractual Services	6,759,520	7,106,322	3,368,410	47.4%	2,945,624
Commodities	5,133,820	5,200,134	1,918,717	36.9%	2,017,925
Capital Outlays	517,500	615,135	216,781	35.2%	140,776
Other / Transfer	2,104,970	2,106,826	932,263	44.2%	1,139,106
Transfer to Debt Service	4,700,000	4,700,000	2,350,000	50.0%	2,550,000
Transfer to CIP	3,900,000	3,900,000	1,950,000	50.0%	3,983,500
Total Expenditures	$ 65,305,700	$ 65,836,452	$ 28,923,176	43.9%	$ 34,194,249

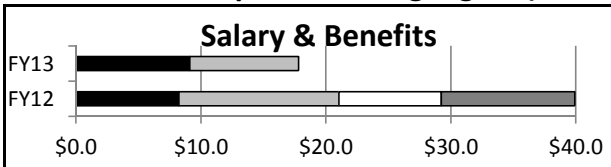
Total General Fund Expenditures by Quarter (in millions)



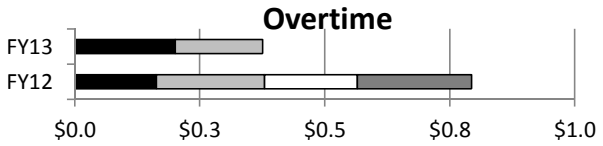
General Fund Expenditure Trend

Total 2Q General Fund expenditures are behind the same period last year, with the largest variances in **salaries** and **benefits** (discussed below), **contractual services**, and decreased **transfers**. **Contractual services** are up due to an increased number of redlight camera citations issued (as explained on page A-2). **Transfers** appear lower compared to FY12 because the transfer to the Debt Service Fund and CIP were budgeted lower in FY13.

General Fund Expenditure Highlights (in millions)



Salaries and **benefits** are trending lower in 2Q FY13 than in 2Q FY12 due to position vacancies (including 2 directors) as well as the timing of the City's Pension Fund and Retiree Benefit Trust contributions, which occurred in 2Q FY12 but have not yet occurred in FY13. Funds available due to vacancies were transferred to replenish the City Manager's contingency account and will be reserved for additional snow and ice needs and to improve the City's reserve position (currently at 15.2%).



Overtime spending to date is nearly identical to spending in the first half of FY12. 1Q spending was high in comparison due to the derecho storm, while 2Q spending was low in comparison as departments are managing their reduced overtime budgets in the absence of a major event.

General Fund Summary as of December 31, 2012

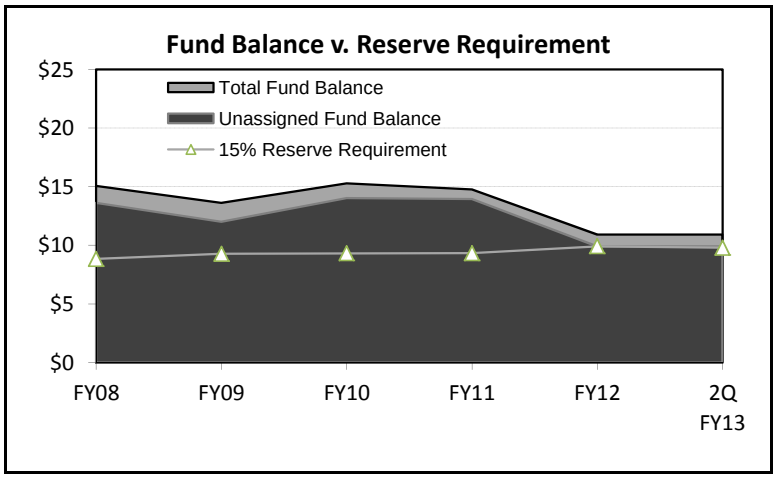
General Fund Budget to Actual

	Current Fiscal Year				Previous Yr
	FY13 Adopted	FY13 Amended	Actual 12/31/12	% Amend. Rec/Spent	Actual 12/31/11
Total Revenue	$ 65,305,700	$ 65,325,700	$ 39,014,358	59.7%	$ 38,648,340
Total Expenditures	65,305,700	65,836,452	28,923,176	43.9%	34,194,249
Add to / (Use of) Reserves	$ -	$ (510,752)	$ 10,091,182	15.8%	$ 4,454,092

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	65,325,700		
Less Amended General Fund Expenditures*	(65,836,452)		
Estimated FY13 Ending Unassigned Fund Bal.	**9,904,002**	**15.2%**	Projected ending balance exceeds 15% target
Target Minimum FY13 Unassigned Fund Bal.	9,795,855	15.0%	
Estimated Variance from FY13 Target	**$ 108,147**		

**$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."*



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.

Staff recommends reserving available General Fund resources during the year in order to increase the overall unassigned fund balance. Historically, the unassigned balance has exceeded the 15% requirement, which ensured that the City maintained its triple-A credit status.

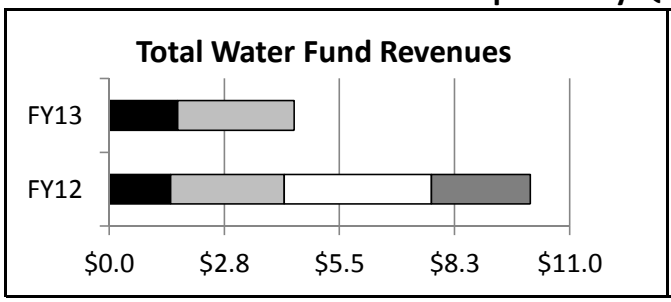
The February budget amendment will include an addition to fund balance. This addition strengthens the City's reserve position above the 15% requirement. Staff will continue its effort to reduce costs in FY 2013 and replenish the reserve levels from previously planned drawdowns.

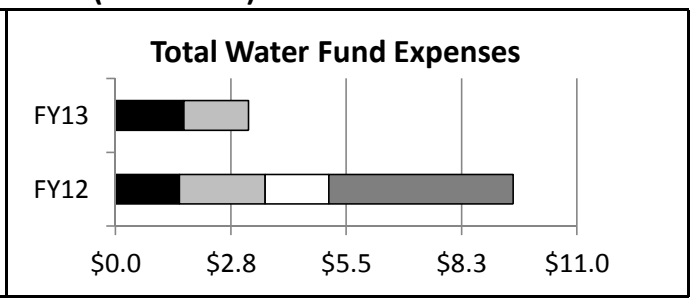
Water Fund Summary as of December 31, 2012

Water Fund Budget to Actual

	Current Fiscal Year				Previous Yr
	FY13 Adopted	FY13 Amended	Actual 12/31/12	% Amend. Rec/Spent	Actual 12/31/11
Revenues					
Utility charges	$ 10,306,100	$ 10,306,100	$ 4,032,815	39.1%	$ 3,798,183
Connection Charges	20,000	20,000	86,600	433.0%	85,984
Sales of materials	10,000	10,000	17,813	178.1%	17,194
Interest income/Other	45,000	45,000	3,814	8.5%	12,202
Penalties	60,000	60,000	53,933	89.9%	46,697
Trans. from Sewer/Refuse	455,490	455,490	227,745	50.0%	225,485
Total Revenue	$ 10,896,590	$ 10,896,590	$ 4,422,720	40.6%	$ 4,185,746
Expenses					-
Personnel	$ 3,406,430	$ 3,406,430	$ 1,522,327	44.7%	$ 1,764,806
Operating	1,935,650	1,963,362	763,438	38.9%	940,795
Capital	66,940	68,114	44,312	65.1%	36,769
Debt serv., transfer, other	4,092,890	4,092,890	843,671	20.6%	822,345
Total Expenses	$ 9,501,910	$ 9,530,796	$ 3,173,748	33.3%	$ 3,564,715
Add to / (Use of) Reserves	$ 1,394,680	$ 1,365,794	$ 1,248,972		$ 621,031

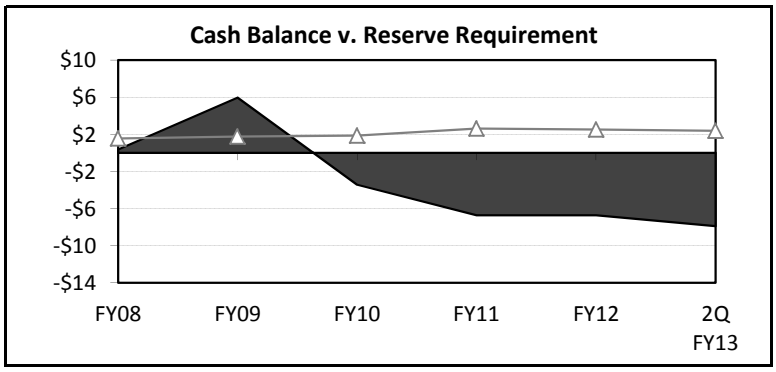
Total Water Fund Revenues and Expenses by Quarter (in millions)





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)	N/A	N/A
Is this fund compliant?	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.

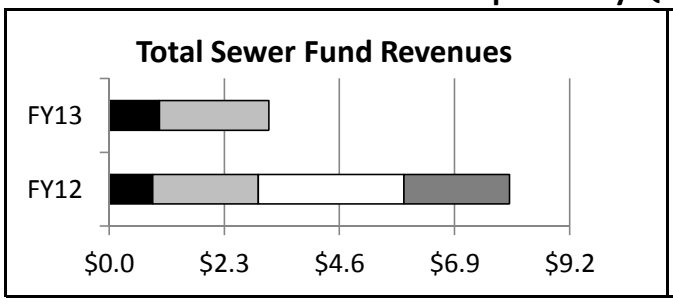
Over the past several months, City staff revised the Water Fund projections and developed a plan that will bring the fund into compliance over a ten-year period. This plan includes an update to the City's water distribution model that will help identify system integrity issues and prioritize replacement projects, a series of rate increases, and a series of strategic bond issues that target major capital improvements.

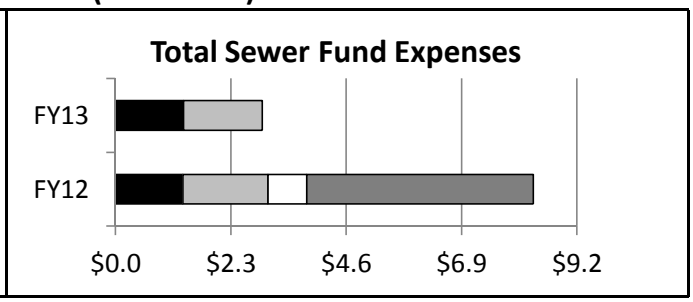
Sewer Fund Summary as of December 31, 2012

Sewer Fund Budget to Actual

	Current Fiscal Year				Previous Yr
	FY13 Adopted	FY13 Amended	Actual 12/31/12	% Amend. Rec/Spent	Actual 12/31/11
Revenues					
Utility charges	$ 8,717,300	$ 8,717,300	$ 3,017,211	34.6%	$ 2,805,026
Connection charges	20,000	20,000	129,900	649.5%	126,400
Interest income/Other	17,000	17,000	3,000	17.6%	12,647
Penalties	60,000	60,000	41,636	69.4%	35,887
Total Revenue	$ 8,814,300	$ 8,814,300	$ 3,191,747	36.2%	$ 2,979,959
Expenses					-
Personnel	$ 1,525,410	$ 1,525,410	$ 688,413	45.1%	$ 760,839
Operating	3,556,940	3,683,434	1,470,118	39.9%	1,543,660
Capital	50,000	50,000	-	0.0%	31,317
Debt serv., transfer, other	3,971,170	3,971,170	766,990	19.3%	705,820
Total Expenses	$ 9,103,520	$ 9,230,014	$ 2,925,521	31.7%	$ 3,041,636
Add to / (Use of) Reserves	$ (289,220)	$ (415,714)	$ 266,226		$ (61,677)

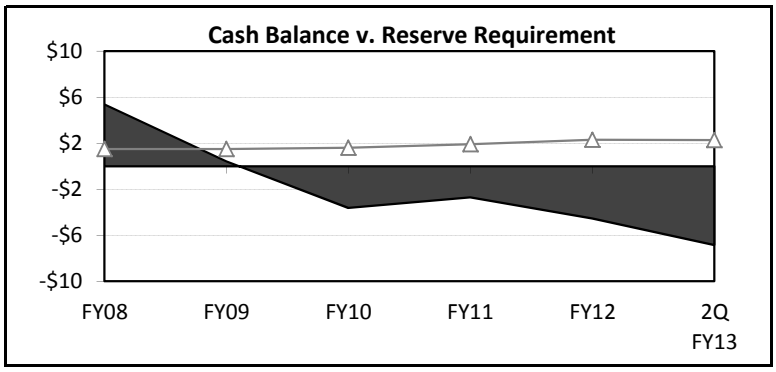
Total Sewer Fund Revenues and Expenses by Quarter (in millions)





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)	N/A	N/A
Is this fund compliant?	No	No	No		



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.

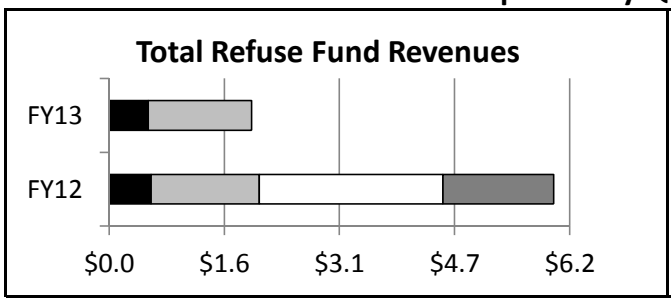
Over the past several months, City staff revised the Sewer Fund projections and developed a plan that will bring the fund into compliance over a ten-year period. This plan includes a series of rate increases and a series of strategic bond issues that will fund the City's contribution to the Blue Plains Wastewater Treatment Plant.

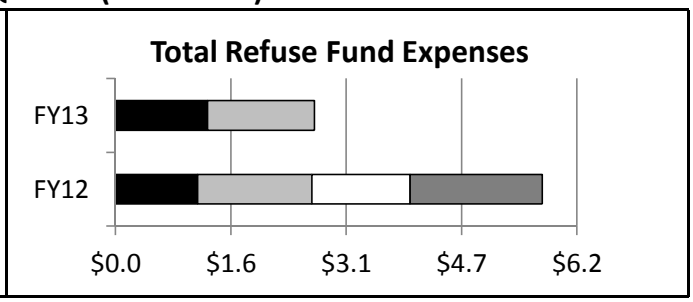
Refuse Fund Summary as of December 31, 2012

Refuse Fund Budget to Actual

	Current Fiscal Year				Previous Yr
	FY13 Adopted	FY13 Amended	Actual 12/31/12	% Amend. Rec/Spent	Actual 12/31/11
Revenues					
Utility charges	$ 5,100,120	$ 5,100,120	$ 1,697,656	33.3%	$ 1,795,269
GF contribution to RHE	39,060	39,060	19,530	50.0%	20,600
Interest income/Other	2,300	2,300	1,084	47.1%	7,287
Sale of materials	408,900	408,900	165,990	40.6%	161,500
Penalties	63,600	63,600	35,914	56.5%	35,474
Total Revenue	$ 5,613,980	$ 5,613,980	$ 1,920,175	34.2%	$ 2,020,131
Expenses					
Personnel	$ 2,607,960	$ 2,607,960	$ 1,155,213	44.3%	$ 1,225,946
Operating	1,963,270	1,965,901	903,213	45.9%	810,352
Capital	29,810	29,810	17,685	59.3%	4,690
Debt serv., transfer, other	1,549,100	1,549,100	598,989	38.7%	599,519
Total Expenses	$ 6,150,140	$ 6,152,771	$ 2,675,101	43.5%	$ 2,640,507
Add to / (Use of) Reserves	$ (536,160)	$ (538,791)	$ (754,926)		$ (620,376)

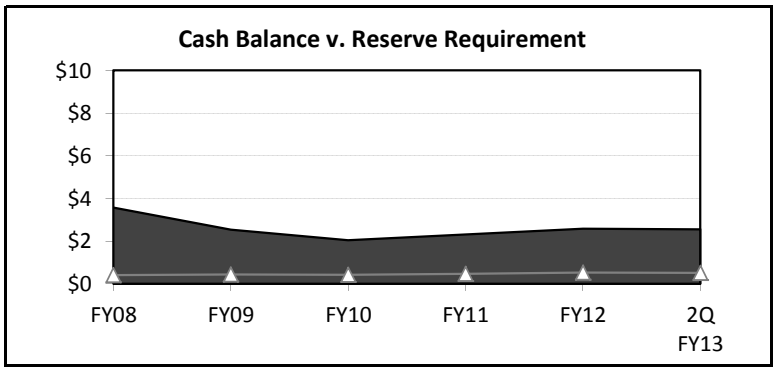
Total Refuse Fund Revenues and Expenses by Quarter (in millions)





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	N/A	N/A
Is this fund compliant?	Yes	Yes	Yes		



Refuse Fund Cash Balance Status

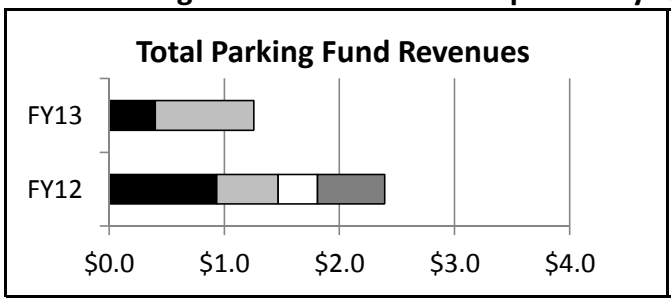
The Refuse Fund's cash balance is above the required level. Refuse rates decreased for FY13 as the fund is stable and has no planned debt in the future. Due to the large cash balance in the fund, staff will propose no rate increase for FY14.

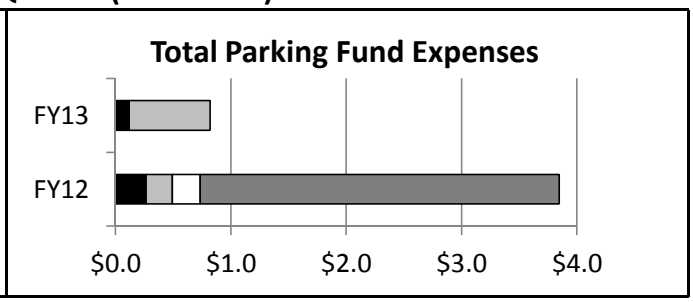
Parking Fund Summary as of December 31, 2012

Parking Fund Budget to Actual

	Current Fiscal Year				Previous Yr
	FY13 Adopted	FY13 Amended	Actual 12/31/12	% Amend. Rec/Spent	Actual 12/31/11
Revenues					
Real property tax	$ 161,300	$ 161,300	$ 147,082	91.2%	$ 162,975
County contribution	295,000	295,000	298,875	101.3%	301,322
Parking meters	400,000	400,000	189,432	47.4%	365,983
Parking violations	650,000	650,000	370,632	57.0%	385,622
Interest income/Other	1,800	1,800	564	31.3%	3,450
Trans. from General Fund	500,000	500,000	250,000	50.0%	250,000
Total Revenue	$ 2,008,100	$ 2,008,100	$ 1,256,583	62.6%	$ 1,469,353
Expenses					
Personnel	$ 262,700	$ 262,700	$ 113,439	43.2%	$ 108,307
Operating	185,350	185,350	44,316	23.9%	180,377
Debt serv., transfer, other	2,031,740	2,031,740	660,935	32.5%	204,268
Total Expenses	$ 2,479,790	$ 2,479,790	$ 818,690	33.0%	$ 492,952
Add to / (Use of) Reserves	$ (471,690)	$ (471,690)	$ 437,894		$ 976,401

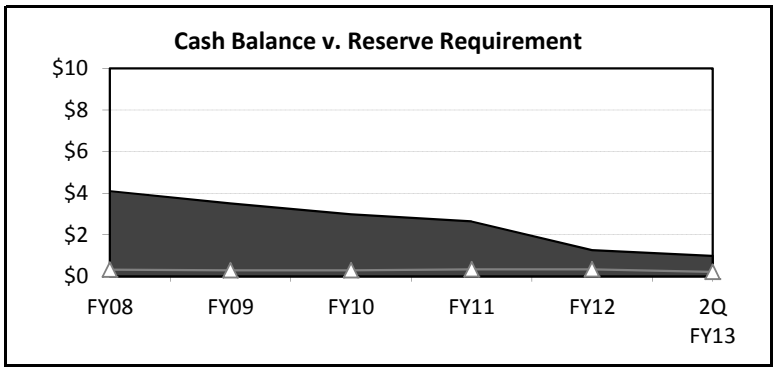
Total Parking Fund Revenues and Expenses by Quarter (in millions)





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	N/A	N/A
Is this fund compliant?	Yes	Yes	Yes		



Parking Fund Cash Balance Status

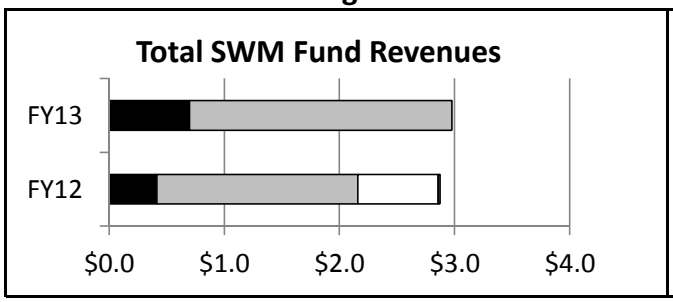
FY13 is the first full year of the lease of the Town Center parking garages. 2Q FY13 expenses are significantly higher than 1Q expenses due to the timing of debt service payments. The Parking Fund remains in compliance with reserve requirements; however, spending on legal fees in FY12 has impacted the fund's cash balance. In order to keep the fund in compliance with the reserve requirement, staff recommends continuing with a General Fund transfer until more of the annual revenues offset annual expenses, which include 4 regular FTEs, the street meter program, and the debt service payments on the bonds issued to support the construction of the garages.

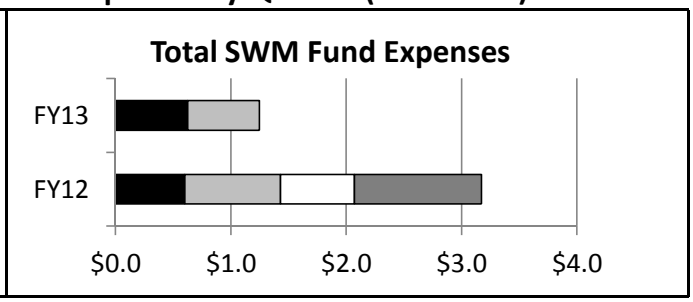
Stormwater Management Fund Summary as of December 31, 2012

Stormwater Management Fund Budget to Actual

	Current Fiscal Year				Previous Yr
	FY13 Adopted	FY13 Amended	Actual 12/31/12	% Amend. Rec/Spent	Actual 12/31/11
Revenues					
SWM utility fees	$ 3,105,500	$ 3,105,500	$ 2,287,963	73.7%	$ 1,855,112
SWM permits	250,000	250,000	258,788	103.5%	189,118
Regional SWM fees	130,000	130,000	427,360	328.7%	114,500
Interest income/Other	11,000	11,000	2,417	22.0%	1,916
Total Revenue	$ 3,496,500	$ 3,496,500	$ 2,976,529	85.1%	$ 2,160,646
Expenses					
Personnel	$ 1,883,810	$ 1,883,810	$ 794,053	42.2%	$ 899,478
Operating	793,150	840,247	139,655	16.6%	218,334
Debt serv., transfer, other	932,440	932,440	312,391	33.5%	313,731
Total Expenses	$ 3,609,400	$ 3,656,497	$ 1,246,099	34.1%	$ 1,431,544
Add to / (Use of) Reserves	$ (112,900)	$ (159,997)	$ 1,730,430		$ 729,102

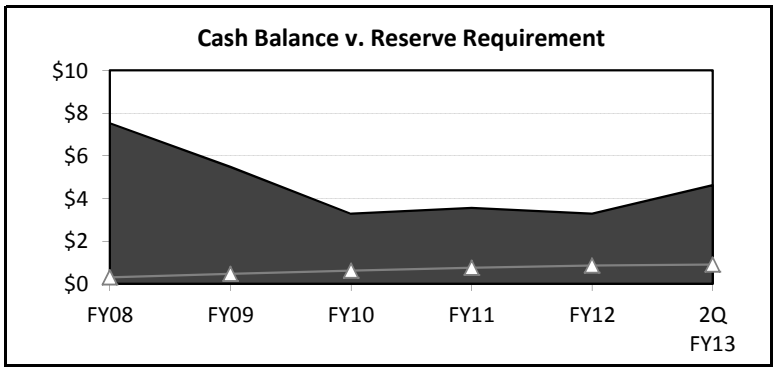
Total Stormwater Management Fund Revenues and Expenses by Quarter (in millions)





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	N/A	N/A
Is this fund compliant?	Yes	Yes	Yes		



SWM Fund Cash Balance Status

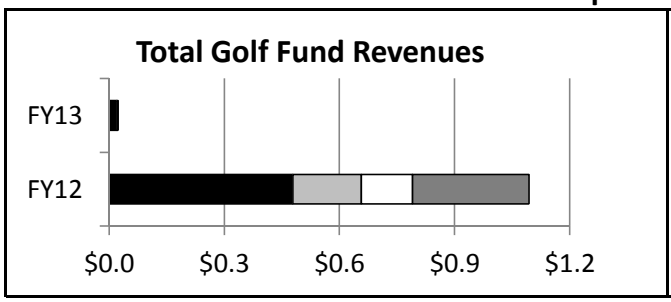
The SWM Fund receives most of its revenue in 2Q, as is visible in the Total SWM Fund Revenues graph above. The stormwater management fee increased by 26% from FY12 to FY13. While the fund is currently in compliance with reserve requirements, planned capital improvements and the possibility of not receiving 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.

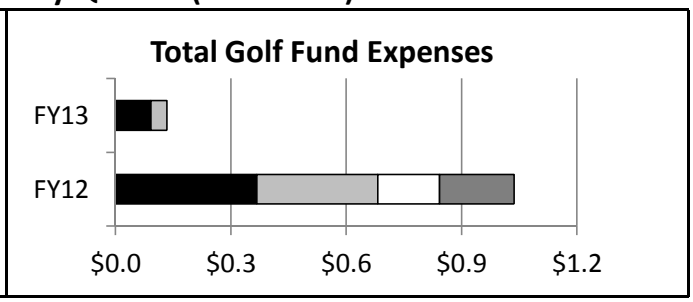
RedGate Golf Fund Summary as of December 31, 2012

RedGate Golf Fund Budget to Actual

	Current Fiscal Year				Previous Yr
	FY13 Adopted	FY13 Amended	Actual 12/31/12	% Amend. Rec/Spent	Actual 12/31/11
Revenues					
Golf fees	$ -	$ -	$ -	N/A	$ 444,025
Performance/Misc.	71,670	71,670	17,482	24.4%	-
Course lease	12,000	12,000	6,000	50.0%	-
Trans. From General Fund	-	-	-	N/A	213,000
Total Revenue	$ 83,670	$ 83,670	$ 23,482	28.1%	$ 657,025
Expenses					
Personnel	$ 155,830	$ 155,830	$ 131,393	84.3%	$ 375,214
Operating	-	-	-	N/A	186,976
Capital	-	-	-	N/A	19,500
Debt serv., transfer, other	142,210	142,210	1,962	1.4%	100,817
Total Expenses	$ 298,040	$ 298,040	$ 133,355	44.7%	$ 682,507
Add to / (Use of) Reserves	$ (214,370)	$ (214,370)	$ (109,873)		$ (25,482)

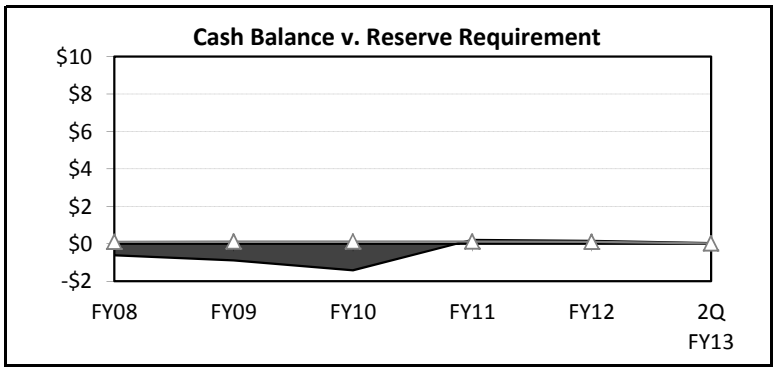
Total RedGate Golf Fund Revenues and Expenses by Quarter (in millions)





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	N/A	N/A
Is this fund compliant?	Yes	Yes	Yes		



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.

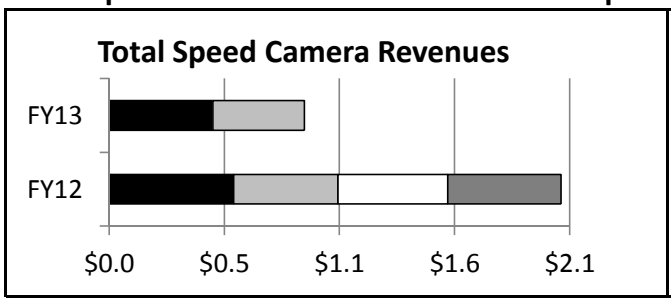
Staff is currently waiting to receive the annual report on golf course operations from BCG.

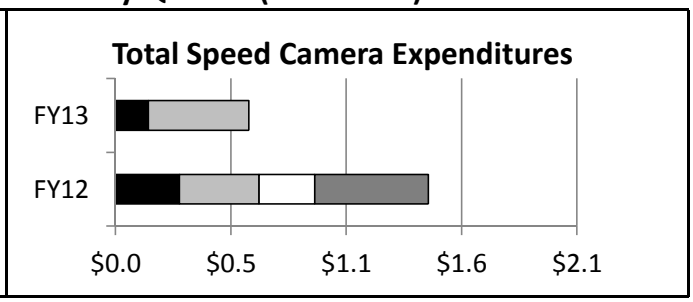
Speed Camera Fund Summary as of December 31, 2012

Speed Camera Fund Budget to Actual

	Current Fiscal Year				Previous Yr
	FY13 Adopted	FY13 Amended	Actual 12/31/12	% Amend. Rec/Spent	Actual 12/31/11
Revenues					
Speed camera citations	$ 2,076,000	$ 2,076,000	$ 890,162	42.9%	$ 1,042,338
Interest income	900	900	625	69.4%	643
Total Revenue	$ 2,076,900	$ 2,076,900	$ 890,787	42.9%	$ 1,042,981
Expenditures					
Personnel	$ 407,920	$ 407,920	$ 168,234	41.2%	$ 190,956
Operating	1,000,290	1,000,290	307,215	30.7%	350,784
Debt serv., transfer, other	346,790	346,790	113,395	32.7%	112,270
Total Expenditures	$ 1,755,000	$ 1,772,928	$ 606,772	34.2%	$ 654,009
Add to / (Use of) Reserves	$ 321,900	$ 303,972	$ 284,015		$ 388,972

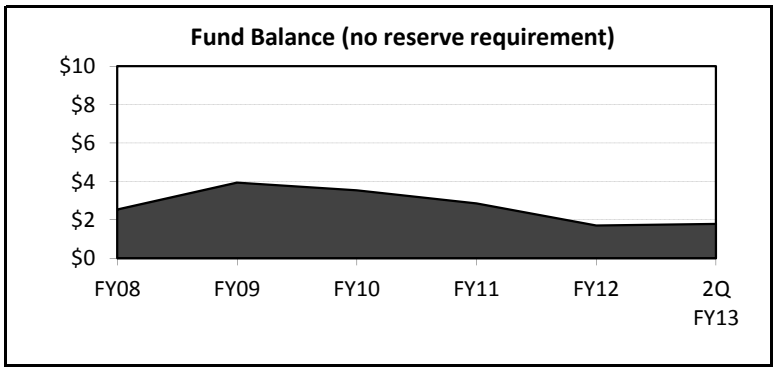
Total Speed Camera Fund Revenues and Expenditures by Quarter (in millions)





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	$ 2,615,530	$ 1,781,144	N/A	N/A
Is this fund compliant?	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.*

2Q FY13 CIP Transfers

Project Name	Amount	Fund	Dept	Reason for Transfer
There were no CIP transfers in 2Q FY13.				

City Manager Contingency Usage

Adopted Budget Contingency Level	**$**	**250,000**
Transfer to the Department of the City Manager 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.		(100,000)
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
Unused Balance*	**$**	**250,000**

**Of the $250,000 unused balance, $125,000 was transferred in January to fund the recruitment for two vacant director positions and to fund a compensation and classification study.*