

**PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 17, 2024**

**NEW ISSUE: FULL BOOK-ENTRY ONLY**

**Ratings: (Moody's) Aaa  
(S&P) AAA  
(See "Ratings" herein)**

*In the opinion of McGuireWoods LLP, Bond Counsel, under existing law and subject to the conditions described in "TAX MATTERS" herein, interest on the Series 2024A Bonds (i) is excludable from the gross income of the owners of the Series 2024A Bonds for purposes of federal income taxation, and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. However, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code (as defined herein)) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. Bond Counsel is further of the opinion that under the existing law of the State of Maryland, the principal of and interest on the Series 2024A Bonds, the transfer of the Series 2024A Bonds, and any income derived from the Series 2024A Bonds, including profits made in their sale or transfer, are exempt from State and local taxes in the State of Maryland; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied or assessed directly on the Series 2024A Bonds, the interest thereon, their transfer or the income therefrom. See "TAX MATTERS" herein regarding other tax considerations.*

**\$16,935,000\***

**THE MAYOR AND COUNCIL OF ROCKVILLE (MARYLAND)  
GENERAL OBLIGATION BONDS, SERIES 2024A**

**Dated:** Date of Delivery

**Due:** June 1, as shown on inside cover

\$16,935,000\* General Obligation Bonds, Series 2024A (the "Series 2024A Bonds") of The Mayor and Council of Rockville (the "Issuer" or the "City") are issued pursuant to the authority of Subtitle 3 of Title 19 of the Local Government Article of the Annotated Code of Maryland, as amended, and Article VII, Section 11 of the Charter of the City of Rockville, as amended, and in accordance with an ordinance enacted by the Issuer on Monday, August 5, 2024 authorizing the issuance of the Series 2024A Bonds (the "Ordinance") to finance various public improvement projects and to pay the costs of issuing the Series 2024A Bonds. The Series 2024A Bonds are general obligations of the Issuer, backed by its full faith, credit, and unlimited taxing powers.

The Series 2024A Bonds will be issued as fully registered bonds without coupons and, when issued, will be in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Series 2024A Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2024A Bonds purchased. Principal of the Series 2024A Bonds, payable annually on each June 1 commencing June 1, 2025, and interest on the Series 2024A Bonds, payable on each June 1 and December 1 commencing June 1, 2025, will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Series 2024A Bonds as described herein.

The Series 2024A Bonds maturing on or after June 1, 2035 are subject to prior redemption on or after June 1, 2034 at a price of par plus accrued interest to the date of redemption.

**LEGAL OPINION:** McGuireWoods LLP, Baltimore, Maryland  
**BIDS RECEIVED UNTIL:** 10:30 A.M. Eastern Time on Wednesday, September 25, 2024.  
**DATE OF DELIVERY:** October 9, 2024

**FOR MATURITY SCHEDULE, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS, SEE INSIDE COVER**

The date of this Official Statement is \_\_\_\_\_, 2024.

(THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION).

THIS PRELIMINARY OFFICIAL STATEMENT AND THE INFORMATION CONTAINED HEREIN ARE SUBJECT TO CHANGE. COMPLETION OR AMENDMENT WITHOUT NOTICE. THESE SERIES 2024A BONDS MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE OFFICIAL STATEMENT IS DELIVERED IN FINAL FORM. UNDER NO CIRCUMSTANCES SHALL THIS PRELIMINARY OFFICIAL STATEMENT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THESE SERIES 2024A BONDS IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.

The Series 2024A Bonds will mature on June 1 in the years and amounts as follows:

**MATURITY SCHEDULE**

<b><u>Year</u></b>	<b><u>Amount*</u></b>	<b><u>Rate**</u></b>	<b><u>Price or Yield**</u></b>	<b><u>CUSIP***</u></b>	<b><u>Year</u></b>	<b><u>Amount*</u></b>	<b><u>Rate**</u></b>	<b><u>Price or Yield**</u></b>	<b><u>CUSIP***</u></b>
2025	\$850,000				2035	\$845,000			
2026	850,000				2036	845,000			
2027	850,000				2037	845,000			
2028	850,000				2038	845,000			
2029	850,000				2039	845,000			
2030	850,000				2040	845,000			
2031	850,000				2041	845,000			
2032	850,000				2042	845,000			
2033	845,000				2043	845,000			
2034	845,000				2044	840,000			

\*Preliminary, subject to change.

\*\*Interest rates and offering yields or prices will be set forth in the final Official Statement described herein.

\*\*\*CUSIP (Committee on Uniform Securities Identification Procedures) data is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association (“ABA”) by FactSet Research Systems Inc. “CUSIP” is a registered trademark of the ABA. CUSIP numbers are included solely for the convenience of the holders of the Series 2024A Bonds. Neither the City nor the successful bidder take any responsibility for the accuracy of CUSIP information. The CUSIP number for a specific maturity is subject to change after the issuance of the Series 2024A Bonds in certain circumstances. The City has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the assigned CUSIP numbers set forth herein. The use of CUSIP numbers in this Official Statement is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services.

No dealer, broker, salesman or other person has been authorized by the Issuer or the Municipal Advisor to give any information or to make any representations, other than those contained in this Official Statement and, if given or made, such other information and representations must not be relied upon as having been authorized by the Issuer or the Municipal Advisor. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Series 2024A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Issuer and other sources which are believed to be reliable, but it is not to be construed as a representation by the Municipal Advisor. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made thereafter shall, under any circumstances create any implication that there has been no change in the affairs of the Issuer or in any other information contained herein, since the date thereof.

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This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Series 2024A Bonds.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, as intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 2024A Bonds shall under any circumstances create any implication that there has been no change in the affairs of the City since the respective dates as of which information is given herein.

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# OFFICIAL STATEMENT

\$16,935,000\*

## THE MAYOR AND COUNCIL OF ROCKVILLE (MARYLAND) General Obligation Bonds, Series 2024A

### INTRODUCTION TO THE OFFICIAL STATEMENT

#### Series 2024A Bonds

The following information is furnished solely to provide limited introductory information regarding the \$16,935,000\* General Obligation Bonds, Series 2024A (the “Series 2024A Bonds”) of The Mayor and Council of Rockville (the “Issuer” or the “City”) and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the appendices hereto.

<b>Issuer:</b>	The Mayor and Council of Rockville
<b>Purpose:</b>	The proceeds will be used to finance various public improvement projects and to pay the costs of issuing the Series 2024A Bonds.
<b>Security:</b>	The Series 2024A Bonds are general obligations of the Issuer, and taxable property in the territory of the City of Rockville is subject to ad valorem taxes without limitation as to rate or amount to pay the Series 2024A Bonds.
<b>Authority for Issuance:</b>	The Series 2024A Bonds are issued pursuant to ordinances of the Issuer and pursuant to and in full compliance with the Constitution and laws of the State of Maryland.
<b>Principal Payments:</b>	Payable on June 1 of the years 2025 through 2044.
<b>Interest Payments:</b>	Payable on June 1 and December 1, commencing June 1, 2025.
<b>Optional Redemption:</b>	The Series 2024A Bonds maturing on or after June 1, 2035 are subject to prior redemption on or after June 1, 2034 at a price of par plus accrued interest to the date of redemption.
<b>Tax Status:</b>	Information as to the tax status of the Series 2024A Bonds may be found in the section of this Official Statement captioned “TAX MATTERS.”
<b>Book-Entry System:</b>	The Series 2024A Bonds will be issued as book-entry only securities through The Depository Trust Company.
<b>Professional Consultants:</b>	Municipal Advisor: Davenport & Company LLC Towson, Maryland Bond Counsel: McGuireWoods, LLP Baltimore, Maryland Registrar/Paying Agent: Chief Financial Officer/Director of Finance City of Rockville, Maryland

This Preliminary Official Statement is in a form deemed final as of its date for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1) (the “Rule”), but is subject to minor revision or amendment in accordance with the Rule.

\*Preliminary, subject to change.

Questions regarding the Series 2024A Bonds or this Official Statement can be directed to and additional copies of this Official Statement, the Issuer's audited financial reports and the Ordinance may be obtained from Davenport & Company LLC, 8600 LaSalle Road, The Oxford Bldg. Suite 618, Towson, Maryland 21286 (410) 296-9426, (866) 932-6660 (FAX), the Issuer's Municipal Advisor, or inquiries may be directed to Ms. Stacey Webster, Chief Financial Officer/Director of Finance, City of Rockville, 111 Maryland Avenue, Rockville, Maryland 20850, or by telephoning (240) 314-8407.

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## DESCRIPTION OF THE SERIES 2024A BONDS

### *Authorization and Purpose*

The Series 2024A Bonds are issued under and in full compliance with the Constitution and laws of the State of Maryland, including Subtitle 3 of Title 19 of the Local Government Article of the Annotated Code of Maryland, as amended, and Article VII, Section 11 of the Charter of the City of Rockville (the “City” or the “Issuer”), as amended, and in accordance with an ordinance enacted by the Issuer on August 5, 2024, authorizing the issuance of the Series 2024A Bonds.

The proceeds of the Series 2024A Bonds will be used to finance various public improvement projects and to pay the costs of issuing the Series 2024A Bonds.

### *Security*

The Series 2024A Bonds and interest thereon will constitute general obligations of the Issuer payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City.

### *Sources and Uses of Funds*

The sources and uses of funds for the Series 2024A Bonds are listed below.

**Table 1**  
**Sources and Uses of Funds**

<b>Sources:</b>	
Par Amount of Bonds	\$
Net Premium	
Total Sources of Funds	<u>\$</u>
<b>Uses:</b>	
Project Fund Deposits	
Water Infrastructure and Water Treatment Plant	\$
Blue Plains Wastewater Treatment	
Theatre, Community Center, and Pool Improvements	
Costs of Issuance/Underwriter's Discount	
Contingency	
Total Uses of Funds	<u>\$</u>

### *Interest Payment and Computation*

Interest on the Series 2024A Bonds will be payable on June 1 and December 1 of each year commencing June 1, 2025. Interest will be computed on a 360-day year, 30-day month basis and paid to the owners of record as of the close of business on the fifteenth day of the immediately preceding month. Payments coming due on a non-business day will be paid the following business day.

## ***Redemption Provisions***

### **Optional Redemption**

The Series 2024A Bonds maturing on or after June 1, 2035 are subject to prior redemption on or after June 1, 2034, in whole or in part, at a price of par plus accrued interest to the date of redemption.

If fewer than all of the Series 2024A Bonds shall be called for redemption, the particular maturities of the Series 2024A Bonds to be redeemed shall be selected by the City. So long as the Series 2024A Bonds are maintained under a book-entry system, the selection of individual ownership interests in the Series 2024A Bonds to be credited with any partial redemption shall be made as described below under “Book-Entry Only System.”

So long as the Series 2024A Bonds are maintained under a book-entry system, notice of the call for redemption of the Series 2024A Bonds shall be given as described below under “Book-Entry System”; provided, however, that the failure to deliver or mail any such notice or any defect in the notice so delivered or mailed or the delivery or mailing thereof shall not affect the validity of any redemption proceedings. Such notice shall state for all Series 2024A Bonds being redeemed: maturity date, certificate numbers, redemption date, redemption price, whether the Series 2024A Bonds are being redeemed in whole or in part and shall also state that on the redemption date the interest on the Series 2024A Bonds so called shall cease to accrue and the redemption price shall become due and payable and shall require that the Series 2024A Bonds so called be presented for redemption and payment at the principal corporate trust office of the Paying Agent. The redemption notice may be conditioned upon receipt of sufficient funds on the redemption date to pay the redemption price of the Series 2024A Bonds called for redemption, plus interest accrued to the redemption date, or such other conditions as are set forth in the redemption notice.

From and after the date fixed for redemption, if the funds sufficient for payment of the redemption price and accrued interest shall be available therefor on such date and any other conditions to redemption have been satisfied, the Series 2024A Bonds so designated for redemption shall cease to bear interest. Upon presentation and surrender in compliance with said notice, the Series 2024A Bonds so called for redemption shall be paid by the Paying Agent at the redemption price plus any accrued interest. If not so paid on presentation thereof, said Series 2024A Bonds so called shall continue to bear interest at the rates expressed therein until paid.

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## ***Book-Entry Only System***

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2024A Bonds. The Series 2024A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2024A Bond certificate will be issued for each maturity of the Series 2024A Bonds, in principal amount equal to the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Series 2024A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2024A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2024A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2024A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2024A Bonds, except in the event that use of the book-entry system for the Series 2024A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2024A Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2024A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2024A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2024A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of Series 2024A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2024A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2024A Bond documents. For example, Beneficial Owners of Series 2024A Bonds may wish to ascertain that the nominee holding the Series 2024A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2024A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2024A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2024A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2024A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Series 2024A Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2024A Bonds at any time by giving reasonable notice to the Issuer. Under such circumstances, in the event that a successor depository is not obtained, Series 2024A Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2024A Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

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### *Continuing Disclosure*

In order to permit bidders for the Series 2024A Bonds and other participating underwriters in the primary offering of the Series 2024A Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”), the Issuer will adopt, for the benefit of the registered holders or beneficial owners of the Series 2024A Bonds, an undertaking to provide annual reports of specified information and notice of the occurrence of certain events. The information to be provided on an annual basis, the events as to which notice is to be given and a summary of other provisions of the undertaking, including termination, amendment and remedies, are set forth in Appendix D to this Official Statement.

Breach of the undertaking will not constitute a default or an event of default under the Series 2024A Bonds or under the ordinance adopted by the Issuer authorizing the Series 2024A Bonds.

During the last five years, the Issuer has not failed to comply in any material respect with any of its prior continuing disclosure undertakings.

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# **THE CITY OF ROCKVILLE**

## ***General Information***

The following information is provided for the purpose of presenting certain information relating to the City of Rockville (the “City” or “Rockville”), Maryland (the “State”). Except as otherwise stated, the information is provided as of June 30, 2024.

Rockville, the County seat of Montgomery County (the “County”), occupies 13.55 square miles within the Metropolitan Washington Area and is located 12 miles northwest of Washington, D.C. The City lies within four miles of I-495, the Capital Beltway, and is traversed by I-270. The average altitude of the area is 400 feet above sea level.

Rockville was first settled in the late 1700s, chosen as the County seat in 1776, and officially designated as Rockville by the Maryland General Assembly in 1801. The name was derived from Rock Creek, which runs past the eastern boundary of the City. Rockville was incorporated in 1860. The Beall-Dawson House in Rockville serves as the headquarters of the Montgomery County Historical Society, which maintains the house as an early 19th-century period historic house museum.

The City is both a residential community and an employment and economic center. The City experienced its greatest growth after World War II. The population grew from 2,047 to 6,934 between 1940 and 1950 and to 26,090 by 1960. During the 1960s, the City shared in the rapid population growth experienced in the entire Washington, D.C. Metropolitan Statistical Area (MSA). In 1970, The City’s population was 42,079, an increase of 61.3 percent over 1960. Population growth moderated during the 1970s. The City’s population again had significant growth of 29.2 percent between the 2000 Census population at 47,388 to the 2010 Census with its population at 61,209. The 2020 Census population of 67,117 indicates an additional City population growth of 9.6 percent over the 2010 Census.

The City has been designated an “All-America City” four times and has also been recognized in Money Magazine’s “Best Places to Live”. Rockville also ranked 15<sup>th</sup> nationally in WalletHub’s list of “2024’s Most Diverse Cities in America”.

## ***Government and Organization of the City***

The City derives its governing authority from a charter granted by the General Assembly of Maryland. The City has operated under the Council-Manager form of government since 1948. The governing body of the City is the Mayor and Council (or the “City Council”), which formulates policies for the administration of the City. The Mayor and Council are comprised of the Mayor and six council members each elected at large for four-year concurrent terms. Mayor and Council members and their terms of office are:

### **Mayor and Council Members**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Monique Ashton	Mayor	November 2027
Kate Fulton	Council Member	November 2027
Barry Jackson	Council Member	November 2027
David Myles	Council Member	November 2027
Izola Shaw	Council Member	November 2027
Marissa Valeri	Council Member	November 2027
Adam Van Grack	Council Member	November 2027

The City Manager is appointed by the Mayor and Council to serve as the City’s Chief Executive Officer. He is responsible to the Mayor and Council for the proper administration of all affairs of the City. He has appointive and removal authority over department heads and all other employees, except the City Clerk/Director of Council Operations and the City Attorney, and is responsible for the preparation and administration of the annual budget; recommending and enforcing all policies and procedures, laws and ordinances as established by the Mayor and Council; consolidating or reorganizing positions, departments or divisions as needed; purchasing all materials, supplies, and equipment pursuant to procurement regulations; and investigating any and all complaints and affairs concerning the administration of the government and the utility services provided. Financial operations of the City are performed by the Finance Department under the supervision of the Chief Financial Officer/Director of Finance, who reports directly to the City Manager.

## *Mayor and Council Members*

**Monique Ashton** is serving her first term as Mayor of Rockville, after one term on the City Council. She is also president of the Montgomery County Chapter of the Maryland Municipal League and District 5 vice president at the state level. Mayor Ashton is a liaison to the Environment Commission and Rockville Housing Enterprises, as well as the Metropolitan Washington Council of Governments Climate Energy and Environment Policy Committee. Ms. Ashton actively works to create inclusive economic opportunities for everyone in the Rockville community. She has expanded access to affordable and attainable housing, accelerated Rockville environment and climate action initiatives, supported greater Vision Zero public safety, greater small-business outreach and economic development, and advanced equity and inclusion efforts within the City of Rockville. She has also led an effort to develop the City's first parental leave program. Ms. Ashton has been a strong advocate for critical projects to expand access to services for youth, seniors and unrepresented Rockville residents. She is a fiscally focused civil leader and successfully negotiated with the county executive's office and county council, culminating with the passage of the Expedited Bill 2-22, Montgomery County Municipal Revenue Program (Tax Duplication), which helped bring millions of dollars back to municipalities. Prior to being on the City Council, Ms. Ashton was a Montgomery County Council of Parent-Teacher Associations cluster coordinator representing seven schools in Rockville and has led and helped develop several local PTAs. She planned community program activities and helped successfully advocate for the development of the new Bayard Rustin Elementary School. Ms. Ashton also led the effort to develop the City's first Education Commission. Professionally, Ms. Ashton has served as an executive vice president, bringing her business expertise to work for the City. In this executive role, she helped launch biotech businesses, planned national award-winning health initiatives and advanced efforts to address disparities in health. Ms. Ashton previously worked for the U.S. Surgeon General, Department of Health and Human Services Office of Minority Health, Office of Global Health Affairs, and CMD Region II. She is a graduate of New York University and George Washington University, where she was inducted into the Delta Omega Honor Society. Ms. Ashton has a certificate in health care reform from the University of Western Cape, South Africa. She was honored to serve as a Presidential Management Fellow and received multiple awards for her work. She serves on the advisory board of the Maryland Women's Business Center. Ms. Ashton is married and has two children.

**Kate Fulton** was elected in November 2023 and is serving her first term as a Rockville councilmember. Ms. Fulton has over 20 years of professional experience making government work efficiently and effectively for the people it serves. She began her career as a private-sector attorney enforcing civil rights and equal employment opportunity laws before transitioning to the federal government. Ms. Fulton has worked at four federal agencies in roles including senior counsel, chief of staff and chief operating officer. She has drafted and implemented administrative and public-facing policies and programs. Ms. Fulton's experience on senior decision-making bodies has given her deep experience in hearing from stakeholders, building consensus, managing large budgets, and making sound, future-focused decisions. She currently serves as the chief operating officer at a federal financial regulator. Ms. Fulton is a graduate of the University of Maryland with a bachelor's degree in communications. She received her juris doctorate from Boston University School of Law. Since 2010, Ms. Fulton has lived in three Rockville neighborhoods with her husband and two children.

**Barry Jackson** is serving his first term as a councilmember in the City of Rockville after being elected in November 2023. He is a liaison to the Rockville Senior Citizens Commission, the Financial Advisory Board, and is a voting member of the Rockville Retirement Board. Prior to his election to the Mayor and Council, he served as president of the King Farm Citizens Assembly and the King Farm Conservancy. He has been involved in the King Farm homeowner's association for almost 20 years, serving as board chair, treasurer, and on various committees, such as the budget and finance, and external affairs committees. He has served on the King Farm swim team board and volunteers his time at summer swim meets. He is a member of the King Farm Farmstead Community Garden. He works professionally at AARP and has an interest in senior issues, such as aging in place, and combatting loneliness and isolation among the senior population. Because of that interest, he serves as a board member of Rockville Area Village Exchange, a nonprofit dedicated to supporting and starting local neighborhood villages in Rockville. In 2011, at age 38, he suffered a stroke. After his rehabilitation, he became involved in the American Heart Association/American Stroke Association. He is co-principal investigator of a Vanderbilt clinical trial to ascertain whether at-home therapies for stroke patients are as effective as outpatient therapy in a clinical setting. Mr. Jackson and his wife have two daughters who grew up in Rockville and attend Rockville public schools. He is a member of the Parent Teacher Student Association (PTSA) and is the former chair of the Safety and Security Committee of the PTSA.

**Dr. David Myles** was first elected in 2019 and re-elected in 2023, now serving his second term as a Rockville councilmember. He completed his pediatrics medical training in Baltimore, at Johns Hopkins Hospital. Dr. Myles first moved to Maryland in 2010, following medical and graduate school at Yale University, and is a proud Morehouse College alumnus. He served three years of active duty in the United States Navy and deployed for seven months on a humanitarian medical mission, providing pediatric care in Central and South America. In 2016, when he completed that active-duty assignment, he returned to Rockville. Dr. Myles worked previously as a pediatrician in an emergency department in rural Maryland, an experience that prompted him to join Montgomery County's Mental Health Advisory Committee as a physician representative. He serves on Maryland's Opioid Restitution Fund Advisory Council, has served as the opioid liaison to the Maryland chapter of the American Academy of Pediatrics (AAP) and on AAP's Committee on State Government Affairs. Additionally, Myles has been involved in the Rockville Goes Purple campaign, the city's annual program to bring awareness to the national impact of opioid misuse and promote hope for recovery. Dr. Myles is a cyclist and is a liaison to the Rockville Bicycle Advisory Committee.

**Izola (Zola) Shaw** is serving her first term as a councilmember for the City of Rockville. She is liaison to the Rockville Human Rights Commission, Rockville Housing Enterprises, and the Metropolitan Washington Council of Governments' Region Forward Coalition. Ms. Shaw has served on several Montgomery County and City boards and committees, including the Rockville Charter Review Commission. She also served as chair of the Montgomery County Racial Equity and Social Justice Advisory Committee, and led the drafting and passage of the county's Racial Equity and Social Justice Act. Ms. Shaw also served on the Montgomery County Domestic Violence Coordinating Committee and worked to provide wrap-around services to survivors and their children in support of their journey to safer and healthier lives. For two decades, Ms. Shaw has served professionally as a leader at all levels of government. She advised approximately 500 local governments across the U.S. on community preparedness and community resilience and worked to strengthen local government infrastructure with the Federal Emergency Management Agency. Ms. Shaw currently leads health community engagement and communications projects for the National Institutes of Health. Her efforts led to sharing lifesaving health information with underserved communities throughout the COVID-19 pandemic. Ms. Shaw has been a long-time affordable housing champion by leading efforts in Rockville and Montgomery County to stabilize housing, especially for the most vulnerable communities. During the pandemic, her advocacy led to a temporary hold on rent increases and helped prevent families from being evicted and experiencing homelessness in the City. Ms. Shaw is a proud alumna of Howard University, where she graduated magna cum laude with a dual degree in political science and history. Upon graduating from Howard University, she went on to receive her master's degree in economic and community development at Johns Hopkins University. Ms. Shaw's experiences at these universities led her to serve throughout western and southern Africa, where she spearheaded community economic development projects in some of the world's most impoverished communities.

**Marissa Valeri** was elected in November 2023 and is serving her first term as a Rockville councilmember. Ms. Valeri was born and raised in Wheaton, in Montgomery County. Her family has lived in Rockville for 13 years, as renters and homeowners — first in East Rockville, then Twinbrook. Ms. Valeri graduated from the University of Maryland Global Campus with a bachelor's degree in digital media and web technology with a minor in communication. Ms. Valeri has been employed professionally in the nonprofit sector for 27 years with a focus on health-care access and physician membership associations. Her work experience includes the American Association of Orthopedic Surgeons, Common Cause and Americans for Safe Access. She is currently the physician outreach specialist for the Montgomery County Medical Society. Ms. Valeri proudly served on the executive committee of the Twinbrook Community Association for five years as president, vice president and member at large for south of Veirs Mill Road. She co-founded the Rockville Pedestrian Advocacy Committee, authorized by the Mayor and Council in May 2019 to improve pedestrian safety and increase walkability throughout the City. In February 2020, Ms. Valeri was appointed to the Charter Review Commission. During the commission's limited tenure, she chaired the Mayor and Council working group, which looked at a variety of reforms to increase governmental efficiency. Ms. Valeri currently lives in the Twinbrook neighborhood with her husband, son, two rescue dogs and two rescue cats.

**Adam Van Grack** was elected in November 2023 and is serving his first term as a councilmember for the City of Rockville. He is liaison to the Environment Commission, Recreation and Parks Advisory Board, and Rockville Sister Cities Corporation. He also serves as Rockville's representative to the Metropolitan Washington Council of Government's Chesapeake Bay and Water Resources Policy Committee and is co-chair of the Bar Association of Montgomery County Legal Ethics Committee. Previously, he was appointed by the governor to the Maryland Juvenile Justice Advisory Council, where he addressed public safety, diversity and changes to the criminal justice system. He was also previously elected chair of the U.S. Olympic governing body for canoe and kayak sports. In 2015, he was awarded the U.S. Olympic & Paralympic Committee Havens Leadership Award and is a 2020 inductee to the Greater Washington Jewish Sports Hall of Fame. Mr. Van Grack was raised in Rockville and his first job was in City Hall working for the Office of Human Resources. He is a proud graduate of Richard Montgomery High School and is often still found in the crowd during Richard Montgomery athletic events. In Rockville, Mr. Van Grack co-founded his own law firm where he now serves as managing partner. There, his legal work includes contract disputes, financial disputes, probate litigation, land use, real-estate matters and business law. He regularly assists individuals and businesses with their legal problems, and he primarily practices in Montgomery County Circuit Court in Rockville. His law firm is also an active member of the Greater Rockville Chamber of Commerce, where he has been a strong advocate for small businesses, economic growth and increased public safety for many years. Mr. Van Grack and his son live in the Rockshire neighborhood of Rockville.

### *Senior City Staff*

**Jeff Mihelich** was appointed as Rockville's City Manager in June 2024. Mr. Mihelich is an International City/County Management Association credentialed manager with more than 30 years of experience in all areas of city management and community planning, including 13 years of executive-level management working directly with elected officials. He most recently served four years as City Manager of Bozeman, Montana and previously served as Deputy City Manager of Fort Collins, Colorado, for six years and as Assistant City Manager of Surprise, Arizona for six years. During his tenure at Bozeman, Mihelich was responsible for various daily city operations and oversaw 537 employees and a \$500 million budget. Mihelich's accomplishments included creating Bozeman's Inclusive City Initiative, which reviewed city policies, training and frameworks in specific areas of treatment of minority populations; leading the development of the city's first-ever diversity, equity and inclusion plan, Belonging In Bozeman; and developing a new annual grant program to support local social service providers. He holds a master's degree in urban and regional planning from Portland State University, and a bachelor's degree from the University of Wisconsin.

**Barack Matite** was hired as the Deputy City Manager in January 2023. Mr. Matite has a Master's degree in Public Administration from the University of Kansas, where he likewise received his undergraduate degree. Mr. Matite also attended Georgetown University in Washington DC and interned in the DC Mayor's Office. Prior to joining Rockville, Mr. Matite served as City Manager of City of Eudora, Kansas, a full-service city that is part of the Kansas City metropolitan area, where he advanced from Assistant City Manager to Deputy City Manager and ultimately became the City Manager in 2016.

**Dave Gottesman** was appointed as the Assistant City Manager of Rockville in December 2022. He is responsible for project and performance management of the entire scope of City departments and services, strategic planning, and oversight of other special projects and City functions including emergency management and grants management. Prior to joining the City of Rockville, Mr. Gottesman was the CountyStat Manager for Montgomery County, Maryland in the Office of the County Executive and the Office of Management and Budget, where for ten years he led the County's performance management and data analytics team to drive accountability, transparency, and the strategic use of data to monitor and improve the performance, effectiveness, and efficiency of public services. He also served from 2008 to 2012 as the Director of Budget and Performance Management for the Town of North Hempstead, New York. Mr. Gottesman holds a Master of Public Administration from New York University's Robert F. Wagner Graduate School of Public Service, a bachelor's degree in Journalism from the University of Maryland, College Park, a Certified Public Manager accreditation from the Metropolitan Washington Council of Government's Institute for Regional Excellence (where he returns annually to teach new cohorts) and served as a Local Government Fellow with Results for America. He is also a member of the International City/County Management Association's (ICMA) Performance Management Advisory Committee, a former Government Finance Officers Association (GFOA) member including two terms on their Budgeting and Fiscal Policy Committee, and an adjunct professor at New York University's Washington, D.C. site where he teaches an undergraduate leadership course.

**Robert E. Dawson** was appointed by the Mayor and Council as the City Attorney in July 2021, effective August 2021. Mr. Dawson has practiced law for approximately 25 years. Mr. Dawson began his legal career as a corporate attorney for law firms in New York, New York (Rogers & Wells LLP, now Clifford Chance US), Palo Alto, California (Wilson Sonsini Goodrich & Rosati), and Richmond, Virginia (McGuireWoods LLP). Mr. Dawson's passion for public service and desire to make a difference led him to the practice of local government law. Prior to his appointment as City Attorney, Mr. Dawson served as an Assistant County Attorney in Arlington, Virginia. Mr. Dawson has also served as City Attorney for Petersburg, Virginia. Mr. Dawson received a Bachelor of Science from Tuskegee University, a Master of Public Administration from the Maxwell School of Citizenship and Public Affairs at Syracuse University, and a Juris Doctor from the University of California, Berkeley.

**Sara Taylor-Ferrell** was appointed as Rockville City Clerk/Director of Council Operations in September 2018. Ms. Taylor-Ferrell has more than 25 years of experience working for the City, with the majority of that time in the Clerk's office. Her years of experience in the City Clerk's Office provide the backdrop for effective and collaborative working relationships with elected and appointed officials, City staff, and outside consultants. Ms. Taylor-Ferrell is a member of the Maryland Municipal Clerk's Association, International Institute of Municipal Clerks, and the Metropolitan Washington Council of Governments Election Committee. She has completed the Maryland Open Meetings Act training and is a graduate of the Academy of Excellence in Local Governance School of Public Policy at the University of Maryland. She has an associate's degree in Business Administration from Valley College in Martinsburg, West Virginia.

**Stacey Webster** has served as the Chief Financial Officer/Director of Finance (CFO) since November 2021. Ms. Webster is responsible for overseeing and directing all City financial operations and for advising the City Manager and the Mayor and Council on City property tax and utility rates, financial management policies, and financial partnerships. Prior to Ms. Webster's appointment as CFO, she served as the City's Deputy CFO and led the planning, development, and management of Rockville's operating budget and capital improvements program. During her tenure at the City, Ms. Webster has also managed the investment of City funds and the sale of City bonds. Before serving as deputy CFO, she served as the City's budget manager. Prior to joining the City of Rockville in 2005, she worked for an asset management firm, providing portfolio management and investment advice to state and local governments. Ms. Webster earned a Master of Public Administration degree from the Maxwell School of Citizenship and Public Affairs at Syracuse University and a bachelor's degree in Political Science from Mercyhurst University. She is an active member of the Maryland chapter and national Government Finance Officers Association and is a Certified Public Finance Officer.

**Craig Simoneau** has been Rockville's Public Works Director since September 2005 and twice served as the Acting City Manager. Mr. Simoneau led the department to develop and implement sustainable programs to maintain the City's water, sewer, and stormwater management systems. Additionally, the department mitigated the effects of several FEMA declared storms and developed a Vision Zero and Climate Action Plan that have been instrumental in leading to better environmental stewardship and a safer City. Prior to joining the City, Mr. Simoneau worked as the Director of Public Works and Logistics at Fort Monroe, Virginia, in the United States Army. In an Army career spanning more than 20 years, he held progressively responsible project management and executive management positions covering a broad range of public works and related responsibilities, including construction, project design, facility operations, and emergency operations. As Public Works Director at Fort Monroe, Mr. Simoneau led an organization of 117 employees responsible for constructing, operating, and maintaining all base facilities, including buildings, water treatment plant, distribution facilities, and sanitary sewer systems; managing residential and commercial refuse operations; and maintaining the vehicle fleet. Mr. Simoneau was also responsible for executing a \$103 million repair and reconstruction program to effectively recover from Hurricane Isabel's damage. Mr. Simoneau is a Licensed Professional Engineer. He is a West Point graduate and has a Master of Science degree in Civil Engineering from the Massachusetts Institute of Technology.

**Ricky Barker** was appointed as Rockville's Director of Community Planning and Development Services in June 2018. Mr. Barker brings more than three decades of planning experience to the City. Prior to coming to Rockville, he was the Director of Planning for Loudoun County, Virginia and spent 20 years in the Town of Cary, North Carolina. Mr. Barker has a Master of Science in Planning degree from the University of Tennessee.



**Ryan Trout** joined the City of Rockville in August 2024 as the Director of Housing and Community Development. Prior to joining the City, Mr. Trout served as the Chief Housing Officer for a non-profit affordable housing and community development membership organization. In this role, Mr. Trout developed and advanced affordable housing and homelessness prevention policies, supervising the Director of Housing Programs and managing the District of Columbia Landlord Partnership Fund. He collaborated with the Board of Directors, Housing Committee, and various Working Groups to establish policy and advocacy positions, coordinated the DC Preservation Network, and facilitated numerous task forces on housing-related topics. Mr. Trout previously worked in local government housing and community development, managing an emergency rental assistance program during the COVID-19 pandemic, overseeing first-time homebuyer assistance, low-income rehabilitation loans, senior grants, homelessness grants, and assisting low-income housing developers with local incentives. Mr. Trout teaches undergraduate courses in housing and homelessness policy and state and local government at Mount St. Mary's University, and co-led the Frederick County Executive's Housing and Quality of Life Transition Team. Mr. Trout holds a Master of Business Administration and a master's in public policy from the University of Maryland.

**Nicholas Obodo** has served as Chief Information Officer and Director of Information Technology since November 2013. Prior to his work at Rockville, he was the Director of Information Technology & Infrastructure Services at the Commonwealth of Massachusetts Executive Office of Housing and Economic Development. He held Chief Technology Officer responsibilities within the Office of Consumer Affairs and Business Regulations, where he managed the IT expectations of the Commonwealth of Massachusetts Division of Insurance, Division of Banks, Division of Professional Licensure, Department of Telecommunications and Cable, and the Division of Standards, in Boston, Massachusetts from 2008 to 2013. Prior to his work at the Commonwealth of Massachusetts, he was the Director of Information Technology for the City of Boston – Boston Public Health Commission. Mr. Obodo holds a bachelor's degree in Electrical Engineering from Enugu State University of Science & Technology and a master's degree in Engineering Management from Tufts University.

**Christine Henry** was appointed the Acting Director of Recreation and Parks in May 2024. She is honored to serve the residents, businesses, and visitors of Rockville since 1988 within the Recreation and Parks department. She has served in many roles and positions within the department from summer camps, special events, and has served as the Deputy Director for more than two decades. She is most proud of the positive difference the department makes in the lives of thousands each day in Rockville. She is a member of the National Recreation and Parks Association and the Maryland Recreation and Parks Association. Chris has a bachelor's degree in Psychology and Physical Education from Towson University and a master's degree in Applied Management from the University of Maryland, Global Campus.

**Victor Brito** was appointed as Police Chief of the Rockville City Police Department in June 2018. He previously served for two years as Chief of Police with the City of Hagerstown Police Department. Chief Brito's career also includes 25 years with the Metropolitan Police Department in Washington, D.C., where he retired with the rank of captain. His service with the department included 4 years as the assistant district commander of the Seventh District, where he oversaw approximately 400 officers. Before that, he commanded the department's disciplinary review division, recruiting branch, and the Metropolitan Police Academy. Chief Brito earned a bachelor's degree in Management/Leadership and a master's degree in Management/Community Development, both from the Johns Hopkins University. He is a graduate of the Law Enforcement Executive Development Seminar at the FBI National Academy in Quantico, Virginia. Chief Brito serves as an adjunct professor in the School of Public Affairs, Department of Justice, Law, and Criminology at the American University in Washington, D.C., teaching undergraduate criminal justice courses.

**Susan Seling** was appointed as the Director of Human Resources in October 2023. She has over 25 years of experience in local government, organizational change management, and human resources operations. Prior to joining the City, Ms. Seling was the Chief of Human Capital Management and Organizational Development at the Montgomery County Department of Health and Human Services. In this role, she was responsible for recruitment, selection, onboarding, HR operations, labor and employee relations, and employee and organizational development. Working with her team, they supported over 2,000 employees and partnered with other County departments including the Office of County Attorney, and Risk Management, among others. Ms. Seling was with the Montgomery County Department of Health and Human Services from March 2012 to October 2023. Her achievements include implementing several strategic initiatives focused on increasing diversity in hiring; strengthening and streamlining the onboarding process, increasing employee retention; developing management and supervisory training; and increasing the use of data analytics.

## ***City Government Services***

The City provides a full range of services for the community including: zoning and planning; housing and social services; police, water, sewer, stormwater, and refuse collection services; a one-stop location for licenses, permits, and inspections; snow removal, leaf collection, street maintenance, and other public works functions; recreation and parks services; and special programs for senior citizens, youth and low-income residents.

### **City Manager's Office**

The Department of the City Manager coordinates with the Mayor and Council to enact and implement City policy and to manage the policy agenda by providing management and administrative support for the day-to-day operations of the City government. The Department manages Procurement and Stockroom, Citizen Service Requests, Intergovernmental Affairs, Economic Development, Grants Management, Public Art and Culture, Emergency Management, Public Information Office, City Website and Cable Television, Graphics and Printing, Neighborhood Resources, and Human Rights and Community Mediation. The Justice, Equity, Diversity, and Inclusion Office is also part of the Administration and Community Engagement division.

### **Community Planning and Development Services**

The Department of Community Planning and Development Services promotes and facilitates the orderly development and redevelopment of the City to benefit both residential and business activity. The Department prepares plans and develops programs that provide policy guidance and support to the Mayor and Council, Planning Commission, and the City senior management staff to make public decisions with respect to the provision of adequate public facilities and services, the use of land, and the administration of laws affecting development policies. The Department contains five divisions: Management and Support, Comprehensive Planning, Zoning, Development Services, and Inspection Services.

### **Housing and Community Development**

Formed in May 2020, the Department of Housing and Community Development consists of three divisions, including Housing and Neighborhood Services, Community Services, and Administration. The Department leads and implements the City's housing initiatives through development and preservation. In addition, the Department administers an array of housing programs and services, including the Moderately Priced Dwelling Unit program, the Community Development Block Grant Home Rehabilitation program, Caregivers Grants, and a county-funded program, Linkages to Learning. The Department also provides various resident service programming, including rental and utility assistance programs, referral services for specialized social service and counseling services, and community engagement initiatives through its mediation services between landlords and tenants and common ownership communities and homeowners.

### **Finance**

The Department of Finance helps the various agencies of the City government meet their service objectives by allocating the organization's available financial resources, processing financial transactions and providing information and analysis as a basis for decision making. The Department bills and/or collects the major City revenues and provides assistance to taxpayers and utility customers. The Department also provides financial planning services for the City, secures financing for capital construction, and safeguards and invests City funds. The Department accomplishes this through three divisions: Administration and Budget, Accounting and Control, and Utility Billing.

### **Fire Department**

Fire protection is available throughout the Rockville community but is not provided as a city service. Fire protection services are provided by the Rockville Volunteer Fire Department, which is staffed by 144 paid professional and 240 volunteer fire fighters. The Rockville District includes four fire stations, two of which are located within the City's limits. All four, however, respond to calls within the City.

Montgomery County Fire and Rescue Services is comprised of 43 fire and rescue stations, 1,300 employees, and several hundred active volunteers, all of which participate in overall planning, fire prevention programs, operation of a centralized dispatch service, and training to support fire and rescue services in the County.

Fire protection services are funded by a special County consolidated fire district tax of \$0.1202 per \$100 of real property assessed value.

### **Human Resources**

The Department of Human Resources recruits, retains, and services qualified and capable people in the most fair, effective, and efficient manner possible; and provides a full range of personnel and safety services in support of all other City departments and their functions. The Department provides classification and salary/grade studies, recruitment, testing, training, benefits, labor relations, and equal opportunity employment. The Department has three divisions: Human Resources, Health and Wellness, and Safety and Risk Management.

### **Information and Technology**

The Department of Information and Technology is dedicated to providing technology services through computer systems, telecommunications systems, and the Internet. The Department manages the City's telecommunications and computer systems, including mainframes, personal computers, and local and wide area networks. The Department also maintains and manages the geographic information systems and collects revenues from telecommunications activities. The Department has four divisions: IT Operations, Voice Communications, IT Security, and GIS Operations.

### **Police and Public Safety**

The Rockville City Police Department protects and promotes community safety. It is charged with the responsibilities of preserving the peace, protecting life and property, ensuring the safe and orderly movement of traffic, and providing the community with an overall sense of security.

Police protection is provided by both the City and Montgomery County, with the City's force providing primary response within the City limits. The Police Department has 71 sworn officers and 26 full time equivalent administrative employees. City police officers are dispatched by the City dispatch system, but also listen to and respond to calls for service from the County dispatch system. Written memoranda of understanding between the City and the County govern their respective jurisdictions and responsibilities.

### **Public Works**

The Department of Public Works provides services in the areas of streets; recycling and refuse collection; water, sewer, and stormwater management utilities; leaf collection; traffic operations; and snow and ice control. In fiscal year 2023, the Public Works Department maintained an estimated 157 miles of streets with 3,171 streetlights and 261 miles of sidewalks. Refuse collection is provided to more than 14,000 dwelling units. The City transfers its recycling materials and refuse to a transfer station operated by Montgomery County.

The City owns and operates an eight million gallon per day (MGD) water treatment plant, three potable water storage tanks with a total storage capacity of 12 million gallons, and 176 miles of water mains, which serve approximately 13,000 residential and commercial accounts within the City. The Washington Suburban Sanitary Commission (WSSC) operates 20.5 miles of water mains within the City, serving approximately 5,600 residences.

The City provides wastewater collection through 148 miles of sewers for all residential and commercial areas except WSSC's service area. The City's wastewater is treated at the Blue Plains Wastewater Treatment Plant in the District of Columbia. The City has a contractual entitlement to 9.31 MGD of capacity at this plant, under an agreement with WSSC. The City also maintains 97 miles of storm drain lines. The City inspects approximately one-third of the public and private stormwater facilities each year. There are 1,162 privately-owned stormwater facilities and 252 publicly-owned facilities in the City.

## Recreation and Parks

The Department of Recreation and Parks provides services such as parks and urban forest maintenance, recreation and cultural arts programs, special events and community centers, including a swim center and a senior center. It also maintains City buildings and facilities and provides quality maintenance and landscaping of all City rights-of-way. The department offers athletic programs, classes, cultural arts programs, and special fee-supported trips. The department also offers community recreation programs such as summer camps, senior activities, and a skatepark that are supported through General Fund revenues.

### *Major Plans and Initiatives*

**Environmental Sustainability and Climate Action Plan.** The Mayor and Council adopted the City's first Climate Action Plan (CAP) on January 10, 2022. The plan charts an ambitious course for reducing greenhouse gas emissions from the community and municipal government operations by at least 50 percent below 2005 levels by 2030 and carbon neutrality by mid-century. The plan includes a list of 42 actions that are focused on equitably reducing greenhouse gas emissions, strengthening resiliency, and developing a framework to oversee and monitor progress. Recognizing the disproportionate impacts that low-income and communities of color experience, the plan prioritizes equity by protecting vulnerable communities and improving access to environmental benefits.

Climate actions involve energy efficiency, renewable energy, electric vehicles and sustainable transportation, land use management, materials and waste management, resiliency, and public engagement and oversight. CAP implementation requires City investment in new technologies and projects, updated policies and ordinances, increased staff capacity, and the development or expansion of programs and services.

The CAP is designed to be flexible to allow the City to take advantage of new technology or funding opportunities as they arise. Although the City is taking the lead, community participation is critical, and implementation will involve partnerships and advocacy beyond the City's borders and will draw on the recommendations in the City's Comprehensive Plan and from widely accepted best practices amongst governmental jurisdictions.

**Vision Zero.** On July 6, 2020, the Mayor and Council adopted the Vision Zero Action Plan (Vision Zero) to move the City towards zero traffic deaths and serious injuries by 2030. Vision Zero outlines 30 actions that will help to increase traffic safety for all people and eliminate traffic-related fatalities and serious injuries. The strategy recognizes that people will make mistakes, regardless of their mode of travel, so the transportation system and related policies should be designed to ensure those inevitable mistakes do not result in severe injuries or fatalities. Vision Zero also recognizes that non-motorists are more vulnerable in collisions, and that roadway designs and related policies must address the needs of these individuals.

To be successful, Vision Zero relies on a multidisciplinary approach, bringing together diverse stakeholders throughout the community as well as cross-agency collaboration. Vision Zero acknowledges that many factors contribute to safe mobility, including roadway design, speeds, behaviors, technology, and policies, and sets clear goals to achieve the shared goal of zero fatalities and severe injuries. Biannually, the City's dedicated Vision Zero Coordinator submits a status report to the Mayor and Council, which provides updates and progress for each of the 30 action items. The Vision Zero Coordinator resides in the Department of Public Works, but collaborates with other City departments, including Police, Recreation and Parks, Community Planning and Development Services, and the City Manager's Office.

**Rockville 2040 Comprehensive Plan.** On August 2, 2021, the Mayor and Council adopted an update to the City's comprehensive plan that establishes new, and retains many existing, policies to guide the City's growth, development, and quality of life over the next twenty years. The Comprehensive Plan includes recommended policies and action among 10 elements focused on: land use and urban design, transportation, recreation and parks, community facilities, environment, water resources, economic development, housing, historic preservation, and municipal growth. In addition to these ten policy elements, the Plan includes a focus on policies and projects specific to each of the City's 17 neighborhood-scale planning areas, as they are defined in the Comprehensive Plan. Both sections were developed from feedback gathered throughout the Rockville 2040 process, which included numerous listening sessions, citywide forums, open houses and other meetings, as well as analysis and discussion by staff and the Planning Commission.

**Pedestrian Master Plan.** The Mayor and Council adopted the Pedestrian Master Plan on October 30, 2023 as an action item from the Vision Zero Action Plan. This plan is intended to be used as a guide for understanding and improving pedestrian infrastructure and programs over the next ten years, and complements the goals set by Vision Zero. Among other things, the Pedestrian Master Plan seeks to ensure Rockville develops pedestrian facilities that are safe, convenient, valuable, equitable, and provide improved public health and environmental outcomes. The plan is composed of 46 Action Items to help guide the planning and implementation of new pedestrian infrastructure, updating City transportation policies to better address the needs of pedestrians, and developing or improving City practices to maintain a sustainable pedestrian work program. The plan addresses pedestrians who use mobility devices and makes recommendations for shared-use paths that can also be used by bicyclists.

## ***Regional Authorities***

### **Washington Suburban Sanitary Commission (WSSC)**

Operation and maintenance of the water and wastewater system for approximately 5,600 residences in the City and for the rest of Montgomery County and Prince George’s County is the responsibility of a bi-county agency, WSSC. WSSC operates under State law and is governed by a six-member commission. The county executives of Montgomery County and Prince George’s County each appoint three members, subject to confirmation by the respective county councils. The fiscal year 2025 adopted operating and capital budget for WSSC totaled approximately \$1.8 billion and includes more than 1,900 positions.

Two major sources, the Potomac and Patuxent Rivers, provide the raw water supply. WSSC produces an average of 162 million gallons of water per day and operates three reservoirs with a total capacity exceeding 14 billion gallons.

The six wastewater treatment plants owned by WSSC have a combined capacity of 95 million MGD. Blue Plains is a regional facility that services the District of Columbia and several northern Virginia jurisdictions as well as WSSC. Under the Intermunicipal Agreement that governs this arrangement, WSSC is allocated 169 MGD of Blue Plains’ 370 MGD capacity.

### **The Maryland-National Capital Park and Planning Commission**

The Maryland-National Capital Park and Planning Commission administers just more than 37,760 acres of parkland in the County. This includes five regional and 11 recreational parks, many consisting of over 200 acres, and featuring more than 600 acres of recreational lakes including Lake Frank, Lake Needwood, Little Seneca Lake, and Pine Lake. Of the 419 parks in the Montgomery Parks system, more than 400 consist of smaller parks and open space areas that serve as urban, local, and neighborhood, stream valley, and conservation parks, among others. Additionally, Seneca Creek State Park is located in the heart of the County, and Patuxent River State Park is located along the County's northeastern border. The National Park Service provides additional park facilities including the C & O Canal National Historic Park, Great Falls National Park, and Glen Echo Park.

## ***Pension and Retirement Plan***

Rockville Employees Retirement System encompasses a single-employer defined benefit pension plan and a hybrid defined benefit and defined contribution pension plan. The system is considered part of the City reporting entity and is included in the City’s financial reports as pension trust funds.

The annual member compensation for employees covered by the retirement system for the plan year ended June 30, 2023 was \$42,506,765.

For further information pertaining to the City's pension plans refer to “Note 4” of the “Notes to the Basic Financial Statements” contained as a part of Appendix A to this Official Statement.

### ***Employee Relations and Bargaining Units***

The City currently funds approximately 556.6 regular full-time equivalents on its work force. Administrative, technical, and clerical employees have the option of joining the Association of Administrative Municipal Employees (AAME), which meets and confers with management on various items of employee concern. Police officers also have the option of joining the Fraternal Order of Police (FOP), which also meets and confers with management. Neither AAME nor the FOP engages in collective bargaining with the City. Labor classification employees, who work in the Public Works and Recreation and Parks Departments, are represented by the American Federation of State, County, and Municipal Employees (AFSCME) Local 1453, which bargains collectively with the City. Since the City recognized the union in 1967, there have been no strikes by municipal employees. Approximately 20% of full-time equivalent employees are represented by AFSCME and the City considers its labor relations to be excellent.

### ***Investment Policy***

The City maintains an active cash and investment management program. The primary goals of the program are compliance with the federal, state and local laws governing the investment of public monies, providing sufficient liquidity to meet financial obligations, preserving capital, and the attainment of a favorable rate of return.

The City's investment policy was revised in May 2024 and complies with all State requirements. The City is authorized to invest in obligations for which the United States has pledged its full faith and credit for the payment of principal and interest, in obligations that a federal agency issues in accordance with an Act of Congress, or in repurchase agreements that any of the foregoing obligations secure. In addition, the City may invest in bankers' acceptances, obligations issued and guaranteed by the highest rated supranational issuer, commercial paper of the highest investment grade, money market funds which are also of the highest investment grade, the highest rated investment grade State and local bonds or notes, and any investment created under the Maryland Local Government Investment Pool that is administered by the State Treasurer.

### ***Other Post-Employment Benefits***

The City's Annual Comprehensive Financial Report (ACFR) at June 30, 2023 is in compliance with Governmental Accounting Standards Board (GASB) Statement No. 74 and GASB Statement No. 75 which address how state and local governments are required to account for and report their costs and liabilities related to other post-employment benefits (OPEB), defined to include retirement healthcare benefits. The City has established a Retiree Benefit Trust to fund its OPEB liabilities. For further information pertaining to the City's OPEB refer to "Note 5" of the "Notes to the Basic Financial Statements" contained as a part of Appendix A to this Official Statement.

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## ECONOMIC AND DEMOGRAPHIC INFORMATION

### *Population*

Rockville’s population is estimated at 67,297, making it the fourth largest city in Maryland.

The City experienced rapid population growth in the 1950s and 1960s, as part of the growth that made the Washington Metropolitan Statistical Area one of the most rapidly growing large metropolitan areas in the nation. The City's population grew from 6,934 in 1950 to 26,090 by 1960 and 42,079 by 1970. Population growth moderated during the 1970s, 1980s and 1990s, but significant growth began again starting in the 2000s. Population growth has slowed in recent years, however the forecasted increases in housing units, as shown in Table 11, support the population projection of 73,800 residents by 2029. Table 2 presents the population of the City and the County as recorded in the past six decennial censuses.

**Table 2**  
**Population Statistics**

<u>Year</u>	<u>City of Rockville</u>	<u>Montgomery County</u>
2023 (Estimated)*	67,297	1,058,474
2020 Census	67,117	1,062,061
2010 Census	61,209	971,777
2000 Census	47,388	878,683
1990 Census	44,835	759,600
1980 Census	43,811	579,053
1970 Census	42,079	522,809

\*Estimated, July 1, 2023.

Source: U.S. Bureau of the Census.

The distribution of population by age is presented in the table below.

**Table 3**  
**Percent of Total Population by Major Age Group**

<u>Age Group</u>	<u>2022</u>	<u>2020</u>	<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>
19 years and under	22.3%	23.0%	23.2%	25.4%	25.6%	32.8%	43.9%
20 to 44 years	35.5%	34.9%	36.6%	37.1%	42.5%	40.6%	34.2%
45 to 64 years	24.4%	24.3%	26.3%	24.5%	21.4%	20.3%	17.9%
65 years and over	17.8%	17.8%	14.0%	13.1%	10.5%	6.3%	4.0%
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: U.S. Bureau of the Census-American Community Survey - Table DP03. (Detail may not add to summations due to rounding.)

### *Employment Characteristics*

The City’s total resident population was estimated at 67,297, and there were an estimated 78,700 jobs in the City as of 2023. The City’s daytime population was estimated as 88,500 in 2020, which is made up of visitors, workers, and residents. Additional information is presented below:

Key Facts:

Median Household Income	\$122,470
Per Capita Income	\$61,412
Median Age	38.8
Average Household Size	2.49
Bachelor’s Degree or Higher	64.2%

Source: U.S. Bureau of the Census-American Community Survey 2022, 5-year Estimates S0101, S1101.

Employment in the County is well diversified, with the largest percentage of employment occurring in professional, scientific, management, administrative, waste management, educational, health care and social assistance sectors. The majority of the City’s residents are employed in the professional, scientific and technical services. More than 67.7% of City residents, ages 16 and older, were in the civilian labor force per 2022 ACS 5-year estimates. The leading industries of employment were professional, scientific and management services (25.0%) followed by education services and health care (21.7%). Other employment concentrations were found in financial services and government.

The table below presents categories of civilian employment in the City in 2010 compared with 2022.

**Table 4**  
**Analysis of Change in Rockville Civilian At-Place Employment**

<b>Employment by Sector</b>	<b><u>2022</u><sup>(1)</sup></b>	<b><u>2010</u><sup>(1)</sup></b>	<b><u>Difference</u></b>
<b>Civilian employed population 16 years and over</b>			
Professional, scientific, and management, and administrative and waste management services	25.0%	23.9%	1.1%
Educational services, and health care and social assistance	21.7%	21.0%	0.7%
Public administration	12.7%	11.0%	1.7%
Arts, entertainment, and recreation, and accommodation and food services	6.9%	7.5%	-0.6%
Other services, except public administration	6.2%	6.7%	-0.5%
Retail trade	6.4%	7.1%	-0.7%
Finance and insurance, and real estate and rental and leasing	6.1%	7.5%	-1.4%
Construction	6.5%	5.1%	1.4%
Manufacturing	2.7%	2.9%	-0.2%
Transportation and warehousing, and utilities	2.3%	2.4%	-0.1%
Information	2.8%	3.6%	-0.8%
Wholesale trade	1.2%	1.0%	0.2%
Agriculture, forestry, fishing and hunting, and mining	0.1%	0.1%	0.0%

<sup>(1)</sup>May not add up to 100% due to rounding.

Source: U.S. Census Bureau-American Community Survey - Table DP03.

### ***Labor Force and Unemployment***

The table below provides data on the City’s annual labor force, the number of employed and unemployed persons, and average unemployment rates for the City. It also shows that the City’s unemployment rates are consistently lower than that of the State for the years 2019 through 2023. Information presented in the table below has not been seasonally adjusted.

**Table 5**  
**Annual Labor Force and Unemployment Statistics**

<b><u>Year</u></b>	<b><u>City of Rockville</u></b>			<b><u>Unemployment Rate</u></b>	<b><u>State of Maryland</u></b>
	<b><u>Labor Force</u></b>	<b><u>Employment</u></b>	<b><u>Unemployment</u></b>		<b><u>Unemployment Rate</u></b>
2023	37,802	37,122	680	1.8%	2.1%
2022	37,393	36,443	950	2.5%	3.0%
2021	37,173	35,595	1,578	4.2%	5.2%
2020	38,150	36,118	2,032	5.3%	6.4%
2019	39,003	37,975	1,028	2.6%	3.4%

Source: Maryland Dept. of Labor, Licensing and Regulation and U.S. Department of Labor, Bureau of Labor Statistics.



## Major Employers

The top employers within the City are presented in the following table.

**Table 6**  
**Major Employers in the City of Rockville**

<u>Name</u>	<u>Product/Service</u>	<u>Employees</u>
Montgomery County	Government	5,165
Montgomery County Public Schools	Education	2,500
Montgomery College	Education	1,950
Westat, Inc.	Research Organization	1,750
Northwestern Mutual Life Insurance Company	Insurance	623
Lockheed Martin Information Systems	Engineering/IT Contractor	565
City of Rockville	Government	539
Quest Diagnostics Incorporated	Health Care	500

Source: Rockville Economic Development, Inc. (REDI), 2023.

## Income Statistics

The relative distribution of income among City households by income levels is presented in the following table.

**Table 7**  
**Distribution of Rockville Households by Income Levels**

<u>Income Range</u>	<u>Number of Households</u>	<u>Percentage of Households<sup>(1)</sup></u>
Less than \$10,000	981	3.7%
\$10,000 to \$14,999	646	2.4%
\$15,000 to \$24,999	960	3.6%
\$25,000 to \$34,999	884	3.3%
\$35,000 to \$49,999	1,560	5.8%
\$50,000 to \$74,999	2,783	10.5%
\$75,000 to \$99,999	2,801	10.5%
\$100,000 to \$149,999	5,525	20.8%
\$150,000 to \$199,999	3,839	14.5%
\$200,000+	<u>6,564</u>	<u>24.7%</u>
Total	<u>26,543</u>	<u>100.0%</u>
Median household income	\$122,470	
Mean household income	\$151,301	

<sup>(1)</sup>May not add up to 100% due to rounding.

Source: U.S. Census Bureau, 2018-2022 American Community Survey 5-Year Estimate - Table DP03, Selected Economic Characteristics.

## Land Use

The City’s land use patterns reflect that of a maturing and urbanizing suburban employment center with stable residential neighborhoods. Most of the recent growth has been near Metro rail stations such as Twinbrook Station and Rockville, or within master-planned mixed-use developments, such as along Rockville Pike, King Farm and Tower Oaks.

There is little available vacant land remaining so growth is expected to focus on redevelopment of older low-density properties. In general, this redevelopment will occur near Metro stations and along the City’s key corridors (Rockville Pike/Rt. 355, Shady Grove Road and areas near I-270). As such, a significant amount of the growth will be redevelopment to more intensive and mixed uses, rather than development of vacant land.

Table 8 presents Class A, B and C office space, as classified by CoStar, within the City and County as of June 2024. These figures do not include most government-owned space.

**Table 8**  
**Office Space in the City of Rockville and Montgomery County** <sup>(1)</sup>

<u>Location</u>	<u>Total Square Footage</u>	<u>Available Square Footage</u>	<u>Vacancy Rate</u>
City of Rockville	13,600,000	3,300,000	24.3%
Montgomery County	76,800,000	14,100,000	18.3%

<sup>(1)</sup> Class A office buildings have the most prestigious buildings competing for premier office users with rents above average for the area with high-quality standard finishes, state-of-the-art systems, exceptional accessibility and a definite market presence. Class B office buildings are those with adequate systems that compete for a wide range of users with rents in the average range and finishes that are fair to good for the area. Class C buildings are aimed towards tenants requiring functional space at rents below the average for the area.

Source: CoStar, June 2024.

## Recent Construction

The City experienced significant residential and commercial growth during much of the previous two to three decades as projects such as Town Square, King Farm, Fallsgrove, Tower Oaks, and those along the MD 355 corridor were built.

Table 9 presents a summary of new residential and non-residential activity for the past five years. Projects in the list include mixed use developments in King Farm, Tower Oaks, Town Center, and Twinbrook Station.

The nonresidential commercial/industrial projects in Table 9 include new construction along Research Boulevard, Upper Rock, Rockville Pike, Town Center, and Montgomery College. The City is identified by the County and the State as being in the center of a key growth corridor, and activity in residential and commercial development continues.

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Table 9 below presents a summary of new residential and non-residential activity for the past five years.

**Table 9**  
**Building Permits**

<u>Fiscal Year</u>	<u>New Residential<sup>(1)</sup></u>		<u>New Commercial/Industrial<sup>(2)</sup></u>	
	<u>Number of New Units</u>	<u>Amount</u>	<u>Number of New Buildings</u>	<u>Amount</u>
2024	208	\$40,648,381	1	\$1,700,000
2023	50	7,357,867	3	10,380,000
2022	40	7,229,900	2	248,000,000 <sup>(3)</sup>
2021	164	33,926,800	0	0
2020	455	112,299,000	5	49,274,030

<sup>(1)</sup> Includes single-family housing, condominium units and apartment units.

<sup>(2)</sup> Includes commercial, retail, industrial, institutional and other non-residential developments.

<sup>(3)</sup> Includes Twinbrook Quarter.

Source: City of Rockville Community Planning and Development Services, Permit Plan system.

### ***Future Development and Growth Goals***

The City government has development review and permit processes that assist in promoting the City as an advantageous location for doing business. The City consistently follows its Comprehensive Plan in zoning and approving new development.

The Comprehensive Plan and other City policies also promote the stability of residential neighborhoods through zoning, enforcement of codes, and land-use decisions. The Mayor and Council adopted the City’s new Comprehensive Plan on August 2, 2021. The City’s comprehensive plan sets a vision and goals for the future of the City, with practical policies and actions to achieve those goals.

A key implementation step of the Comprehensive Plan is the rewrite of the Zoning Ordinance. In the current Zoning Ordinance and Map (adopted in 2008), some types of proposed development recommended by the 2040 Comprehensive Plan are not permitted. The fiscal year 2023 adopted budget included \$300,000 in funding for a two-year consultant engagement to assist with the Zoning Ordinance update. The Zoning Ordinance update will manage and encourage growth where recommended, preserve key environmental and historic areas, and promote the types and amount of housing and jobs that the City seeks. This update is a major step that will support the policies and actions recommended in the Plan and bring about the greatest community benefits. In addition, the Zoning Ordinance is intended to incorporate changes recommended in the City’s FAST (Faster, Accountable, Smarter, and Transparent) initiative that will streamline the development review process for new projects. It is also expected that the updated Zoning Ordinance will incorporate best practices and be more user-friendly and understandable for all.

The updated Zoning Ordinance is expected to be ready for public comment during fiscal year 2025. The Mayor and Council adopted an Interim Amendment to the current Zoning Ordinance to allow for floating zones to implement the Rockville 2040 Comprehensive Plan’s recommended changes in land use while the rewrite of the Zoning Ordinance is underway. Creating the floating zones will allow developments to proceed forward without the creation of specific zoning districts that are proposed to be developed during the zoning ordinance rewrite and subsequent comprehensive map amendment.

In recent years, Community Planning and Development Services (CPDS) launched a project to improve development review and permitting process to deliver efficient and effective services to customers. In October 2018, the Mayor and Council endorsed an important City initiative entitled FAST (Faster, Accountable, Smarter, and Transparent) related to improvements to the permitting and development review processes. The first phase resulted in digital permit and plan review, customer enhancement such as a Customer Bill of Rights, predictable timeframes for projects, and improved internal coordination. Based on goals for increased housing and economic development, staff is currently

developing a second phase of the FAST initiative, which will focus on streamlining approval processes and building flexibility into requirements. These improvements will be implemented through the Zoning Ordinance rewrite and updates to other City regulations.

The City's MyGovernmentOnline (MGO) software, which went live for permits including building, plumbing, electrical, and mechanical in October 2021, allows for a fully integrated online application, payments, plan submittal/review, and inspections available to customers and City staff.

The following text highlights the most active development areas of the City and summarizes development that is approved and expected to be built in the near term.

**Rockville Town Center.** Town Square, a 12.5-acre mixed-use public/private catalyst project, is an integral part of Rockville Town Center. It includes approximately 185,000 square feet of retail space, 644 residential units (152 condominiums and 492 apartments); the Arts and Innovation Center, which includes a two-story center for visual arts and a two-story "incubator" for start-up technology-oriented companies; the Rockville Library, which has two stories of library space and one story of Montgomery County offices; three public parking garages with 970 parking spaces; a public plaza; and two streets. Approximately \$267 million in private investment and \$102 million in public investment funded the project, including participation from a combination of the City, the County, the State and the federal government.

Adjacent to Town Square is the privately-owned Rockville Metro Plaza, just across MD 355 from the Rockville Metro Station, which includes two completed office buildings and a proposed mixed-use development with residential units and retail. It is a 293,000-square-foot office building, which was previously the corporate headquarters of Choice Hotels International. Under Phase 3, a mixed-use development is approved for 240 residential units and 8,500 square feet of retail.

To the south of Town Square, Duball LLC completed both phases of its development. Phase I is completed with 263-unit apartment building called Upton and the 140-room Cambria Suites hotel and ground level retail of 23,100 square feet. The hotel and residential property are open and many of the retail spaces are now occupied and open to the public. Phase II was completed by new deliveries such as the Ansel (33 Monroe Street) and Residences on the Lane (2 Helen Hengan Way) with 250 multifamily apartment units, 150 senior housing units and 22,200 square feet of ground floor retail space. Both Duball Phase I and II provide structured parking. Comstock Holding Co. acquired Phase I of Duball's property in October 2021, and renamed it as BLVD44 and purchased Phase II in March 2022. The properties fall in line with Comstock's strategy to acquire mixed-use properties in transit-oriented locations that offer an upscale urban lifestyle. The deal marked the highest per-unit price ever paid for an apartment building in the City.

Closer to the Metro, at 50 Monroe Place, construction of a seven-story, 70-unit apartment building with 13,000 square feet of nonresidential use, called Main Street Apartments, was completed in August 2020. One quarter of its apartment units are reserved for adults with disabilities. Three quarters of the units (including the special-needs ones) are affordable housing, with the rest at market rate. The development consists of one-, two- and three-bedroom apartments, along with a cafe, a movie room, an art gallery, a teaching kitchen and a yoga and wellness center.

On blocks immediately to the north of Town Square, a series of projects have been completed. At 275 N. Washington Street is a two-story building with office and retail space, including several restaurants and anchored by Bank of America. Immediately east of that property is Brightview, a mixed-use project that includes a 195-unit senior residential project, with community space, retail and restaurants. Also, recently completed, immediately to the south of those two properties at 255 N. Washington Street is a multifamily residential building with 293 units and a mix of office and retail. The retail component introduces a new dining trend, offering a diversity of Asian-fusion food merchants in a cafeteria style, and is called "The Spot".

An existing office building at 22 West Jefferson Street has completed its renovation to a multi-family residential building consisting of 12 condominium units and 17 new townhouse units.

The City has recently received an application to redevelop the property at 414-416 Hungerford Drive with a 291-unit multifamily building. The City is also partnering with Washington Metropolitan Area Transit Authority (WMATA) on a concept plan to develop approximately 1,200 residential units, 10,000 square feet of open space, and the 25,000-square-foot Train Hall on WMATA-owned properties on both sides of the Metrorail station. The City also received an application to develop 48 two-over-two units (condominiums) at 622 Hungerford Drive.

The City remains invested in the continued success of Rockville Town Center and continues to implement efforts with several long and short-term actions to enhance the existing environment. To improve vitality in Town Center, the City contracted with the Urban Land Institute (ULI) to bring a Technical Assistance Panel to study Town Center in July of 2020. City staff is also working with WMATA and the County to enhance the access to Town Center from Rockville Metro Station, and to study the potential for new transit-oriented development on the WMATA sites that are adjacent to the Metro Station.

The update of the Town Center Master Plan is underway as identified as a key implementation strategy of the Comprehensive Plan and the new plan is expected to be adopted by the end of the 2024 calendar year by the Mayor and Council.

**Upper Rock.** This is a planned mixed-use community, on 19.8 acres of property near I-270 and Shady Grove Road. It includes multifamily residential, commercial and live/work components with residential amenity facilities and structured parking to complement existing office uses.

A nine-story building of 238,087 square feet at 77 Upper Rock Circle is the U.S. headquarters of Aurinia, a pharmaceutical company.

The overall development includes a total of 552 multifamily residential units in four buildings, with 34,700 square feet of retail/commercial development, and an outdoor plaza with green spaces. The retail development includes a grocery store (Mom's Organic), a CVS pharmacy and several restaurants.

**King Farm.** King Farm is a 430-acre urban village in the City. The residential component of the originally approved plan at King Farm is complete, with 394 single-family detached units, 1,097 townhomes, and 3,153 multifamily units. Ingleside, a retirement community with a total of 650 units is integrated into King Farm, providing a senior living facility including independent living, assisted living, and nursing home uses.

Irvington Center is the office-space component of King Farm, with three Class A office buildings. Tenants in Irvington Center (700, 702, and 800 King Farm Blvd) include biotech companies like Arcellx, Infosys Public Service, Optimum Choice Health Care, Nasdaq Institutional Shareholder Services, Inc., Guggenheim Investments, TRC Companies, Skansa, and others.

A townhouse development (this project is an amendment to the original plan), with a total of 309 units at 900 and 901 King Farm Boulevard, was recently completed.

Adjacent to the King Farm area, Harbor Chase, an assisted living facility with 150 units and associated amenity spaces, was recently completed at 45 West Gude Drive. The site had previously been approved for approximately 200,000 square feet of office spaces.

The City annexed the 10.23-acre property at 16200 Frederick Road in November 2021, in response to an annexation petition by the owner. The property is adjacent to a vacant 10.34-acre property that was already within Rockville's City limits. Both parcels have since been acquired by EYA, LLC. As the contract purchaser and developer of the property, EYA, LLC has submitted a plan, which has been approved, for a residential development of the combined 20.56 acres, which will include 252 townhomes, 118 condominium townhomes and a 2,000-square-foot community building. The development will also include public use spaces, open spaces and other amenities. Construction is underway for the first phase of the project that includes 252 townhomes, 118 condominium townhomes and a 2,000 square foot community building.

Across from King Farm, at 15931 Frederick Road, an application for the construction of a 30,000-square-foot grocery store (Lidl) and a 191-unit multifamily building with associated parking and site improvements has been approved.

The City received an application for 2097-2101 Gaither Road to construct a new commercial building and parking garage and redevelop the property into 646,000 square feet of life-science uses. The property owner, Park Plaza, an affiliate of Monday Properties, proposed to redevelop by replacing the two existing office buildings on the property.

**Shady Grove Development.** The City received a proposal to develop a vibrant mixed-use neighborhood consisting of townhouses, multi-family units (apartments), retail, office, hotel and institutional uses. The proposal provides a range of up to 1,036 apartment units, up to 330 townhouse units, 390,000 square feet of commercial/hotel/institutional uses, and 170,000 square feet of retail uses with the ability to convert some non-residential space to no more than 300 additional multi-family units. The development would occur on approximately 31.1 acres of land adjacent to Shady Grove Road, between Choke Cherry Road and Gaither Road. The site is currently occupied by 435,506 square foot of office space within seven low-rise office buildings, which will be demolished in phases for the new development.

The project was approved by both the City's Planning Commission and the Mayor and Council. The first phase has been approved for the construction of 136 townhouses.

New projects to rebrand the Shady Grove area as an Innovation District are underway. At 15815 Shady Grove Road, an existing 62,000 square foot two-story building is being considered to be repurposed as state-of-the-art lab and office building. At 2094 Gaither Road, an existing 56,000 square foot two-story lab and office building is also under consideration for repurposing as an office and lab space.

**Tower Oaks.** This 200-acre site is prominently located just off I-270 behind Woodmont Country Club at Tower Oaks Boulevard. The entire Tower Oaks site was planned for over two million square feet of office and restaurant space. Large office buildings were built, but the entire campus was not completed. The plan was amended to allow up to 375 residential units to replace approximately 755,000 square feet of the planned office development. Construction is now completed on the development by EYA, LLC with 375 units, which includes 20 detached homes, 217 townhomes, and 128 condominium units, with associated amenities such as an 8,000 square-foot community center and open space. Review for a proposed residential development consisting of 85 townhouses at 2200 Tower Oaks Blvd, on a property that was previously approved for a hotel and multi-family residential development is currently underway by the City's Planning Commission.

**Rockshire Village.** A project plan for a redevelopment of approximately 7.32-acre property at 2401 Wootton Parkway with 31 single family units, 29 townhomes and 5,200 square feet of commercial space with amenities such as open spaces and a community gathering space was received by CPDS in July 2021. The location includes a retail shopping center that has been vacant for many years.

**Potomac Woods.** A mixed-use development was approved on approximately 13.5 acres for 102 townhomes, 96 multifamily units, 215 multifamily senior units and a parking garage for an existing health club on the site. The property is located at the intersection of Fortune Terrace and Seven Locks Road. The first phase of the development is underway with the demolition of the existing office building on site.

**Fallsgrove (Thomas Farm).** The 254-acre property includes a total of 1,442 residential units, of which there are 230 single family detached units, 318 attached units and 849 multifamily units and 125,940 square feet of retail in the Village Center and two hotels. The project includes a large section of the Millennium Trail bike path, a park, a school site, Thomas Farm Community Center, and significant open space. Office properties in Fallsgrove include the Fallsgrove Executive Center, a 114,776 square foot office building.

The City approved an application for an amendment for the plan for Fallsgrove to allow development of a five-story, 300-unit multi-family residential building at 1800 Research Blvd, where office space was previously approved.

**Rockville Pike.** The Rockville Pike corridor within the City boundary covers a two-mile stretch of State Route 355, including land on each side, totaling 382 acres. It runs from Richard Montgomery Drive at the north, to the City limits, just south of Rollins Avenue.

An updated plan for the corridor, the Rockville Pike Neighborhood Plan, was adopted in 2016, replacing the 1989 Rockville Pike Plan. The plan, through the zoning amendments that implement the plan, increases permitted building heights near the Twinbrook Metro Station. It also includes infrastructure investments to accommodate Montgomery County's proposed Bus Rapid Transit line along this corridor, and to make the area more accessible and amenable for pedestrians and cyclists. The plan also calls for parks, where there currently are none, a mix of uses, and building heights that vary by location within the plan area.

Although retail is still a primary market driver for the Pike, multifamily residential and mixed-use development is emerging near Metro rail stations. The Rockville Pike corridor has strong potential for growth in multi-family housing. The regional office market remains weak, although the plan seeks to attract office and other non-residential users to create the desired mix of uses over time.

Recently completed projects include:

- Escher, at 1900 Chapman Avenue with 317 multifamily units was completed in 2018. The project also includes 70 townhouses and 5,000 square feet of non-residential space.
- Twinbrook Square, at 1800 Rockville Pike is completed and includes 356 multifamily units and approximately 99,600 square feet of non-residential space, which includes a grocery store, retail and restaurants.
- The Stories at Congressional Plaza, at 1626 E. Jefferson Street was completed in the year of 2016 with 48 multifamily units.

The most significant development along Rockville Pike is Twinbrook Quarter and comes from the B.F. Saul Company, a large landowner and developer in the County, which has assembled approximately 18.4 acres immediately north of the Twinbrook Metro Station. The development includes the construction of a transit oriented mixed-use development consisting of up to 1,865 apartment units; 472,950 square feet of restaurant and retail; 431,440 square feet of office use; and 9,000 square feet of entertainment use. The Mayor and Council approved this project in 2019.

The first phase for 460 apartment units, 109,000 square feet of retail (Wegmans Grocery Store) and 12,000 square feet of restaurant use was approved by the City's Planning Commission on August 5, 2020, and is currently under construction. The first phase of the development is expected to be completed in the summer of 2025.

The Planning Commission recently approved an application for 5906 Halpine Road to develop 36 two-over-two ownership units (condominiums) on the property in June 2024.

A key development project along the corridor includes a large office-to-residential conversion at 12501 Ardennes Avenue to convert an existing 150,000 square foot office building into a 190-unit residential building through the addition of three floors and exterior renovations. The City also approved an application from Hines to develop property at 1800 and 1818 Chapman Avenue and a portion of 1700 Chapman Avenue, also known as Twinbrook Commons, with approximately 437-unit multifamily residential, 5,075 square feet of ground floor retail, and a new bus access point into the Twinbrook Metro Station. The project seeks to unify the currently disparate pieces of the properties into an activated and mixed-use project adjacent to Twinbrook Metro Station.

**Twinbrook Station.** This mixed-use project includes multifamily residential, office, and retail uses, and is already being described as a model of transit-oriented development. Twinbrook Station is a mixed-use development at the Twinbrook Metro Station. Phase I, the Alaire, with 15,622 square feet of ground floor retail and 279 residential units, was completed in 2010. The second phase of development, the Terrano was completed for 214 residential units and 37,093 square feet of ground floor retail. A new 426-space public parking garage at the Metro Station was also recently completed, as part of the project.

**Research Boulevard.** A 190,000-square-foot retail center was completed in 2019 at 900 Research Boulevard with retail, restaurants and a fitness center across four buildings.

Nearby at 1380 Piccard Drive, renovation was completed to convert a hotel into 203 multifamily units in 2016. The project is also known as the Flats at Shady Grove.

A proposal was filed in June 2022, to construct a seven-story 206,000 square floor life science building at 2 Research Place. The construction of the facility was completed in the fall of 2023.

## Housing

According to the U.S. Census Bureau, 2020 American Community Survey, the City had a total of 27,231 housing units. Table 10 shows the growth of the City’s housing stock since 1970. Approximately 60 percent of the housing stock was built before 1980; however, housing quality and condition remain high.

**Table 10**  
**Dwelling Units Occupied by Year and by Type**

	<u>2020</u>	<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>
Single Family Detached	11,306	11,259	10,487	10,181	9,797	8,537
Single Family Attached	4,228	3,555	2,755	1,919	1,870	86
Multi-Family	<u>11,697</u>	<u>10,385</u>	<u>4,526</u>	<u>4,212</u>	<u>3,387</u>	<u>3,045</u>
Total	<u>27,231</u>	<u>25,199</u>	<u>17,768</u>	<u>16,312</u>	<u>15,054</u>	<u>11,668</u>

Source: U.S. Bureau of the Census.

Per the Residential Unit Report prepared by the City in December of 2021, 52% of the City’s housing stock was single-family attached and detached, 39% was in the multifamily category, and 9% was in the senior housing and assisted living category. New housing types projected in the City are primarily in the multifamily sector. All rental units in the City are licensed and inspected for conformance to property maintenance codes. The City does not have rent control.

In 2016, the City contracted with a housing expert for a study of the City’s housing market conditions and housing needs. The study was completed in December 2016 and is titled “*Housing Market Analysis and Needs Assessment*”. The study identified a need for all types of housing, and various tools that the City can employ to address the different housing challenges with respect to affordability, family size, aging population, and limitations of available and developable land. The study also highlighted the demands of “missing middle housing”, which is a range of multi-unit or clustered housing types compatible in scale with single-family homes that can help meet the growing demand for walkable urban living. “Missing middle” has the potential to provide a solution to the imbalance between available housing stock and shifting demographics combined with the growing demand for walkability.

The City’s policies, Comprehensive Plan and development regulations emphasize protection of its neighborhoods, thus maintaining property values and neighborhood stability. Further protections are provided through the many historic districts and buildings with historic designation, as well as the Lincoln Park conservation district.

Another tool for preserving neighborhoods is the City’s home improvements program. Since 1975, the City has operated a federally funded Community Development Block Grant single-family rehabilitation program under which forgivable loans are provided to low- and moderate-income families who would not normally be able to afford the necessary repairs and improvements to their homes. Approximately five-to-seven households per year receive assistance under this program.



The City negotiated an agreement with WSSC in 1975 that guarantees the City a total of 9.31 MGD sewer capacity, so there is adequate capacity to accommodate additional housing construction. Any limits on construction activity in the County due to sewage capacity problems should not restrict development in the City.

As noted on previous pages, the City’s form of development is becoming increasingly transit-oriented with more mixed use and mid-rise residential projects on the horizon.

Table 11 provides projections of future dwelling units that that are anticipated to be built in the City, as projected in regional forecasts.

**Table 11**  
**Housing Units Per the 2020 Decennial Census and Projected by Year and by Type**

	<u>2020</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>	<u>2040</u>
Single Family (Detached and Attached)	15,534	15,955	16,267	16,500	16,570
Multi-Family	<u>11,697</u>	<u>12,435</u>	<u>13,758</u>	<u>15,541</u>	<u>17,529</u>
Total	<u>27,231</u>	<u>28,390</u>	<u>30,025</u>	<u>32,041</u>	<u>34,099</u>

Source: US Census Bureau and CPDS, City of Rockville. Forecasts produced as a part of the MWCOG Round 10 process, June 2023.

## *Utilities*

### **Electricity**

Electric power for the City and the surrounding area is provided by the Potomac Electric Power Company (PEPCO).

### **Gas**

Three natural gas transmission pipeline companies (Columbia Gas Transmission, Dominion Transmission and Transcontinental Gas Pipeline Corporation) supply the City and surrounding areas with natural gas. The distributor is the Washington Gas Light Company.

### **Wastewater**

The City operates its own wastewater collection system serving the entire City except for several WSSC service areas. The City's capacity at the Blue Plains Wastewater Treatment Plant in the District of Columbia is 9.31 MGD; average daily flow in fiscal year 2023 was approximately 6.7 MGD.

### **Water**

The City’s Water Treatment Plant treats and distributes water to about 70 percent of the City. The Potomac River is the raw water source. Average daily demand during fiscal year 2023 was about 4.4 MGD. About 30 percent of the City’s residents and businesses receive water service from WSSC.

Over the years, the City has continually invested in its Water Treatment Plant to expand treatment capacity, rehabilitate and/or replace aging equipment, and to meet increasingly stringent water quality standards. Current Water Treatment Plant upgrades are underway which will provide upgrades to the electrical, roof and HVAC systems to maintain water quality and system capacity. The City is performing the Water Treatment Plant Water Infrastructure Protection project, which includes stream spot repairs and stabilization of exposed duct bank. Additionally, the City has an ongoing, sustainable water main rehabilitation program that supports the design and construction of water system improvements to renew and upgrade the City’s aging water distribution system. The City also invested in promoting and improving

the safety of the Water Treatment Plant to comply with OSHA's Process Safety Management Regulations involving highly hazardous chemicals.

## ***Transportation***

The City is located along one of the major east coast rail and highway routes to the northeast. Interstate 270 bisects the City and is the major route to such industrial centers as Buffalo, Pittsburgh, and Cleveland. Interstate 495 (Capital Beltway) and Interstate 95 provide access to Baltimore, Philadelphia, and New York City. Rail service in Rockville includes Amtrak passenger trains, Baltimore and Ohio freight and passenger service, and five-day MARC train commuter rail service. Six other railroads are available in nearby Washington, D.C.

The City is within 45 minutes driving time of three major airports: Baltimore-Washington International Thurgood Marshall, Dulles International, and Ronald Reagan Washington National Airport. Private and business aircraft are served by Montgomery County Airpark, 10 minutes north of Rockville.

The City is served by WMATA's Metrobus and Metrorail systems. Several bus lines travel between Montgomery College, the Rockville Town Center, and downtown Washington, D.C. Other lines provide access between Rockville and suburbs to the east, including the Silver Spring Metrorail station. In addition, a County-operated, neighborhood-oriented 'Ride-On' minibus system has been in operation in the City since 1984.

WMATA's Metrorail system connects the City to downtown Washington D.C. One metrorail station is located in downtown Rockville, close to the County Government Center and the businesses in the Town Center. A second station, the Twinbrook Station, is located near several residential neighborhoods and the commercial area along Maryland Route 355. A third station, Shady Grove, on the northern edge of the City is just outside City boundaries. City residents are able to travel to downtown Washington D.C. in 25 minutes.

## ***Educational Facilities***

### **Primary and Secondary**

Public schools in the City are operated by Montgomery County Public Schools (MCPS). Currently the 14th largest school district in the United States, the system operates 211 elementary and secondary schools. For the fall 2022 school year, student enrollment was 160,554 students. The total MCPS full-time staff exceeds 24,000 of which over half are teachers. The operating budget was approved at \$3.2 billion for fiscal year 2024. The emphasis that the County residents place on education is reflected in projected per pupil operating expenditures and in the high percentage of high school graduates who continue formal education.

MCPS students continue to score above state and national averages on Scholastic Aptitude Tests.

### ***Institutions of Higher Education***

**Montgomery College.** The Rockville Campus of Montgomery College is approximately 86 acres and has 20 academic buildings and support facilities that were mostly built in the 1960's. The Rockville campus of this three-campus college has an enrollment of more than 17,000 full- and part-time students; and enrollment is expected to grow. To support the proposed increase in enrollment, over 400,000 square feet of additional space will be needed. The college is in the process of a comprehensive update of its college wide Facilities Master Plan that will manage growth and changes anticipated in the ten-year period from 2023 to 2033 and define the capital projects needed to accommodate these changes.

The renovation of the libraries on two of Montgomery College's campuses, specifically the Rockville Macklin Tower Building, and the Takoma Park/Silver Spring Resource Center started in fiscal year 2023. The main library floors will be hubs of academic life at Montgomery College: dynamic spaces that will be student-centered, technology and service-driven, and will foster innovation. The upper floors will provide students with comfortable and quiet study

spaces and smaller, curated collections to support their academic and career goals. Additional goals of this project are to meet the variety of student needs including group study, individual study, and silent study.

**Area Universities.** Eleven major universities offering advanced degree programs in engineering, medical, business and computer sciences are located within commuting distance of the City. Included among them are the University of Maryland, Georgetown University, The George Washington University, Johns Hopkins University, Howard University, Hood College, American University, Catholic University of America, and the University of the District of Columbia.

### ***Recreation and Parks***

The City has 67 public parks comprising more than 1,000 acres of parkland. Under its Urban Forestry program, the City maintains more than 30,000 street trees and thousands of trees located on facility grounds and in the parks; Rockville is a Tree City USA. The Horticulture cost center plants and maintains over 230 flower beds that beautify the community environment. The department operates a Swim & Fitness Center with four large pools (two indoor/two outdoor) with a fitness/meeting room, a full-service Senior Center offering social services, recreation, and fitness/wellness programs, a civic center complex, which includes a historical mansion, a 450+ seat theatre, a nature center, and three large and four small community recreation centers. Recreation programs for all ages are offered throughout the year, housed in City facilities, and utilizing the elementary schools, middle schools and high schools. These include sports, dance, arts, crafts, cooking, exercise, lifetime skills, hobbies, wellness and more. Rockville residents enjoy an extensive arts program, including an art gallery, resident theater groups, concert series, and other events. The department operates and maintains more than 75 City buildings and structures, including but not limited to the Police Station, City Hall, and a Public Works and Parks and Facility maintenance complex. Major special events include Independence Day fireworks; Hometown Holidays; the Antique and Classic Car Show; and several major road running races.

City residents enjoy a variety of private-sector recreational facilities and programs, including two private golf courses and country clubs, a major ice-skating arena, racquetball/squash courts, fitness/exercise clubs, and more.

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## FINANCIAL SUMMARY

Taxable Assessed Value – January 2024 <sup>(1)</sup>		\$ 15,857,938,085	
General Obligation Long-Term Debt (Includes the Series 2024A Bonds)	\$	122,380,733	
Revenue Debt	\$	-	
Overlapping General Obligation Debt	\$	316,625,447	
Population (2023 estimate as of July 1)		67,297	
<b>Debt Ratios:</b>			
	<u>Amount</u>	<u>Debt Per Capita</u>	<u>% of Taxable Assessed Value</u>
General Obligation Long-Term Debt	\$122,380,733	\$1,819	0.77%
Overlapping Debt	<u>316,625,447</u>	<u>4,705</u>	<u>2.00%</u>
Total	<u>\$439,006,180</u>	<u>\$6,523</u>	<u>2.77%</u>

<sup>(1)</sup> Source: State Department of Assessments and Taxation estimate.

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## INDEBTEDNESS OF THE ISSUER

### *Authorization of Debt*

The City has the authority to issue General Obligation Bonds or bond anticipation notes upon a majority vote of the Mayor and Council. General Obligation Bonds and Bond Anticipation Notes are issued to finance public improvements including the acquisition of land for public purposes, construction of significant facilities, nonrecurring rehabilitation or major repair of facilities and engineering, design, and planning work related to projects as set forth in the Issuer's Capital Improvement Program.

General obligation debt of the City is divided, for the purposes of the following schedules, between debt that is primarily paid from the City's tax levy and special assessment collections and debt that is paid from the revenues of the City's water, sanitary sewer, stormwater, parking, and refuse enterprise funds. Though various sources of revenue are used to pay debt service, the City's General Obligation Bonds are all backed by the City's full faith, credit and taxing power.

### *Debt History*

Table 12 presents the City's historical summary of bonded indebtedness for the past five years.

**Table 12**  
**Historical Summary of Bonded Indebtedness**

<b>As of June 30</b>	<b>Total Bonded Debt<sup>(1)</sup></b>	<b>Enterprise</b>	<b>Net Bonded Debt</b>	<b>Adjusted Net Bonded Debt<sup>(2)</sup></b>
2024 <sup>(3)</sup>	\$105,445,733	\$89,521,105	\$15,924,628	\$14,217,984
2023	117,264,474	98,093,045	19,171,429	18,983,478
2022	118,335,745	95,458,941	22,876,804	22,565,581
2021	130,362,637	103,763,412	26,599,225	26,288,004
2020	123,290,224	92,484,952	30,805,272	29,937,660

(1) Includes General Obligation Bonds and the Enterprise Fund debt.

(2) The adjusted net bonded debt is reduced by the amount of equity in the Debt Service Fund for the purpose of calculating the ratio and per capita figures in the following table.

(3) Unaudited Balances.

Source: City of Rockville, Maryland, Annual Comprehensive Financial Report.

Table 13 presents debt statistics for the past five years.

**Table 13**  
**Five Year Debt Statistics**

<b>As of June 30</b>	<b>Population<sup>(1)</sup></b>	<b>Taxable Assessed Value</b>	<b>Adjusted Net Bonded Debt</b>	<b>Adjusted Net Bonded Debt to Assessed Value</b>	<b>Adjusted Net Bonded Debt Per Capita</b>
2024 <sup>(2)</sup>	67,297	\$15,857,938,085	\$14,217,984	0.09%	\$211
2023	69,950	15,095,431,911	18,983,478	0.13%	271
2022	71,800	14,642,760,032	22,565,581	0.15%	336
2021	67,117	14,446,835,666	26,288,004	0.18%	392
2020	72,000	14,043,349,121	29,937,660	0.21%	416

(1) Provided by the City of Rockville Department of Community Planning and Development Services.

(2) Unaudited Balances.

## ***Debt Limit***

There are no statutory or Charter provisions limiting the amount of general obligation debt that may be issued by the City.

## ***General Obligation Long-Term Debt***

The table below summarizes the outstanding debt of the City as of June 30, 2024 described herein.

**Table 14**  
**General Obligation Debt Outstanding by Issue**

<b>Governmental Activities</b>	<u>Issue Date</u>	<u>Interest Range Outstanding</u>	<u>Final Maturity Date</u>	<u>Principal Outstanding</u>
General Improvements – Refunding 2015A	2015	4.00% - 5.00%	2025	\$618,719
General Improvements – 2016A	2016	2.00% - 3.00%	2036	660,000
General Improvements –Advanced Refunding 2016B	2016	2.00% - 5.00%	2028	1,370,909
General Improvements – 2017A	2017	4.00%	2037	3,515,000
General Improvements – 2019A	2019	2.00% - 5.00%	2039	4,800,000
General Improvements – Refunding 2020A	2020	1.90%	2031	4,645,000
General Improvements – Advanced Refunding 2020C	2020	1.00% - 1.70%	2025	<u>315,000</u>
				<u>\$ 15,924,628</u>
Total Governmental Activities Bonds				
<b>Business Type Activities</b>				
Loan Payable – State of Maryland	2005	0.00%	2025	\$72,665 <sup>(1)</sup>
Loan Payable – State of Maryland	2010	1.00%	2031	293,069 <sup>(1)</sup>
General Improvements – Refunding 2015A	2015	4.00% - 5.00%	2025	466,280 <sup>(3)</sup>
General Improvements – 2015B	2015	2.00% - 5.00%	2036	4,745,000 <sup>(2)</sup>
General Improvements – 2016A	2016	2.00% - 3.00%	2036	3,055,000 <sup>(3)</sup>
General Improvements – Advanced Refunding 2016B	2016	2.00% - 5.00%	2028	2,489,091 <sup>(3)</sup>
General Improvements – 2017A	2017	4.00%	2037	3,090,000 <sup>(3)</sup>
General Improvements – 2019A	2019	2.00% - 5.00%	2039	6,300,000 <sup>(3)</sup>
General Improvements - Advanced Refunding 2019B	2019	2.55% - 3.00%	2036	22,200,000 <sup>(4)</sup>
General Improvements – Refunding 2020A	2020	1.90%	2031	3,330,000 <sup>(3)</sup>
General Improvements – 2020B	2020	1.00% - 5.00%	2040	14,920,000 <sup>(3)</sup>
General Improvements - Advanced Refunding 2020C	2020	1.00% - 1.70%	2035	17,165,000 <sup>(5)</sup>
General Improvements – 2022A	2022	4.00% - 5.00%	2042	10,395,000 <sup>(5)</sup>
Total Business Type Activities Bonds				<u>\$ 89,521,105</u>
Total General Obligation Bonds				<u>\$105,445,733</u>

<sup>(1)</sup> This portion represents the amount abated with funds from the stormwater fund.

<sup>(2)</sup> This portion represents the amount abated with funds from the water, sanitary sewer and refuse funds.

<sup>(3)</sup> This portion represents the amount abated with funds from the water and sanitary sewer funds.

<sup>(4)</sup> This portion represents the amount abated with funds from the parking fund.

<sup>(5)</sup> This portion represents the amount abated with funds from the sanitary sewer, stormwater and water funds. Preliminary unaudited figures.

As indicated in the table on the previous page, portions of the City's general obligation debt service are being paid with revenues of the water, sewer, refuse, stormwater management, and parking funds. The schedules on the following page report annual debt service payments for the City's general obligation debt by source of payment. The following table presents the City's debt service.

Table 15 presents the annual principal and interest payments for the City's General Obligation Bonds, described herein.

**Table 15**  
**General Obligation Debt**  
**Schedule of Annual Maturities**<sup>(2)</sup>

Fiscal Year	Outstanding Debt		General Obligation Bonds, Series 2024A*		Adjusted Total Debt Service <sup>(2)</sup>
	Principal	Interest <sup>(2)</sup>	Principal	Interest <sup>(1)(2)</sup>	
2025	\$11,194,252	\$3,167,599	\$850,000	\$523,933	\$15,735,784
2026	9,512,105	2,809,159	850,000	770,500	13,941,763
2027	9,412,626	2,508,900	850,000	728,000	13,499,526
2028	8,663,152	2,206,794	850,000	685,500	12,405,446
2029	8,243,683	1,940,907	850,000	643,000	11,677,591
2030	8,224,916	1,694,413	850,000	600,500	11,369,829
2031	8,155,000	1,453,344	850,000	558,000	11,016,344
2032	7,105,000	1,209,578	850,000	515,500	9,680,078
2033	6,675,000	1,017,868	845,000	473,000	9,010,868
2034	6,705,000	837,446	845,000	430,750	8,818,196
2035	6,015,000	652,504	845,000	388,500	7,901,004
2036	5,655,000	475,573	845,000	346,250	7,321,823
2037	2,750,000	302,225	845,000	304,000	4,201,225
2038	2,240,000	218,175	845,000	261,750	3,564,925
2039	2,240,000	153,606	845,000	219,500	3,458,106
2040	1,505,000	89,038	845,000	177,250	2,616,288
2041	575,000	47,438	845,000	135,000	1,602,438
2042	575,000	20,717	845,000	101,200	1,541,917
2043	0	0	845,000	67,400	912,400
2044	0	0	840,000	33,600	873,600
<b>Total</b>	<b><u>\$105,445,733</u></b>	<b><u>\$20,805,282</u></b>	<b><u>\$16,935,000</u></b>	<b><u>\$7,963,133</u></b>	<b><u>\$151,149,148</u></b>

\*Preliminary, subject to change.

<sup>(1)</sup> Interest rates estimated from 4.000% to 5.000%

<sup>(2)</sup> Numbers may not add due to rounding.

Source: City of Rockville and Davenport & Company LLC.

Table 16 reflects estimated net tax requirements for debt service of the City’s long-term obligations as of July 1, 2024, excluding the Series 2024A Bonds.

**Table 16**  
**General Obligation Debt**  
**Issuer Net Requirement Analysis**

<b>Fiscal Year June 30</b>	<b>Total General Obligation Debt Service Requirements</b>	<b>Debt Service Paid By Other Business Funds<sup>(1)</sup></b>	<b>Direct City Debt Service Obligations<sup>(2)</sup></b>
2025	\$ 14,361,851	\$ 11,097,028	\$ 3,264,823
2026	12,321,264	10,094,950	2,226,314
2027	11,921,525	9,770,885	2,150,640
2028	10,869,945	9,253,124	1,616,821
2029	10,184,591	8,623,270	1,561,321
2030	9,919,330	8,408,226	1,511,104
2031	9,613,345	8,157,269	1,456,076
2032	8,314,376	7,523,046	791,330
2033	7,692,668	6,921,774	770,894
2034	7,542,246	6,792,190	750,056
2035	6,667,304	5,938,554	728,750
2036	6,125,373	5,417,998	707,375
2037	3,052,225	2,416,625	635,600
2038	2,458,175	1,118,175	340,000
2039	2,393,606	2,063,606	330,000
2040	1,594,038	1,594,038	0
2041	622,438	622,438	0
2042	595,718	595,718	0
<b>Total</b>	<b><u>\$ 126,251,015</u></b>	<b><u>\$ 107,408,912</u></b>	<b><u>\$ 18,842,103</u></b>

<sup>(1)</sup> Reflects debt issued by the City but paid through the water, sewer, refuse, parking, and stormwater management funds.

<sup>(2)</sup> Portion of debt paid directly by general fund monies.

### ***General Obligation Short-Term Debt***

The City currently has no short-term general obligation debt outstanding. The City has not borrowed for cash flow purposes in the last ten years.

### ***Revenue Debt***

The City has no revenue debt outstanding (other than non-recourse conduit economic development revenue bonds).

### ***Other Commitments***

#### **Washington Suburban Sanitary Commission (WSSC)**

The City has contracted with WSSC to purchase a portion of the capacity of the Blue Plains Wastewater Treatment Plant. Through June 30, 2023, the City had paid approximately \$86 million as its contractual share of the construction costs of the treatment facility and the related sewer transmission lines. The City’s remaining contribution for fiscal year 2025 through fiscal year 2029 is estimated to be \$36.7 million for treatment capacity. The City intends to issue bonds to fund most of these costs.

In addition to the capacity cost described above, WSSC charges the City a portion of its operating costs for treatment of sewage. The City accrues an amount for these charges each year based on its best estimate of usage. Adjustments to the accrued charges which result from subsequent billings by the WSSC are recorded in the period during which the final bill is received by the City.



## ***Capital Improvements Program and Future Financing***

The Capital Improvements Program, or CIP, maps the City’s capital investment plan over a five-year period. The CIP is both a fiscal and planning device that allows the City to inventory and monitor all capital project costs, funding sources, departmental responsibilities, and project schedules. Each year, the CIP is reviewed within the context of on-going City, County, State and federal planning programs and policies, as well as the City’s Comprehensive Plan.

To qualify for inclusion in the CIP, a project must fall under one or more of the following categories:

1. The acquisition of land for a public purpose.
2. The design and construction of a major new City facility or infrastructure.
3. The design and construction of a major addition or extension of an existing City facility or infrastructure.
4. The design and major improvement, rehabilitation, or repair of a City facility or infrastructure.
5. A significant one-time investment in new technology or upgraded technology infrastructure.

The CIP includes five years of projected capital needs. The first year of the program becomes the capital budget for which project money will be appropriated. The remaining four years of the CIP will serve as a financial plan for capital investments.

From fiscal year 2025 to fiscal year 2029, the City anticipates constructing approximately \$162 million of capital improvement projects supported by general and enterprise funds.

The following table presents a summary of the City’s 2025 through 2029 Capital Financing Plan.

**Table 17**  
**Capital Financing Plan**

	<b><u>FY25</u></b>	<b><u>FY26</u></b>	<b><u>FY27</u></b>	<b><u>FY28</u></b>	<b><u>FY29</u></b>
<b>Financing by Fund</b>					
Capital Projects	\$17,337,323	\$10,901,202	\$10,399,600	\$10,096,390	\$12,476,000
Water	9,577,692	8,536,000	5,361,808	5,524,000	5,282,000
Sewer	4,782,000	7,968,000	11,711,000	12,545,000	10,248,000
Stormwater	2,764,400	3,185,000	3,212,000	4,749,000	3,089,875
Special Activities	-	200,000	200,000	200,000	200,000
Speed Camera	-	-	590,000	840,000	-
<b>Financing Needed for CIP</b>	<b><u>\$34,461,415</u></b>	<b><u>\$30,790,202</u></b>	<b><u>\$31,474,408</u></b>	<b><u>\$33,954,390</u></b>	<b><u>\$31,295,875</u></b>
<b>Sources by Type</b>					
Paygo	\$14,863,832	\$16,368,180	\$16,161,473	\$17,226,896	\$15,787,988
Bond Proceeds	11,390,655	14,422,022	15,312,935	16,727,494	15,507,887
Grants	4,915,252	-	-	-	-
Other	3,291,676	-	-	-	-
<b>Total Sources</b>	<b><u>\$34,461,415</u></b>	<b><u>\$30,790,202</u></b>	<b><u>\$31,474,408</u></b>	<b><u>\$33,954,390</u></b>	<b><u>\$31,295,875</u></b>

Source: City of Rockville, Fiscal Year 2025 Adopted Operating Budget and Capital Improvement Program.

## ***Overlapping Debt***

The City shares local governing authority with the County. The County provides health, welfare, public safety, additional social services, mass transit, the public library system, and education within the City. The County also coordinates most of the fire and volunteer rescue services in the area.

The County is the only taxing jurisdiction overlapping the City which has the power to issue debt. The County's general obligation debt outstanding as of June 30, 2023, is presented in Table 18.

**Table 18**  
**Overlapping Debt**

	<b><u>General Obligation Debt</u></b>	<b><u>Percentage Applicable to the Issuer</u></b>	<b><u>Amount Applicable to the Issuer</u></b>
Montgomery County	\$ 4,349,250,642	7.28% <sup>(1)</sup>	\$ 316,625,447

(1) Based on fiscal year 2023 assessed valuations reported by the State of Maryland Department of Assessments and Taxation.

Source: Montgomery County, Maryland Department of Finance.

***Payment Record***

The City has never defaulted in the payment, when due, of principal or interest on any of its debt obligations.

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## FINANCIAL INFORMATION

### *Financial Reporting Entity*

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) which may or may not fall within the City's oversight and control. The specific factors which are addressed in determining which organizations to include in the entity are delineated below:

Manifestations of Oversight Responsibility  
Selection of Governing Authority  
Designation of Management  
Ability to Significantly Influence Operations

Accountability for Fiscal Matters  
Budgetary Authority  
Responsibility for Debt  
Financial Management  
Revenue Characteristics

Additional factors which may significantly influence the definition of the reporting entity are:

Scope of Public Service  
Special Financing Relationship

The relative importance of each criterion must be evaluated in light of specific circumstances. Although the decision to include or exclude a potential component unit is left to the professional judgment of responsible local officials, a positive response to any of the above criteria requires that the specific reasons for excluding the potential component unit be disclosed. Accordingly, listed below are all organizations for which there is at least one positive response with respect to the above criteria:

1. Inclusion Within the Entity

The pension and OPEB plans, for which the City acts in a trustee capacity, is included in the reporting entity.

Rockville Economic Development, Inc. The City provides financial assistance to Rockville Economic Development, Inc. (REDI), but is not obligated to provide such assistance; however, the finances of REDI are included in the financial statements of the City. The City is the sole member of REDI. In the event of liquidation, all the assets of REDI after the payment of obligations and liabilities will be transferred to the City. Based on GASB 97, REDI meets the criteria of a component unit of the City. REDI's finances are presented as a special revenue fund in the City's financial statements.

2. Excluded from the Entity

Rockville Housing Enterprises. The Board of Directors is appointed by the City. Once appointed, however, the directors of Rockville Housing Enterprises operate autonomously, with no authority being exercised over them by the City. Rockville Housing Enterprises is responsible directly to the United States Department of Housing and Urban Development, rather than to any local jurisdiction.

## ***Financial Reports***

The City Charter specifies that the financial books and accounts of the City must be audited annually by a certified public accountant. The auditor is required to examine all funds of the City in accordance with generally accepted accounting standards.

The accounts of the City are organized into funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenue and expenditures (or expenses, as appropriate). Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be expended and the means by which spending activities are controlled. The following fund types are used by the City:

**Governmental Funds** – General Fund, Community Development Block Grant Fund, Special Activities Fund, Speed Camera Fund, Debt Service Fund, Rockville Economic Development Inc. (REDI), and Capital Projects Fund;

**Proprietary Funds** – Water Facility Fund, Sanitary Sewer Fund, Refuse Fund, Stormwater Management Fund, and Parking Fund;

**Fiduciary Funds** – Pension and OPEB Trust Funds.

The modified accrual basis of accounting is followed by the governmental funds, as well as the current financial resource measurement focus. Under this method of accounting, revenue is recorded when susceptible to accrual, i.e., when measurable and available for the funding of current appropriations.

Copies of the City's ACFR for the fiscal years ending June 30, 2019 through 2023, and the Fiscal Years 2020 through 2025 Adopted Operating Budgets and Capital Improvements Program are available at the City's website [www.rockvillemd.gov/budget](http://www.rockvillemd.gov/budget) or upon request from the City. The City's Fiscal Year 2023 ACFR is also attached as Exhibit A to this Official Statement.

## ***Budgeting and Accounting***

The City Charter requires the City Manager to submit a budget to the Mayor and Council at least one month before the beginning of each fiscal year. In addition to the operating budget, a five-year capital improvements plan is presented for the Mayor and Council's review. Each department prepares its own budget request for the City Manager's review. The Mayor and Council schedule public hearings and publish advance notices of them. The budget is approved in the form of an appropriations ordinance. During the year, the City Manager has authority to transfer budgeted amounts within each fund.

The City places continued emphasis on maintenance of an accounting system, which provides strong internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. The internal controls in place with the City are subject to continuous review by management and the City's external auditors.

## ***Certificates of Achievement***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rockville, Maryland for its ACFR for the fiscal year ended June 30, 2023. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a governmental unit must publish an easily readable and efficiently organized ACFR whose contents conform to program standards. The City has been awarded the Certificate of Achievement for the past thirty-three years. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. See Appendix A for the City's Fiscal Year 2023 ACFR.

The City has earned the GFOA Distinguished Budget Presentation Award for its annual budget document for the most recent fiscal year beginning July 1, 2023. The City has received this award for the past thirty-one years. The City also received the GFOA's award Outstanding Achievement for the Popular Annual Financial Reporting (PAFR) for the fiscal year ended June 30, 2023. The PAFR is specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in finance.

### ***General Fund Revenue***

For fiscal year 2023, the three largest sources of governmental revenue to the City were the property tax (48.3% of revenues), the City's share of the earned income tax (20.4%) and charges for services (8.6%). The earned income tax is collected by the State. Other significant sources of General Fund revenues are: Montgomery County's payment for City services for which the County collects taxes, grants and other government revenue, licenses and permits, and the transient occupancy tax.

### ***Historical Results of Operations***

Statements of revenues and expenditures of the operating funds of the City have been compiled from the City's financial reports. They have been organized in such a manner as to facilitate year-to-year comparisons. Appendix A to this Official Statement presents excerpts from the City's ACFR for the year ended June 30, 2023.

Table 19 below presents the adopted general fund budget for fiscal year 2025 and adopted general fund budgets for fiscal years 2024 and 2023.

**Table 19**  
**Fiscal Years 2023, 2024, and 2025 General Fund Budgets**

<b>Revenue</b>	<b><u>2025 Adopted</u></b>	<b><u>2024 Adopted</u></b>	<b><u>2023 Adopted</u></b>
Property Taxes	\$ 49,060,000	\$ 46,950,000	\$ 45,950,000
Revenue from Other Governments	35,414,580	33,311,330	28,551,620
Licenses and Permits	4,789,710	4,139,530	3,336,630
Charges for Services	7,988,340	7,741,510	7,446,000
Fines and Forfeitures	2,009,700	1,353,000	1,353,000
Use of Money and Property	1,679,460	1,187,020	1,294,190
Other Revenue	<u>8,140,060</u>	<u>6,943,160</u>	<u>5,388,960</u>
<b>Total Revenue</b>	<b><u>\$ 109,081,850</u></b>	<b><u>\$ 101,625,550</u></b>	<b><u>\$ 93,320,400</u></b>
<b>Expenditures</b>			
Personnel	\$ 65,008,130	\$ 60,066,130	\$ 57,653,600
Operating Expenditures	20,386,740	19,708,980	17,440,990
Capital Outlays	3,536,360	3,698,590	2,503,590
Other	5,227,540	3,642,720	2,902,190
CIP Transfer	9,300,000	9,200,000	7,000,000
Transfers Out	5,553,080	5,309,130	5,720,030
Addition to Reserves	<u>70,000</u>	<u>-</u>	<u>100,000</u>
<b>Total Expenditures</b>	<b><u>\$ 109,081,850</u></b>	<b><u>\$ 101,625,550</u></b>	<b><u>\$ 93,320,400</u></b>

Table 20 below presents the statements of revenues and expenditures of the City's general fund for the fiscal years ended June 30, 2019 through 2023.

**Table 20**  
**General Fund Statement of Revenues and Expenditures and Changes in the General Fund**  
**(Years Ended June 30)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Revenue</b>					
Property Taxes	\$ 46,053,556	\$ 44,931,581	\$ 44,327,269	\$ 42,551,677	\$ 42,167,988
Revenue from Other Governments:					
Income Taxes	19,507,358	18,874,910	16,631,367	16,049,228	15,585,645
Gas and Motor Vehicles Taxes	2,799,573	2,925,644	2,763,951	2,494,082	2,169,474
County Tax Duplication Payment	6,593,160	5,327,472	2,409,750	2,409,750	2,409,750
Admissions and Amusement Taxes	1,072,782	555,400	312,323	1,009,777	1,375,116
Grants and Other Governmental Revenue	2,905,095	3,094,955	3,323,102	2,194,315	2,255,943
Licenses and Permits	2,905,095	3,480,338	2,832,775	3,594,801	3,464,229
Charges for Services	8,227,251	6,286,964	2,991,142	5,424,355	7,744,968
Use of Money and Property	1,223,414	(209,462)	687,692	1,419,335	997,179
Fines and Forfeitures	576,334	511,807	948,252	1,509,838	1,577,873
Other Revenue	<u>3,099,044</u>	<u>1,979,742</u>	<u>4,369,414</u>	<u>5,239,151</u>	<u>6,307,415</u>
<b>Total Revenue</b>	<b><u>\$ 95,420,088</u></b>	<b><u>\$ 87,759,351</u></b>	<b><u>\$ 81,597,037</u></b>	<b><u>\$ 83,896,309</u></b>	<b><u>\$ 86,055,580</u></b>
<b>Expenditures</b>					
Current Operations:					
General Government	\$ 22,549,938	\$ 19,304,167	\$ 18,571,836	\$ 18,649,936	\$ 17,791,715
Community Development	9,016,815	8,135,123	7,765,345	6,321,875	5,293,659
Public Safety	12,049,620	10,869,820	11,084,019	11,734,458	12,373,717
Public Works	8,408,693	7,868,556	8,211,625	7,655,543	7,612,913
Recreation and Parks	24,532,160	22,215,292	19,769,237	22,868,354	23,500,208
Capital Outlay	<u>1,519,258</u>	<u>808,724</u>	<u>529,798</u>	<u>1,412,047</u>	<u>1,802,004</u>
<b>Total Expenditures</b>	<b><u>\$ 78,076,484</u></b>	<b><u>\$ 69,201,682</u></b>	<b><u>\$ 65,931,860</u></b>	<b><u>\$ 68,642,213</u></b>	<b><u>\$ 68,374,216</u></b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b><u>\$ 17,343,604</u></b>	<b><u>\$ 18,557,669</u></b>	<b><u>\$ 15,665,177</u></b>	<b><u>\$ 15,254,096</u></b>	<b><u>\$ 17,681,364</u></b>
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In*	\$ 4,163,900	\$ 4,009,000	-	-	-
Operating Transfers Out	(21,714,495)	(17,874,570)	(14,469,170)	(16,001,980)	(14,877,190)
Leases – as Lessee	706,094	487,150	-	-	-
SBITAs	866,996	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b><u>\$ (15,977,505)</u></b>	<b><u>\$ (13,378,420)</u></b>	<b><u>\$ (14,469,170)</u></b>	<b><u>\$ (16,001,980)</u></b>	<b><u>\$ (14,877,190)</u></b>
<b>Net Change in Fund Balance</b>	<b>\$ 1,366,099</b>	<b>\$ 5,179,249</b>	<b>\$ 1,196,007</b>	<b>\$ (747,884)</b>	<b>\$ 2,804,174</b>
<b>Fund Balance at Beginning of Year as Previously Reported</b>	<b><u>30,162,070</u></b>	<b><u>24,982,821</u></b>	<b><u>23,786,814</u></b>	<b><u>24,534,698</u></b>	<b><u>21,730,524</u></b>
<b>Fund Balance at End of Year</b>	<b><u>\$ 31,528,169</u></b>	<b><u>\$ 30,162,070</u></b>	<b><u>\$ 24,982,821</u></b>	<b><u>\$ 23,786,814</u></b>	<b><u>\$ 24,534,698</u></b>

Source: City of Rockville, Maryland Annual Comprehensive Financial Report.

\*In Fiscal Years 2019, 2020, and 2021 Operating Transfers were shown as a net figure.

## PROPERTY VALUATIONS AND TAXES

### *Property Valuation*

The assessment of real and tangible personal property for purposes of property taxation by state and local governmental units is the responsibility of the State of Maryland Department of Assessment and Taxation. Assessment records and tax rolls are maintained in each county seat and in Baltimore City. One-third of the real property base is physically inspected and reassessed once every three years. Any increase in full cash value arising from such reassessment is phased in over the ensuing three taxable years in equal annual installments, although a decline becomes effective the first year. Taxable assessed value is subject to statutory limits and annual increases for taxable assessed valuation are capped at 10% for existing residential property that qualify.

Exemptions from State and local property taxation include real property owned by Federal, State, County and other governmental units, churches, schools, fraternal organizations, cemeteries, disabled veterans and the blind. The State Department of Assessments and Taxation grants exemptions from property taxes, pursuant to State law. Table 21 presents the City's assessed value of all taxable property by class for the past five years.

**Table 21**  
**Assessed Value of All Taxable Property by Class**

<b>Year Ended June 30</b>	<b><u>Real Property</u></b>	<b><u>Personal Property</u></b>	<b><u>Total</u></b>
2024 <sup>(1)</sup>	\$15,114,624,633	\$451,777,313	\$15,566,401,946
2023	14,656,813,161	438,618,750	15,095,431,911
2022	14,209,994,545	432,765,487	14,642,760,032
2021	14,010,077,827	436,757,839	14,446,835,666
2020	13,616,196,177	427,152,944	14,043,349,121

<sup>(1)</sup> Unaudited Balances.

Source: City of Rockville, Maryland Annual Comprehensive Financial Report.

### *Property Tax Levies and Collections*

Montgomery County levies real and personal property taxes on all taxable property within its boundaries. Taxes are due in full on July 1 and payable without penalty in equal installments on the following September 30 and December 31. Interest at the rate of 2/3 of 1% per month and penalty of 1% per month are charged on each delinquent installment; new tax bills may be paid within 30 days without interest or penalty. Tax sales are held on the second Monday in June in the fiscal year taxes are due and payable to recover delinquent real property taxes. Legal action may be taken to enforce payment of both real and personal property taxes.

Table 22 presents the real property tax levy and tax collections for the City for each of the past five fiscal years.

**Table 22**  
**Property Tax Levies and Collections**

<b>Year Ended June 30</b>	<b><u>Total Tax Levy</u></b>	<b><u>Current Tax Collections</u></b>	<b><u>Percent of Levy Collected</u></b>	<b><u>Delinquent Tax Collections and Adjustments<sup>(1)</sup></u></b>	<b><u>Total Tax Collection</u></b>	<b><u>Total Collection as Percent of Current Levy</u></b>
2023	\$42,797,894	\$42,684,977	99.7%	-	\$42,684,977	99.7%
2022	41,989,087	41,914,490	99.8%	(5,107)	41,909,383	99.8%
2021	40,679,013	40,633,479	99.9%	(40,461)	40,593,018	99.8%
2020	39,759,293	39,657,403	99.7%	13,812	39,671,215	99.8%
2019	39,115,621	39,044,064	99.8%	(30,459)	39,013,605	99.7%

<sup>(1)</sup> Collections and adjustments are for all prior years.

Source: City of Rockville, Maryland Annual Comprehensive Financial Report for Fiscal Year 2019 – Fiscal Year 2023.

***Tax Rate Valuation***

A single tax rate applies for each fiscal year to the assessed value of the taxable real and personal property. The rate is equal to the ratio of the amount to be raised per \$100 of assessed value. Personal property in Maryland has always been assessed at full value. State law requires that personal property shall be taxed at 2.5 times the real property rate if the personal property tax rate is not specifically set. For fiscal year 2025, the City’s real property is taxed at the rate of \$0.292 per \$100 of assessed valuation and personal property is taxed at the rate of \$0.805 per \$100 of assessed valuation.

Table 23 presents the tax rates for all taxing jurisdictions in the City for the last five fiscal years.

**Table 23  
Property Tax Rates<sup>(1)</sup>  
Overlapping Governments**

<b>Year Ended June 30</b>	<b>City</b>	<b>State</b>	<b>County<sup>(2)</sup></b>	<b>Total</b>
2024	\$0.292	\$0.112	\$0.922	\$1.326
2023	0.292	0.112	0.888	1.292
2022	0.292	0.112	0.886	1.290
2021	0.292	0.112	0.888	1.292
2020	0.292	0.112	0.892	1.296

<sup>(1)</sup> Per \$100 of Assessed Value.

<sup>(2)</sup> County tax rates include school levies.

***Principal Taxpayers***

A list of the 10 principal taxpayers in the City for the fiscal year ended June 30, 2023 is presented in Table 24.

**Table 24  
Principal Taxpayers**

<b><u>Name</u></b>	<b><u>Assessable Base</u></b>	<b><u>Percentage of Taxpayer Base to Total Assessable Base</u></b>
Congressional Plaza Assoc LLC	\$167,796,534	1.11%
Morguard Fenestra Apts. LLC	120,914,695	0.80
1800 Rockville Residential LLC	117,893,404	0.78
FK Upper Rock I LLC	114,032,932	0.76
King Farm Apartments Ph 2 LLC	113,893,336	0.75
JPI/KF Apt Sec 1 LLLP	109,932,065	0.73
Terra Funding-RCV LLC	101,668,534	0.67
FP Redland Technology Center LP	97,336,332	0.64
PF Apartments LLC	83,967,668	0.56
Bainbridge Shady Grove Apartments	<u>74,333,332</u>	<u>0.49</u>
<b>Total</b>	<b><u>\$ 1,101,768,832</u></b>	<b><u>7.30%</u></b>

Source: State of Maryland Department of Assessments and Taxation.



## **INDEPENDENT AUDITOR**

The basic financial statements as of June 30, 2023 and for the year then ended included in Appendix A have been audited by Clifton Larson Allen LLP, the City's independent auditor. The independent auditor has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The independent auditor also has not performed any procedures relating to this Official Statement. Such report speaks only as of its indicated date.

## **MUNICIPAL ADVISOR**

Davenport & Company LLC, Towson, Maryland (the "Municipal Advisor"), is a Registered Municipal Advisor and serves as municipal advisor in connection with the issuance of the Series 2024A Bonds and other matters related to the City's finances. The Municipal Advisor has not been engaged, nor has it undertaken, to audit, authenticate or otherwise verify the information set forth in this Official Statement, or any other related information available to the City, with respect to accuracy and completeness of disclosure of such information. The Municipal Advisor makes no guaranty, warranty or other representation respecting accuracy and completeness of this Official Statement or any other matter related to this Official Statement.

## **RATINGS**

Moody's Investors Service, Inc. and S&P Global Ratings have given the Series 2024A Bonds the ratings indicated on the cover page of this Official Statement. An explanation of the significance of such ratings may be obtained only from the rating agency furnishing the same. The City furnished to such rating agencies the information contained in a preliminary form of this Official Statement and other information. Generally, rating agencies base their ratings on such materials and information, as well as their own investigations, studies and assumptions. Such ratings may be changed at any time and no assurance can be given that they will not be revised downward or withdrawn entirely by any or all of such rating agencies if, in the judgment of any or all, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price of the Series 2024A Bonds.

## **TAX MATTERS**

### ***Opinion of Bond Counsel -- Federal Income Tax Status of Interest***

Bond Counsel's opinion regarding the federal income tax status of the interest on the Series 2024A Bonds will state that, under current law and assuming continuing compliance with the Covenants (as hereinafter defined), interest on the Series 2024A Bonds (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. In addition, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. See Appendix B – Form of Opinion of Bond Counsel.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the excludability of interest on the Series 2024A Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the City or about the effect of future changes in the Code, the applicable regulations, or the interpretation or the enforcement thereof by the Internal Revenue Service (the "IRS") and the courts.

Although Bond Counsel is of the opinion that interest on the Series 2024A Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, Bonds may otherwise affect the federal tax liability of an owner of the Series 2024A Bonds. The nature and extent of these other federal tax consequences depend on the owner's particular tax status and levels of other income or deductions. Bond Counsel will express no opinion regarding any such other tax consequences and prospective purchasers of the Series 2024A Bonds should consult their own tax advisors with respect thereto.

*Reliance and Assumptions; Effect of Certain Changes.* In delivering its opinion regarding the federal income tax treatment of interest on the Series 2024A Bonds, Bond Counsel is relying upon certifications of representatives of the City, the Underwriter, as hereinafter defined, and other persons as to facts material to the opinion, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants by the City. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Series 2024A Bonds in order for interest on the Series 2024A Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Series 2024A Bonds and the use of the property financed or refinanced by the Series 2024A Bonds, limitations on the source of the payment of and the security for the Series 2024A Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Series 2024A Bonds to the United States Treasury. The tax compliance agreement for the Series 2024A Bonds contains covenants (the "Covenants") under which the City has agreed to comply with such requirements. Failure by the City to comply with the Covenants could cause interest on the Series 2024A Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. If such a failure were to occur, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Series 2024A Bonds from becoming includable in gross income for Federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Series 2024A Bonds.

Certain requirements and procedures contained, incorporated or referred to in the tax compliance agreement, including the Covenants, may be changed and certain actions may be taken or omitted subject to the terms and conditions set forth in such agreement. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the Series 2024A Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

*Original Issue Discount.* Bonds purchased in the initial public offering with yields higher than their applicable interest rates, as shown on the inside cover page hereof, have been sold with "original issue discount." Each such Bond is referred to below as an "OID Bond." The excess of (i) the stated amount payable at the maturity (excluding qualified stated interest) of any OID Bond over (ii) the issue price of the OID Bond as determined under Section 1273 of the Code (which may differ from the price shown on the inside front cover page of this Official Statement) constitutes the amount of original issue discount, which is treated in the same manner as interest on the Series 2024A Bonds for federal income tax purposes.

The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest. In the case of an original owner of an OID Bond, the amount of original issue discount that is treated as having accrued on such OID Bond is added to the owner's adjusted basis in determining, for federal income tax purposes, gain or loss upon the disposition of the OID Bond (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued original issue discount will be excludable from the gross income of the owner for federal income tax purposes.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial public offering may be determined according to rules that differ from those described above.

In addition, original issue discount that accrues in each year to an owner of an OID Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed in this section. Consequently, the owner of an OID Bonds should be aware that the accrual of original issue discount in each year may result in additional distribution requirements or other collateral federal income tax consequences although such owner has not received cash attributable to such original issue discount in such year.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the original issue discount accrued upon sale or redemption of such OID Bonds (including OID Bonds not purchased in the initial public offering) and with respect to the state and local tax consequences of owning OID Bonds.

*Original Issue Premium.* Bonds purchased in the initial public offering with yields lower than their applicable interest rates, as shown on the inside cover page hereof, have been sold with "bond premium." Each such Bond is referred to below as an "OIP Bond." The excess of (i) the owner's basis in the OIP Bond immediately after acquisition over (ii) the amount payable at maturity (excluding qualified stated interest) as determined under Section 171 of the Code constitutes the amount of the bond premium. Under the Code, the bond premium is amortized based on the owner's yield over the remaining term of the OIP Bond (or, in the case of certain callable OIP Bonds, to an earlier call date that results in a lowest yield on the OIP Bond). The owner of an OIP Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period against the bond premium allocable to that period. No deduction is allowed for such amortization of bond premium even though the owner is required to decrease the adjusted basis in the owner's OIP Bond by the amount of the amortizable bond premium, which will result in an increase in the gain (or decrease in the loss) recognized for federal income tax purposes upon a sale or disposition of the OIP Bond prior to its maturity.

Prospective purchasers of any OIP Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, sale, exchange, or other disposition of, and amortization of bond premium on, such OIP Bonds.

*Certain Collateral Federal Tax Consequences.* The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2024A Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of the Series 2024A Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the Series 2024A Bonds.

Prospective purchasers of the Series 2024A Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, banks and other financial institutions, certain insurance companies, dealers in tax-exempt obligations, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, owners of an interest in a financial securitization trust, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

### ***Opinion of Bond Counsel -- State Tax Exemption***

Bond Counsel's opinion will also state that, under existing law of the State of Maryland, the principal of and interest on the Series 2024A Bonds, the transfer of the Series 2024A Bonds, and any income derived from the Series 2024A Bonds, including profits made in their sale or transfer, are exempt from State and local taxes in the State of Maryland; however, the terms of the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes or any other taxes not levied or assessed directly on the Series 2024A Bonds, the interest thereon, their transfer or the income therefrom.

Interest on the Series 2024A Bonds may be subject to state or local income taxes in jurisdictions other than the State of Maryland under applicable state or local tax laws. Such holders or prospective purchasers of the Series 2024A Bonds should consult their own tax advisors with respect to the tax status of the interest on Bonds in jurisdictions other than the State of Maryland.

## ***Effects of Future Enforcement, Regulatory and Legislative Action***

The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2024A Bonds, the IRS will, under its current procedures, treat the City as the taxpayer. As such, the beneficial owners of the Series 2024A Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the Series 2024A Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the Series 2024A Bonds.

Legislation affecting tax-exempt obligations is regularly considered by the U.S. Congress and various state legislatures. Such legislation may effect changes in federal or state income tax rates and the application of federal or state income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or state income tax purposes.

The U.S. Department of the Treasury and the IRS and state regulatory authorities are continuously drafting regulations to interpret and apply the provisions of the Code and state law and court proceedings may be filed the outcome of which could modify the federal or state tax treatment of tax-exempt obligations.

There can be no assurance that legislation proposed or enacted after the date of issue of the Series 2024A Bonds, regulatory interpretation of the Code or state laws or actions by a court involving either the Series 2024A Bonds or other tax-exempt obligations will not have an adverse effect on the Series 2024A Bonds' federal or state tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the Series 2024A Bonds.

Prospective purchasers of the Series 2024A Bonds should consult their own tax advisors regarding the potential consequences of any such proposed or pending federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Prospective purchasers should be aware that the interest on the Series 2024A Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2024A Bonds may be subject to backup withholding if the interest is paid to an owner who or which (i) is not an "exempt recipient" and (ii) (A) fails to furnish an accurate U.S. taxpayer identification number in the manner required, (B) has been notified of a failure to report all interest and dividends required to be shown on federal income tax returns or (C) fails to certify under penalty of perjury that the owner is not subject to withholding. Individuals generally are not exempt recipients, although corporations and other entities generally are.

The reporting and backup withholding requirements do not in and of themselves affect the excludability of interest on the Series 2024A Bonds from gross income for federal income tax purposes, and amounts withheld under the backup withholding rules may be refunded or credited against the owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

Legislation affecting tax-exempt obligations is regularly considered by the U.S. Congress and various state legislatures. Such legislation may effect changes in Federal or state income tax rates and the application of Federal or state income tax laws (including the substitution of another type of tax) or may repeal or reduce the benefit of the excludability of interest on tax-exempt obligations from gross income for Federal or state income tax purposes.

The United States Treasury and the IRS are continuously drafting regulations to interpret and apply the provisions of the Code and court proceedings may be filed the outcome of which could modify the Federal or state tax treatment of tax-exempt obligations. There can be no assurance that legislation proposed or enacted after the date of issue of the Series 2024A Bonds, regulatory interpretation of the Code or actions by a court involving either the Series 2024A Bonds or other tax-exempt obligations will not have an adverse effect on the Series 2024A Bonds' Federal or state tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the Series 2024A Bonds.

Prospective purchasers of the Series 2024A Bonds should consult their own tax advisors regarding the potential consequences of any such pending or proposed Federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

**CERTIFICATION**

The City will furnish a statement to the effect that this Official Statement, to the best of its knowledge and belief as of the date of sale and the date of delivery, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

**NO LITIGATION**

There is no litigation now pending or, to the knowledge of City officials, threatened which questions the validity of the Series 2024A Bonds or of any proceedings of the City taken with respect to the issuance or sale thereof.

**LEGAL MATTERS**

All matters incident to the authorization and issuance of the Series 2024A Bonds are subject to the approval of McGuireWoods LLP, Baltimore, Maryland, Bond Counsel. The form of the approving legal opinion is attached hereto as Appendix B. Bond Counsel has not participated in the preparation of this Official Statement, except for the section entitled "TAX MATTERS." The factual and financial information appearing herein has been supplied or reviewed by certain officials of the City and its certified public accountants, as referred to herein, and Bond Counsel expresses no opinion as to the accuracy or sufficiency thereof.

**SALE AT COMPETITIVE BIDDING**

The Series 2024A Bonds will be offered by the City at a competitive bidding on September 25, 2024 in accordance with the Official Notice of Sale (the form of which is attached as Appendix C).

**MISCELLANEOUS**

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and are not representations of fact, and no representation is made that any of the estimates will be realized.

This Official Statement has been approved by the City for distribution to prospective purchasers of the Series 2024A Bonds.

**THE MAYOR AND COUNCIL OF ROCKVILLE**

By: \_\_\_\_\_

Mayor

By: \_\_\_\_\_

City Manager

By: \_\_\_\_\_

Chief Financial Officer/Director of Finance

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**APPENDIX A**

**Annual Comprehensive Financial Report  
For the Fiscal Year Ended June 30, 2023**

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City of Rockville, Maryland

# Annual Comprehensive Financial Report



Prepared by:  
Department of Finance

Stacey Webster  
Chief Financial Officer

Xiaojing Zhang  
Director of Accounting

Fiscal Year 2023  
July 1, 2022 - June 30, 2023

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# Introductory Section

Fiscal Year Ended  
June 30, 2023





October 31, 2023

Honorable Mayor and Members of the City Council and the Citizens of City of Rockville  
City of Rockville, Maryland

State law requires that all general purpose local governments publish, within four months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants (CPA's). Pursuant to that requirement, we hereby issue the Annual Comprehensive Financial Report (ACFR) for the City of Rockville, Maryland (City), for the year ended June 30, 2023.

This report consists of management's representations concerning the finances of the City. Accordingly, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been independently audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2023, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2023, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement and should be read in conjunction with the MD&A. The City's MD&A can be found immediately following the independent auditors report.

## PROFILE OF THE GOVERNMENT

The City was incorporated in 1860. Its legal authority is derived from Article XI E of the State Constitution and Article 23A of the Annotated Code of Maryland. The City has an estimated population of 69,950 and a land area of 13.55 square miles. According to the 2020 census, the City is the fourth largest city in Maryland. The City has operated under the council-manager form of government since 1948. The City is a municipal corporation where the City Council is comprised of a Mayor and four at-large Council members, who are elected for four-year terms. Starting in November 2023, the number of at-large Council members will increase from four to six.



The City is empowered to levy a property tax on both real and personal property located within its boundaries. State statute also empowers it to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the Mayor and Council. The Mayor and Council are responsible for passing ordinances, adopting the budget, appointing boards and commissions, and hiring the City Manager, City Attorney, and City Clerk/Director of Council Operations. The City Manager is responsible for carrying out the policies and ordinances of the Mayor and Council, overseeing day-to-day operations of the government, and appointing the directors of the various departments.

The annual budget provides the basis for coordinating and controlling City programs and services. The City provides a full range of services, including water, sewer, refuse, parking, streets and stormwater, recreation and parks, police, planning and zoning, and engineering services. Schools, libraries, social services, police and fire protection are provided by Montgomery County, Maryland.

As a management policy, unassigned fund balance of the General Fund is maintained at a level not less than 20 percent of annual budgeted General Fund revenue. The purpose of the unassigned balance is to alleviate significant unanticipated budget shortfalls and to ensure orderly provision of services to residents. To the extent the unassigned fund balance of the General Fund exceeds the target, the City may draw upon the fund balance to provide pay-as-you-go financing for capital projects, for other one-time capital asset purchases, and for additional contributions to the Other Post-Employment Benefit (OPEB) and Pension Trusts to reduce unfunded liabilities.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on page 75 as part of the required supplementary information section for the governmental funds. For governmental funds, other than the General Fund, the appropriated annual budgets are presented on pages 77 and 80.

## FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is best understood when it is considered from a broader perspective of the specific environment within which the City operates.

### LOCAL ECONOMY

The City's economic environment mirrors what is being experienced regionally and nationally. During the fiscal year the City revenues began achieving pre-pandemic levels in most areas. National and regional unemployment decreased compared to fiscal year 2022. Major industries with headquarters or divisions located within the City's boundaries or in close proximity are open, including computer hardware and software manufacturers, bio-tech and several financial institutions. The City's two biggest revenues sources, real property tax and income tax, continued to be strong. The City observed a 2.9% increase in real property tax revenues and a 3.4% increase in income tax revenues during fiscal year 2023.

The City has an employed labor force of approximately 78,700 within city limits. The City continues to experience residential and commercial growth, as reflected by increased construction throughout the City and permits approved and in the pipeline.

City revenues and expenditures will continue to be budgeted conservatively. The City will continue its fiscal responsibility by reducing costs where possible and seeking diverse revenues while maintaining the safety of the public in its delivery of quality services and programs.





The following table lists the labor force, employed persons and average unemployment rates for Montgomery County, Maryland (County) as compared to the unemployment rates for the State of Maryland (State) for the years 2018 through 2023. Information presented in the table below has not been seasonally adjusted.

**Unemployment Statistics**

Year	Montgomery County				State of Maryland
	Labor Force	Employment	Unemployment	Unemployment Rate	Unemployment Rate
2023	550,233	537,237	12,996	2.38%	3.00%
2022	552,147	526,859	24,388	4.43%	5.15%
2021	538,493	503,450	35,043	6.51%	6.83%
2020	565,295	518,736	46,559	8.20%	8.50%
2019	566,575	547,563	19,012	3.40%	3.90%
2018	559,522	539,265	20,257	3.60%	4.30%

Source: Maryland Department of Labor

**LONG - TERM FINANCIAL PLANNING**

The City spends significant time and resources planning for the future. Through a mix of land use, financial management policies, and forecasting, the City's goal is to maximize its current use of resources to ensure long-term financial stability. The success of these initiatives is reflected in the City's credit rating from both Standard and Poor's and Moody's rating agencies. These agencies rate all the City's debt at AAA and Aaa, the highest rating available. The City's financial management policies serve as guidelines that allow the City to make prudent long-term financial decisions.

Included in the City's budget is a five-year forecast of the City's operating funds, which allows policy makers to see the financial impact of their decisions over a five-year period. Most importantly, the City continues to maintain its General Fund reserve levels above 20 percent of annual budgeted revenues. Careful monitoring of the City's property values, level of debt and charging fees at full cost recovery, where possible, and conservative budgeting practices will ensure the continued financial health of the City.

**MAJOR INITIATIVES**

- During fiscal year 2023, the City spent over \$1.6 million on the Intermodal Access – Baltimore Road project which supports sustainable streets. The work included design and construction improvements along Baltimore Road.
- On October 17, 2022, the Mayor and Council approved the RedGate Park Master Plan. This Plan will help to inform future budget discussions and decisions relating to park, recreation, and open space needs and priorities for the city. The Redgate Park Master Plan covers a 130-acre site, which was once home to the city's municipal golf course. Over time, the entire park will be developed as an arboretum to feature arboretum plant and tree specimens and collections.
- Throughout FY 2023, the city's Information Technology Department implemented new cybersecurity measures citywide, including multi-factor authentications for over 700 full- and part-time employees and comprehensive cybersecurity training.
- The City successfully launched a new composting program and a pilot Bank on Rockville program to assist residents with establishing banking relationships.



## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2022. This was the 33<sup>rd</sup> consecutive year that the City has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program requirements. We are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2022. To qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including: a policy document, a financial plan, an operations guide and a communications device. The City also received the GFOA's award of Outstanding Achievement for the Popular Annual Financial Report (PAFR) for the fiscal year 2022. This is the 15<sup>th</sup> year the City has received this award. The PAFR is specifically designed to be easily understandable to the general public and other interested parties without a background in finance.

This report could not have been prepared without the dedicated cooperation of the entire staff of the Finance Department. Special recognition is extended to Sharon Collins, Trupti Singh, Kimberly Francisco, Mary Sue Martin, Roshan Sohoratally, Tim Peifer, Wanda Shoemaker, Anne Coyle, Carey Kurnaz, Marcus Odorizzi, Lori Russler, and Eric Ferrell for the sense of commitment they displayed throughout the preparation process. We also would like to express our appreciation to the Mayor and Council for their interest and support in planning and carrying out the City's financial operations in a responsible manner.

Respectfully submitted,

Barack Matite  
Acting City Manager

Stacey Webster  
Chief Financial Officer

Xiaojing Zhang  
Director of Accounting



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Rockville  
Maryland**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

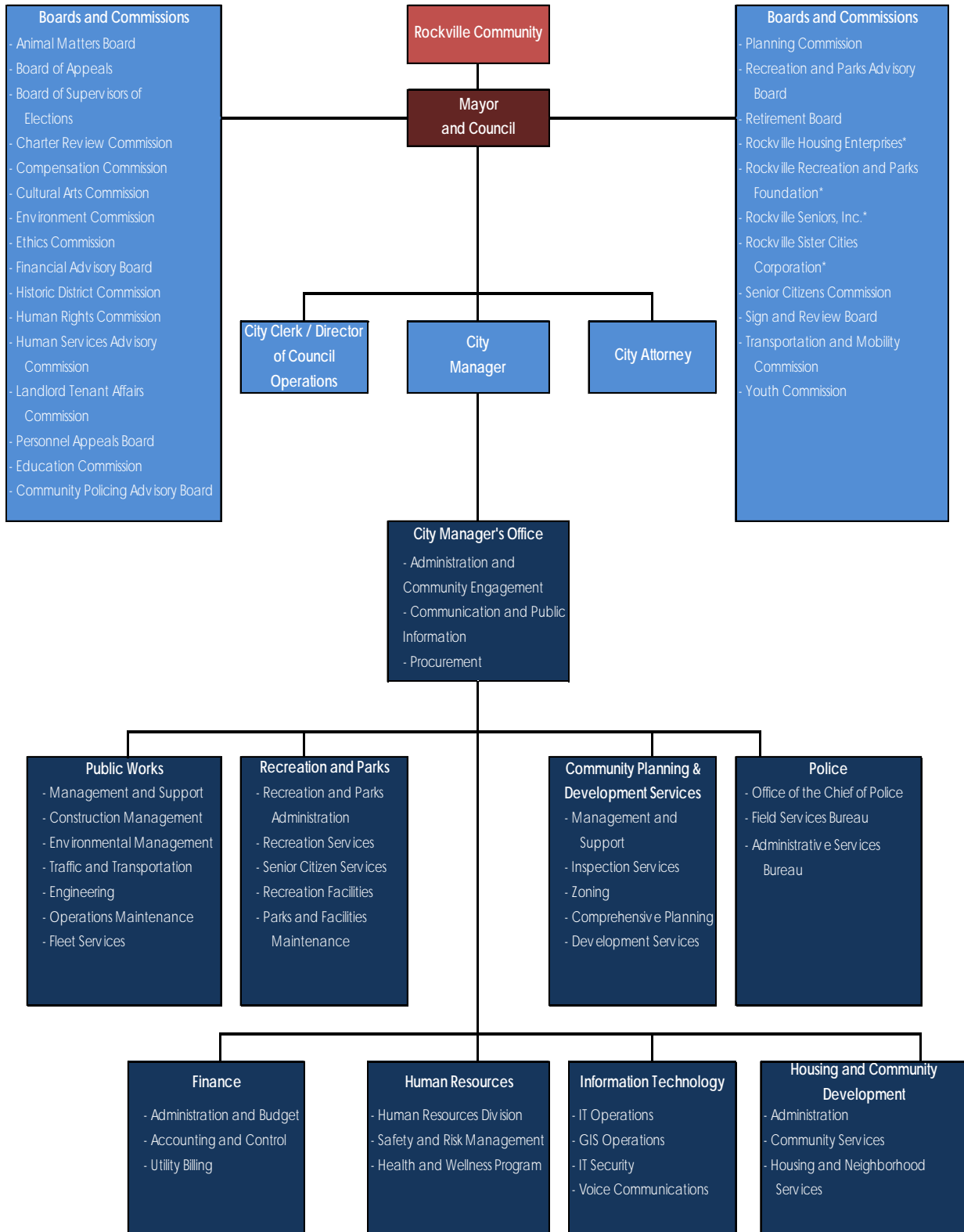
June 30, 2022

*Christopher P. Morrill*

Executive Director/CEO

# City of Rockville Organizational Chart

June 2023



\* Affiliated Organization

**CITY OF ROCKVILLE, MARYLAND**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**LIST OF ELECTED AND APPOINTED OFFICIALS**

JUNE 30, 2023



**MAYOR**

Bridget Donnell Newton



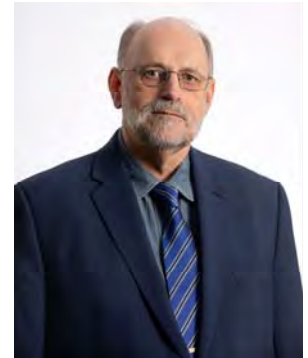
Monique Ashton



Beryl Feinberg



David Myles



Mark Pierzchala

**COUNCIL MEMBERS**

**ACTING CITY MANAGER**

Barack Matite

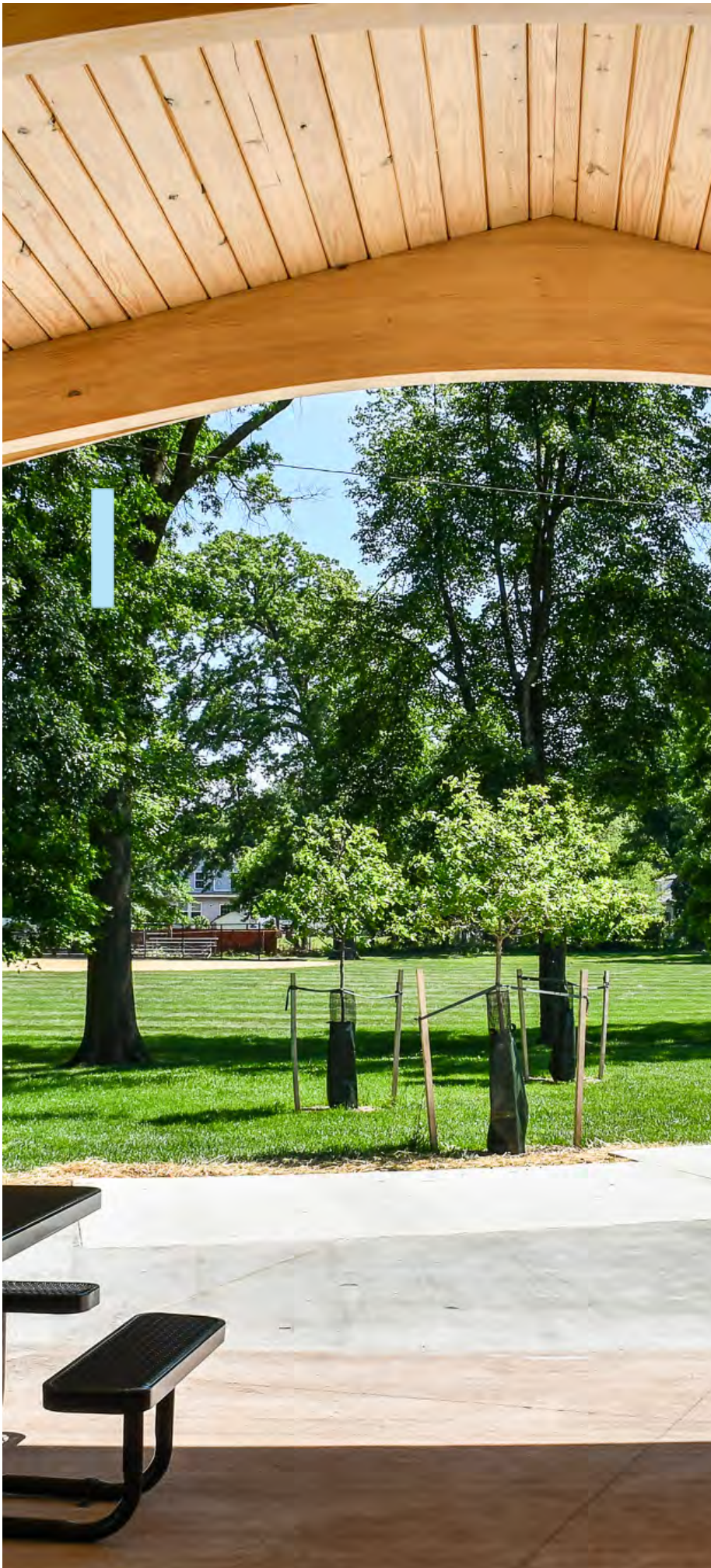
**CITY CLERK/DIRECTOR OF COUNCIL OPERATIONS**

Sara Taylor-Ferrell

**CITY ATTORNEY**

Robert Dawson

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# Financial Section

Fiscal Year Ended  
June 30, 2023







## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor, Members of City Council and City Management  
City of Rockville, Maryland  
Rockville, Maryland

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rockville, Maryland (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Rockville Economic Development Inc. (REDI), a blended component unit, which statements reflect total assets of \$2,358,526 as of June 30, 2023, and total revenues of \$2,382,137 for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for REDI, is based solely on the report of the other auditors.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis of Matter*

##### Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective July 1, 2022, the City adopted new accounting guidance for *Subscription-Based Information Technology Agreements* (SBITA). The guidance requires entities to recognize a right-to-use subscription asset and corresponding subscription liability for all subscription-based information technology agreements with terms greater than twelve months. Our opinion is not modified with respect to this matter.

##### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

To the Honorable Mayor, Members of City Council and City Management  
City of Rockville, Maryland

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 17 - 24, Rockville Employee Retirement System on pages 71 - 72, Other Post-Employment Benefits Plan on pages 73 - 74, and the Budgetary Comparison Schedule - General Fund on page 75 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rockville, Maryland's basic financial statements. The Combining and Individual Fund Statements and Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

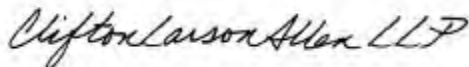
***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical Section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
October 31, 2023

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## **Management's Discussion and Analysis**



## Management's Discussion and Analysis

As management of the City of Rockville (the City), we offer readers of the City's financial statements a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 5-8 of this report and the financial statements beginning on page 25.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year by \$345,185,976 (net position). That amount includes a positive balance of \$68,778,859 from unrestricted net position made up of \$32,835,964 from governmental activities and \$35,942,895 from business-type activities.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$72,504,899. Approximately 18.5% of this total amount is reported as restricted special revenue programming totaling \$13,408,641.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$27,588,751 or 29.6% of total General Fund budgeted revenues (adopted) of \$93,320,400.
- The City's total debt principal outstanding decreased by \$1,071,271 or 1.0%. The City issued new debt of \$11,565,000 during the fiscal year.
- Interest earnings in the City's investment portfolio totaled \$3,185,046 for an average rate of return of 3.15%. The average daily invested balance totaled \$101,071,323.



### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

#### Government-wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on the City's assets and liabilities, with the difference between the two reported as net position. Over time, fluctuations in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, community development, public works, public safety, and recreation and parks. The business-type activities of the City include water, sewer, refuse, stormwater management, parking, and golf course operations. As of December 31, 2018 all golf operations were discontinued, however the RedGate Golf Course Fund continues to manage debt service payments. RedGate Golf Course Fund completed its last debt service payment during the fiscal year and the residual balance was transferred to General Fund.

The government-wide financial statements can be found on pages 25-26 of this report.

### **Fund Financial Statements:**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Reconciliations are provided between the governmental funds Balance Sheet and the government-wide Statement of Net Position and also between the Statement of Revenues, Expenditures, and Changes in Fund Balances of governmental funds and the government-wide Statement of Activities.

The City maintains seven individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund, and Capital Projects Fund, as they are considered major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. One of the four governmental funds is the Rockville Economic Development, Inc. Fund (REDI) – the blended component unit. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements on pages 78-79 of this report.

The City adopts an annual appropriated budget for its General Fund, Debt Service Fund, and three of the four Non-Major Governmental Funds. The City does not adopt a budget for the Rockville Economic Development, Inc. Fund (REDI), because the allocation to REDI is included in the General Fund. Budgetary comparison statements can be found on pages 75, 77 and 80, respectively.

The governmental funds financial statements can be found on pages 27-30 of this report.

Proprietary funds: The City maintains six different enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, refuse, stormwater management, parking, and golf course operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise financial statements provide separate information for the Water Facility, Sanitary Sewer, Refuse, Parking, Stormwater Management, and the RedGate Golf Course, which are considered the major funds of the City. The Refuse Fund and RedGate Golf Course Fund do not meet the requirements of a major fund, but management has elected to report these funds as major. This is the last fiscal year the RedGate Golf Course Fund will be presented.

The enterprise funds financial statements and cash flows can be found on pages 31-34 of this report.

Fiduciary fund: The fiduciary fund is used to account for resources held for the benefit of parties outside the government. The Pension and OPEB Trust Funds are not reflected in the government-wide financial statement because the resources of these funds are not available to support the City's own programs. The accounting used for the trust funds are much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 35 and 36 of this report. Data for each of the components of the Pension and OPEB Trust Funds are provided in the form of combining statements on pages 83-84 of this report.



Notes to the financial statements: The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-70 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Rockville Employee Retirement System, the other post-employment benefits (OPEB) plan, and the City's budgetary comparison schedules for major governmental funds. Required supplementary information can be found beginning on page 71 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements along with budgetary comparison schedules can be found on pages 78 through 80 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, over time, changes in net position serves as a useful indicator of a government's financial position. The City's overall assets and deferred outflows of resources exceeded all its liabilities and deferred inflows of resources by \$344,247,676 at the close of the current fiscal year.

The largest portion of the City's net position (76.2%) is reflected in its net investment in capital assets (e.g., CIP and infrastructure less accumulated depreciation), less retainage and any related debt used to acquire those assets that is still outstanding, excluding unspent debt proceeds of \$16,935,196. The City uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 87,682,070	\$ 81,678,464	\$ 50,694,316	\$ 35,441,347	\$ 138,376,386	\$ 117,119,811
Capital Assets, net	234,198,099	226,307,479	155,553,512	156,682,604	389,751,611	382,990,083
Noncurrent Assets	-	2,168,222	-	10,188,012	-	12,356,234
Total Assets	321,880,169	310,154,165	206,247,828	202,311,963	528,127,997	512,466,128
Deferred Outflows of Resources	9,979,887	14,095,059	1,993,589	2,203,755	11,973,476	16,298,814
Total Assets and Deferred Outflows of Resources	\$ 331,860,056	\$ 324,249,224	\$ 208,241,417	\$ 204,515,718	\$ 540,101,473	\$ 528,764,942
Noncurrent Liabilities	59,181,109	61,584,486	105,296,354	102,168,647	164,477,463	163,753,133
Other Liabilities	11,526,808	14,868,824	2,589,451	2,953,449	14,116,259	17,822,273
Total Liabilities	70,707,917	76,453,310	107,885,805	105,122,096	178,593,722	181,575,406
Deferred Inflows of Resources	6,420,704	8,231,026	9,901,070	10,239,839	16,321,774	18,470,865
Total Liabilities and Deferred Inflows of Resources	\$ 77,128,621	\$ 84,684,336	\$ 117,786,875	\$ 115,361,935	\$ 194,915,496	\$ 200,046,271
Net Position:						
Net investment in capital assets	208,486,829	199,997,005	54,511,647	68,730,672	262,998,476	268,727,677
Restricted	13,408,641	12,889,320	-	-	13,408,641	12,889,320
Unrestricted	32,835,964	26,678,563	35,942,895	20,423,111	68,778,859	47,101,674
Total Net Position	\$ 254,731,434	\$ 239,564,888	\$ 90,454,542	\$ 89,153,783	\$ 345,185,976	\$ 328,718,671

The current and other assets increased by \$21,256,575 or 18.1%. The increase is due to the issuance of bonds and increase in the capital assets for buildings, improvements, and infrastructure, as well as the Right-to-use Subscription-Based Information Technology Arrangements (SBITAs) assets. The noncurrent liabilities had an increase of \$724,330, or 0.4%. The noncurrent liabilities decreased by \$2,403,377 in the governmental activities. This decrease is primarily the net effect of the decrease in net pension liability of \$1,442,181 and bonds payable of \$3,705,375, offset by increases in SBITAs payable. While

there was a decrease in the governmental activities, there was an increase of \$3,127,707 in the business-type noncurrent liabilities. This increase is due to the new issuance of bonds.

Deferred outflows of resources includes balances from charges on advance refundings, OPEB and pensions. Deferred inflows of resources includes balances from pensions, leases, and OPEB. At the end of the fiscal year, deferred outflows of resources totaled \$11,973,476 and deferred inflows of resources totaled \$16,321,774. The decreases in deferred outflows of resources and the decreases in deferred inflows of resources are primarily attributable to balances from pensions and OPEB, which are actuarially determined, as well as from the leases, which are the present values of the payments expected to be received during the lease term – the lease receivable, adjusted for lease payments.

At the end of the current fiscal year, there is a positive balance of \$68,778,859 in unrestricted net position. This is an increase of \$21,677,185 from the balance of \$47,101,674 in unrestricted net position in fiscal year 2022. The City reports positive net position balances for the City as a whole, as well as for its separate governmental and business-type activities, for the current fiscal year, with the exception of the Parking Fund.

The governmental net investment in capital assets, increased by \$8,489,824 or 4.2%. This increase is the net effect of capital projects expenditures during the current fiscal year and reductions in long term debt.

The business-type activities net investment in capital assets, decreased by \$14,219,025 or 20.7%. This decrease is the net effect of unspent debt proceeds and increases in accumulated depreciation.

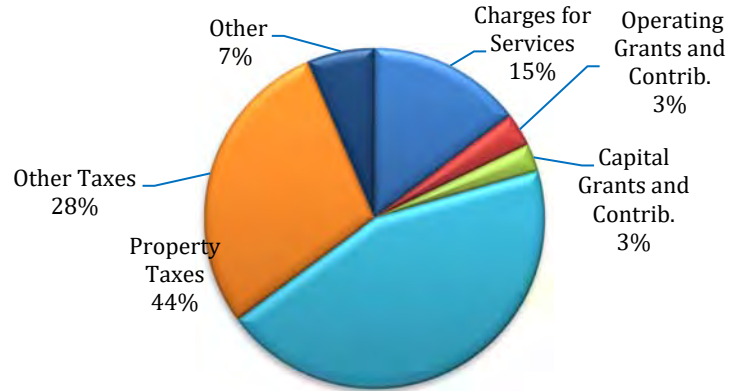
**City of Rockville’s Change in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 15,329,913	\$ 12,593,618	\$ 40,826,984	\$ 39,483,826	\$ 56,156,897	\$ 52,077,444
Operating grants & contrib.	3,330,130	3,784,720	-	-	3,330,130	3,784,720
Capital grants & contrib.	2,771,376	5,366,478	404,105	4,100,731	3,175,481	9,467,209
General revenues:						
Property taxes	46,314,322	45,002,799	110,606	125,395	46,424,928	45,128,194
Other taxes	29,972,873	27,683,426	-	-	29,972,873	27,683,426
Other	7,636,178	2,819,671	1,930,595	348,361	9,566,773	3,168,032
<b>Total Revenues:</b>	<b>\$ 105,354,792</b>	<b>\$ 97,250,712</b>	<b>\$ 43,272,290</b>	<b>\$ 44,058,313</b>	<b>\$ 148,627,082</b>	<b>\$ 141,309,025</b>
<b>Expenses:</b>						
General government	\$ 27,731,839	\$ 24,767,845	\$ -	\$ -	\$ 27,731,839	\$ 24,767,845
Community development	9,357,082	8,507,999	-	-	9,357,082	8,507,999
Economic development	2,213,082	1,996,852	-	-	2,213,082	1,996,852
Public safety	13,320,805	12,144,440	-	-	13,320,805	12,144,440
Public works	14,719,410	14,039,787	-	-	14,719,410	14,039,787
Recreation and Parks	24,984,615	22,644,143	-	-	24,984,615	22,644,143
Interest on long term debt	757,877	898,054	-	-	757,877	898,054
Water	-	-	11,786,280	10,275,797	11,786,280	10,275,797
Sewer	-	-	13,296,230	11,797,114	13,296,230	11,797,114
Refuse	-	-	5,710,697	5,527,202	5,710,697	5,527,202
Parking	-	-	1,719,172	1,896,381	1,719,172	1,896,381
Stormwater management	-	-	5,158,292	4,505,152	5,158,292	4,505,152
Golf Course	-	-	31,683	31,850	31,683	31,850
<b>Total Expenses:</b>	<b>\$ 93,084,711</b>	<b>\$ 84,999,120</b>	<b>\$ 37,702,354</b>	<b>\$ 34,033,496</b>	<b>\$ 130,787,065</b>	<b>\$ 119,032,616</b>
Increase in net position before transfers and contributions	12,270,081	12,251,592	5,569,936	10,024,817	17,840,017	22,276,409
Assets reassigned to general fund	-	-	(1,372,712)	-	(1,372,712)	-
Transfers and contributions	2,896,465	2,460,800	(2,896,465)	(2,460,800)	-	-
Increase/(Decrease) in net position	15,166,546	14,712,392	1,300,759	7,564,017	16,467,305	22,276,409
Net position - beginning, as previously reported	239,564,888	223,812,399	89,153,783	83,302,879	328,718,671	307,115,278
Adjustments to restate net position*	-	1,040,097	-	(1,713,113)	-	(673,016)
<b>Net position - ending</b>	<b>\$ 254,731,434</b>	<b>\$ 239,564,888</b>	<b>\$ 90,454,542</b>	<b>\$ 89,153,783</b>	<b>\$ 345,185,976</b>	<b>\$ 328,718,671</b>

\* Fiscal year 2022 restatements consisted of adjustments to include Rockville Economic Development, Inc. (REDI) as a component unit of the City and adjustments to the beginning balance for the Parking Fund due to the implementation of GASB 87. The government-wide net position was restated by \$1,040,097 for REDI’s ending net position as of June 30, 2021, for governmental activities. Please refer to Note (1)A for more information. The government-wide net position was restated by (\$1,713,113) for business-type activities. GASB 87 requires the re-establishment of the capital asset and associated accumulated depreciation in the amount of \$20,910,772 to the Parking Fund net position. The asset was re-established for \$27,881,029 and accumulated depreciation of \$6,970,257. The restatement of (\$1,713,113) was the net effect of re-establishment of asset to the net position of \$20,910,772 and the GASB 87 adjustment of leases of \$22,623,885 for leases. Fiscal year 2021 amounts presented have not been restated to reflect the implementation of GASB 87 or the inclusion of Rockville Economic Development, Inc. (REDI).

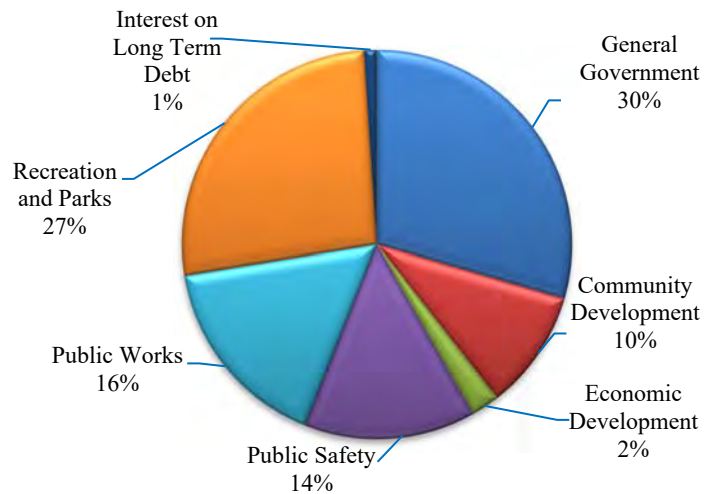
**Governmental activities:** Governmental activities net position was \$254,731,434 at the end of the fiscal year, an increase of \$15,166,546, or 6.3% over beginning net position. Program revenues decreased by \$313,397 (1.4%), which is primarily made up of decreases in capital grants and contributions. General revenues increased by \$8,417,477 (11.1%) which is mainly attributable to an increase in property tax revenues of \$1,311,523, other taxes, and significant investment earnings. Continued efforts to closely monitor costs across every department allowed for total revenues to exceed expenses in the government-wide Statement of Activities.

Governmental Revenue Sources - June 30, 2023

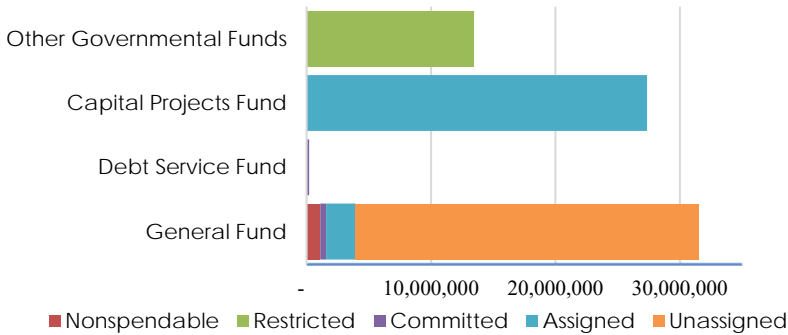


**Business-type activities:** Business-type activities net position was \$90,454,542 at the end of the fiscal year, an increase of \$1,300,759, or 1.5% over beginning net position. Program revenues decreased by \$2,353,468 (5.4%) when compared to the previous fiscal year. This revenue decrease is due to decrease in capital contributions. Most of the capital grants were from ARPA funding allocation in FY 2022, compared to the current fiscal year. Expenses increased by \$3,668,858 (10.8%) when compared to the previous fiscal year. Close monitoring of expenses allowed for the overall increase of net position for business-type activities.

Governmental Functional Expenses - June 30, 2023



**Governmental Fund Balance by Category**



**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

**Governmental funds:** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's short-term financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City’s governmental funds reported a combined ending fund balance of \$72,504,899, an increase of \$6,195,715 or 9.3% in comparison with the prior fiscal year. This increase is primarily due to the increases in income tax, county tax duplication, and investment earnings exceeding the planned capital and operating expenditures in the current year. The classifications of fund balance are \$1,091,383 as nonspendable, \$13,408,641 as restricted for special revenue programming, \$207,951 as committed for debt service, \$481,000 as committed for various projects, \$29,727,173 as assigned for capital outlays, consulting services, and other purposes, and \$27,588,751 as unassigned.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance is \$27,588,751, of the total fund balance of \$31,528,169. The unassigned fund balance increased \$1,142,340 or 4.3% from the prior fiscal year and the total fund balance increased \$1,366,099 or 4.5% from the prior fiscal year. The increase in unassigned and overall fund balance is because the increases in revenues outpaced the increases in expenditures in the General Fund.

The Debt Service Fund has a total fund balance of \$207,951, which is committed to debt service. The increase in fund balance was \$22,947 or 12.4%. This increase was due to the favorable interest earnings. The fiscal year 2023 balance is in compliance with the reserve target.

The Capital Projects Fund has a total fund balance of \$27,360,138, which is assigned to capital projects. The increase in fund balance was \$4,287,348 or 18.6%. This increase is due to capital outlays not exceeding revenues.

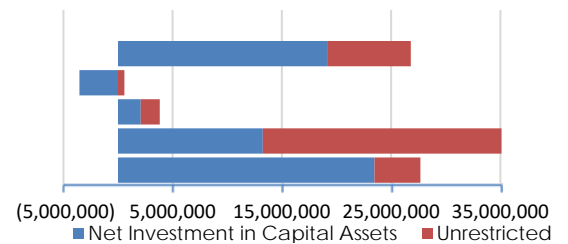
Proprietary funds: The City's proprietary funds provide similar information found in the government-wide financial statements, but in more detail.

Overall, the results of the City’s Enterprise Funds’ operations are mixed, with some funds meeting reserve requirements, and others not. The Water Facility and Sanitary Sewer Funds continue to recover as a result of multi-year efforts to have these funds reach reserve requirements.

**Proprietary Funds Net Position by Category**

Unrestricted net position of the Water Facility, Sanitary Sewer, Refuse, Parking, Stormwater Management, and RedGate Golf Course Funds at the end of the fiscal year amounted to \$4,197,045, \$21,838,187, \$1,734,309, \$583,199, \$7,590,155, and \$0, respectively.

RedGate Golf Course Fund  
 Stormwater Mgmt. Fund  
 Parking Fund  
 Refuse Fund  
 Sanitary Sewer Fund  
 Water Facility Fund



Fiduciary fund: The City's fiduciary fund provides information on the pension and post-employment health benefit trusts maintained by the City. This fund is not reported in the government-wide financial statements.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The final amended budget included a \$3,289,414 net increase in revenues from the original adopted budget primarily due to increased revenue projections from other revenues. Expenses in the final amended budget included a \$3,177,088 increase from the original adopted budget. The net increase is primarily a result of increases for reappropriation of fiscal year 2022 encumbrances and increases in public works and recreation and parks operating expenses.

Actual revenues were \$3,153,374 higher than the final amended budget. The increase is primarily due to increase in charges for services and other revenues. Actual operating expenditures were \$5,600,974 less than the final amended budget. This decrease is a result of vacant positions, unused programming expenses, unfinished consultant studies, and other smaller operating cost reductions across programs.

**CAPITAL ASSET AND DEBT ADMINISTRATION**



Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounts to \$389,751,611 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways and bridges, and water, sewer improvements and the right-to-use assets. The total increase in the City's investment in capital assets for the current fiscal year was \$6,761,528 or 1.8%, which reflects capital outlays greater than depreciation on capital assets and the introduction of SBITAs as reported assets, with the implementation of GASB 96. Governmental activities had an increase in infrastructure of \$9,147,045 primarily due to more infrastructure completed, for example, projects of Asphalt

repair and replacement and Concrete repair and replacement. The construction in progress decreased by \$1,690,716 in the current year.

Major capital asset events during the current fiscal year included the following:

- Rehabilitation and upgrade of water treatment plant electrical system for the City totaling \$4,357,031.
- Improvements to City roads, bridges and sidewalks continued; construction costs at the end of the current fiscal year were \$2,101,458.

**City of Rockville's Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 12,637,523	\$ 11,544,482	\$ 965,899	\$ 2,058,940	\$ 13,603,422	\$ 13,603,422
Construction in Progress	10,476,648	16,976,137	9,924,540	5,115,767	20,401,188	22,091,904
Buildings	53,999,924	54,824,557	19,807,283	20,533,237	73,807,207	75,357,794
Right-to-use leased assets	1,920,878	1,892,830	475,493	250,652	2,396,371	2,143,482
Right-to-use SBITA assets	2,964,389	-	28,084	-	2,992,473	-
Improvements other than Buildings	31,840,418	29,647,552	112,143,007	117,063,586	143,983,425	146,711,138
Equipment	5,846,882	6,057,529	3,569,473	2,715,100	9,416,355	8,772,629
Infrastructure	114,511,437	105,364,392	-	-	114,511,437	105,364,392
Purchased Capacity	-	-	8,639,733	8,945,322	8,639,733	8,945,322
<b>Total</b>	<b>\$ 234,198,099</b>	<b>\$ 226,307,479</b>	<b>\$ 155,553,512</b>	<b>\$ 156,682,604</b>	<b>\$ 389,751,611</b>	<b>\$ 382,990,083</b>

Additional information on the City's capital assets can be found in Note (2) D on pages 48-49 of this report.

Long-term obligations: At the end of the current fiscal year, the City had total long-term obligations of \$164,477,463, excluding the Net OPEB Asset which is presented below for comparative purposes. Long-term obligations are backed by the full faith and credit of the government. Governmental debt is repaid from tax revenues, and business-type debt is repaid from charges for services.

**City of Rockville's Long Term Obligations**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Bonds Payable and Loans Payable, net	\$ 20,915,500	\$ 24,935,831	\$ 103,718,110	\$ 100,898,855	\$ 124,633,610	\$ 125,834,686
Accrued Obligations for						
Compensated Balances	6,300,189	5,782,986	1,072,042	1,018,181	7,372,231	6,801,167
Claims Payable	2,303,180	2,383,109	-	-	2,303,180	2,383,109
Leases Payable	1,949,608	1,906,934	479,770	251,611	2,429,378	2,158,545
SBITAs	2,579,187	-	26,432	-	2,605,619	-
Net Pension Liability	25,133,445	26,575,626	-	-	25,133,445	26,575,626
Net OPEB (Asset)/Liability	(158,852)	(127,941)	-	-	(158,852)	(127,941)
<b>Total Long-Term Liabilities</b>	<b>\$ 59,022,257</b>	<b>\$ 61,456,545</b>	<b>\$ 105,296,354</b>	<b>\$ 102,168,647</b>	<b>\$ 164,318,611</b>	<b>\$ 163,625,192</b>

Additional information on the City's long term obligations can be found in Note (2) F on pages 50-58 of this report.

The City's total debt principal outstanding decreased by \$1,071,271 or 1.0% compared to the prior fiscal year, not including the impact of unamortized bond premiums and deferred charges on advance refundings. The net pension liability decreased \$1,442,181 (0.1%) based on positive investment performance and projected future pension payments. The net OPEB asset in fiscal year 2023 increased by \$30,911 based on plan performance and future projected retiree benefit expenses.

The City maintains a "AAA" rating from Standard & Poor's and a "Aaa" rating from Moody's Investor Service for all of its outstanding general obligation debt.

Additional information on the City's net pension liability and net OPEB liability can be found in Note (4) and Note (5), respectively on pages 60-68 of this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The FY 2024 adopted operating budget totals \$157.2 million for the City's 10 operating funds. This represents an overall increase of 5.6% from the FY 2023 budget. The FY 2024 budget uses resources wisely and focuses on a number of Mayor and Council priority areas, including fiscal sustainability, a commitment to capital investments, and the ongoing implementation of adopted plans. Some of the major adopted plans include the Comprehensive Plan, Climate Action Plan, and Vision Zero Action Plan. The budget maintains a \$0.292 per \$100 assessed value real property tax rate; this rate has not increased since 1995.

In addition to adopting the budget ordinance, the Mayor and Council also approved several ordinances and resolutions that set rates and fees. The FY 2024 adopted utility rates are as follows:

- All Rockville customers pay a water usage charge and a fixed ready-to-serve charge. The usage charge increased from \$7.30 to \$7.44 per 1,000 gallons (based on 14,000 gallons per quarter) and the fixed charge increased from \$21.64 to \$22.72 per single-family property per quarter.
- Like water, all Rockville customers pay a sewer usage charge and a fixed ready-to-serve charge. The usage charge per 1,000 gallons increased from \$10.74 to \$10.90 and the fixed charge increased from \$17.34 to \$18.03 per single-family property per quarter.
- For the collection and disposal of residential recycling, refuse, and yard waste, all residential properties in the city pay the annual rate of \$503 for FY 2024. The adopted rate represents an increase of 5 percent or \$24 over the FY 2023 adopted rate. The city does not collect from commercial properties.
- For stormwater management, all residential and commercial properties in the city pay \$146 per equivalent residential unit (ERU) per year, which is \$8 more than the FY 2023 adopted rate. Each residential property pays one ERU per year, while each commercial property pays \$146 multiplied by the number of ERUs measured on their property.

In addition to the major Mayor and Council priority areas, the FY 2024 budget includes funding for performance management and project tracking software to assist with comprehensive monitoring of plan and project milestones; implementation of the city's Justice, Equity, Diversity and Inclusion (JEDI) work; continued support for recruitment of Police officers; expanded recreation camps and teens programming; pay compression for Recreation temporary employees; free access to Nature Center programs for Title 1 schools; and continued support for the city's caregiver and community organization partners.

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, City of Rockville, 111 Maryland Avenue, Rockville, Maryland, 20850.

# **Basic Financial Statements**





**City of Rockville, Maryland**  
Statement of Net Position  
June 30, 2023

	Governmental	Business-type	Total
	Activities	Activities	
<b>Assets</b>			
Cash and cash equivalents	\$ 47,800,099	\$ 33,317,720	\$ 81,117,819
Investments	30,550,781	-	30,550,781
Property tax receivable, net	557,863	-	557,863
Accounts receivable, net	1,393,709	7,263,571	8,657,280
Due from other governments	2,384,842	-	2,384,842
Prepaid assets	156,000	-	156,000
Loans receivable	120,000	-	120,000
Inventory	815,383	-	815,383
Other assets	661,263	162,371	823,634
Unbilled assessments receivable	73,573	-	73,573
Net OPEB asset	158,852	-	158,852
Leases receivable	2,071,405	9,950,654	12,022,059
Opioid receivable	938,300	-	938,300
Capital assets (net of accumulated depreciation):			
Land	12,637,523	965,899	13,603,422
Construction in progress	10,476,648	9,924,540	20,401,188
Buildings, Improvements and Infrastructure	200,351,779	131,950,290	332,302,069
Equipment	5,846,882	3,569,473	9,416,355
Purchased capacity	-	8,639,733	8,639,733
Right to use assets - lease, net	1,920,878	475,493	2,396,371
Right to use SBITAs, net	2,964,389	28,084	2,992,473
<b>Total Assets</b>	<b>\$ 321,880,169</b>	<b>\$ 206,247,828</b>	<b>\$ 528,127,997</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows from pensions	\$ 8,506,004	\$ -	\$ 8,506,004
Deferred outflows from OPEB	1,367,287	-	1,367,287
Deferred charge on advance refunding	106,596	1,993,589	2,100,185
<b>Total Deferred Outflows of Resources</b>	<b>\$ 9,979,887</b>	<b>\$ 1,993,589</b>	<b>\$ 11,973,476</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 331,860,056</b>	<b>\$ 208,241,417</b>	<b>\$ 540,101,473</b>
<b>Liabilities</b>			
Accounts payable	\$ 4,848,359	\$ 1,496,569	\$ 6,344,928
Accrued liabilities	2,469,881	574,234	3,044,115
Unearned revenue	2,268,372	-	2,268,372
Retainages payable	373,570	466,885	840,455
Deposits and other liabilities	1,566,626	51,763	1,618,389
Noncurrent Liabilities:			
Due within one year:			
Compensated absences	4,599,138	782,591	5,381,729
Bonds payable and loans payable, net	3,521,107	9,104,934	12,626,041
Leases payable	614,780	130,255	745,035
Claims payable	875,208	-	875,208
SBITAs payable	1,342,847	12,942	1,355,789
Due in more than one year:			
Compensated absences	1,701,051	289,451	1,990,502
Bonds payable and loans payable, net	17,394,393	94,613,176	112,007,569
Leases payable	1,334,828	349,515	1,684,343
Claims payable	1,427,972	-	1,427,972
SBITAs payable	1,236,340	13,490	1,249,830
Net pension liability	25,133,445	-	25,133,445
<b>Total Liabilities</b>	<b>\$ 70,707,917</b>	<b>\$ 107,885,805</b>	<b>\$ 178,593,722</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows from pensions	\$ 1,284,632	\$ -	\$ 1,284,632
Deferred inflows from leases	1,971,753	9,901,070	11,872,823
Deferred inflows from OPEB	3,164,319	-	3,164,319
<b>Total Deferred Inflows of Resources</b>	<b>\$ 6,420,704</b>	<b>\$ 9,901,070</b>	<b>\$ 16,321,774</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 77,128,621</b>	<b>\$ 117,786,875</b>	<b>\$ 194,915,496</b>
<b>Net Position</b>			
Net investment in capital assets	\$ 208,486,829	\$ 54,511,647	\$ 262,998,476
Restricted for:			
Special activities fund programming	13,408,641	-	13,408,641
Unrestricted	32,835,964	35,942,895	68,778,859
<b>Total Net Position</b>	<b>\$ 254,731,434</b>	<b>\$ 90,454,542</b>	<b>\$ 345,185,976</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 331,860,056</b>	<b>\$ 208,241,417</b>	<b>\$ 540,101,473</b>

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
 Statement of Activities  
 For the Fiscal Year Ended June 30, 2023

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Operating		Capital	Governmental Activities	Business-type Activities	
		Charges for Services	Grants and Contributions	Grants and Contributions			
<b>Primary Government:</b>							
<b>Governmental activities:</b>							
General government	\$ 27,731,839	\$ 1,878,143	\$ 487,950	\$ -	\$ (25,365,746)	\$ -	\$ (25,365,746)
Community development	9,357,082	3,693,757	871,698	-	(4,791,627)	-	(4,791,627)
Economic development	2,213,082	159,550	618,000	-	(1,435,532)	-	(1,435,532)
Public safety	13,320,805	1,581,833	1,037,290	-	(10,701,682)	-	(10,701,682)
Public works	14,719,410	1,160,721	-	750,203	(12,808,486)	-	(12,808,486)
Recreation and parks	24,984,615	6,855,909	315,192	2,021,173	(15,792,341)	-	(15,792,341)
Interest long-term debt	757,877	-	-	-	(757,877)	-	(757,877)
<b>Total Governmental Activities</b>	<b>\$ 93,084,711</b>	<b>\$ 15,329,913</b>	<b>\$ 3,330,130</b>	<b>\$ 2,771,376</b>	<b>\$ (71,653,292)</b>	<b>\$ -</b>	<b>\$ (71,653,292)</b>
<b>Business-Type Activities:</b>							
Water	\$ 11,786,280	\$ 11,926,940	\$ -	\$ -	\$ -	\$ 140,660	\$ 140,660
Sewer	13,296,230	14,471,738	-	-	-	1,175,508	1,175,508
Refuse	5,710,697	6,808,891	-	25,000	-	1,123,194	1,123,194
Parking	1,719,172	773,333	-	319,327	-	(626,512)	(626,512)
Stormwater management	5,158,292	6,846,082	-	59,778	-	1,747,568	1,747,568
RedGate golf course	31,683	-	-	-	-	(31,683)	(31,683)
<b>Total Business-Type Activities</b>	<b>\$ 37,702,354</b>	<b>\$ 40,826,984</b>	<b>\$ -</b>	<b>\$ 404,105</b>	<b>\$ -</b>	<b>\$ 3,528,735</b>	<b>\$ 3,528,735</b>
<b>Total primary government</b>	<b>\$ 130,787,065</b>	<b>\$ 56,156,897</b>	<b>\$ 3,330,130</b>	<b>\$ 3,175,481</b>	<b>\$ (71,653,292)</b>	<b>\$ 3,528,735</b>	<b>\$ (68,124,557)</b>
<b>General revenues:</b>							
Property taxes					\$ 46,314,322	\$ 110,606	\$ 46,424,928
Income taxes					19,507,358	-	19,507,358
Gas and motor vehicle taxes					2,799,573	-	2,799,573
County tax duplication payment					6,593,160	-	6,593,160
Admissions and amusement taxes					1,072,782	-	1,072,782
Use of money and property					4,071,013	1,470,841	5,541,854
Other revenue					3,565,165	459,754	4,024,919
Assets reassigned to general fund					-	(1,372,712)	(1,372,712)
Transfers and Contributions					2,896,465	(2,896,465)	-
<b>Total general revenues and transfers</b>					<b>\$ 86,819,838</b>	<b>\$ (2,227,976)</b>	<b>\$ 84,591,862</b>
Change in net position					15,166,546	1,300,759	16,467,305
Net Position at beginning of year					239,564,888	89,153,783	328,718,671
<b>Net Position at end of year</b>					<b>\$ 254,731,434</b>	<b>\$ 90,454,542</b>	<b>\$ 345,185,976</b>

See accompanying notes to the basic financial statements.

## City of Rockville, Maryland

### Balance Sheet Governmental Funds June 30, 2023

Assets	General Fund	Debt		Capital	Other	Total
		Service Fund	Projects	Fund	Governmental	Governmental
					Funds	Funds
Cash and cash equivalents	\$ 19,555,228	\$ 201,307		\$14,368,662	\$ 13,674,902	\$ 47,800,099
Investments	15,200,542	-		15,350,239	-	30,550,781
Property taxes receivable, net	557,863	-		-	-	557,863
Accounts receivable	983,090	-		45,565	365,054	1,393,709
Interfund receivable	22,097	-		-	-	22,097
Due from other governments	2,189,349	-		-	195,493	2,384,842
Prepaid Items	156,000	-		-	-	156,000
Loans receivable	120,000	-		-	-	120,000
Lease receivable	2,071,405	-		-	-	2,071,405
Opioid receivable	-	-		-	938,300	938,300
Inventory	815,383	-		-	-	815,383
Other assets, net	158,599	6,644		23,701	472,319	661,263
Unbilled assessments receivable	-	73,573		-	-	73,573
<b>Total Assets</b>	<b>\$ 41,829,556</b>	<b>\$ 281,524</b>		<b>\$29,788,167</b>	<b>\$ 15,646,068</b>	<b>\$ 87,545,315</b>
<b>Liabilities</b>						
Accounts payable	\$ 2,020,389	\$ -		\$ 2,071,178	\$ 756,792	\$ 4,848,359
Interfund payable	-	-		-	22,097	22,097
Accrued liabilities	1,916,384	-		-	503,519	2,419,903
Unearned revenue	2,268,372	-		-	-	2,268,372
Retainages payable	-	-		356,851	16,719	373,570
Deposits and other liabilities	1,566,626	-		-	-	1,566,626
<b>Total Liabilities</b>	<b>\$ 7,771,771</b>	<b>\$ -</b>		<b>\$ 2,428,029</b>	<b>\$ 1,299,127</b>	<b>\$ 11,498,927</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue - property taxes	\$ 557,863	\$ -		\$ -	\$ -	\$ 557,863
Unavailable revenue - leases	1,971,753	-		-	-	1,971,753
Unavailable revenue - opioid	-	-		-	938,300	938,300
Unavailable revenue - special assessments	-	73,573		-	-	73,573
<b>Total Deferred Inflows of Resources</b>	<b>\$ 2,529,616</b>	<b>\$ 73,573</b>		<b>\$ -</b>	<b>\$ 938,300</b>	<b>\$ 3,541,489</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 10,301,387</b>	<b>\$ 73,573</b>		<b>\$ 2,428,029</b>	<b>\$ 2,237,427</b>	<b>\$ 15,040,416</b>
<b>Fund Balances</b>						
<b>Nonspendable:</b>						
Inventory	\$ 815,383	\$ -		\$ -	\$ -	\$ 815,383
Loans receivable	120,000	-		-	-	120,000
Prepaid assets	156,000	-		-	-	156,000
<b>Restricted for:</b>						
Special revenue programming	-	-		-	13,408,641	13,408,641
<b>Committed to:</b>						
Debt service	-	207,951		-	-	207,951
Labyrinth hope flame	81,000	-		-	-	81,000
Server replacement	150,000	-		-	-	150,000
Pilot homeownership program	250,000	-		-	-	250,000
<b>Assigned for:</b>						
Consulting services	819,322	-		-	-	819,322
Capital outlays	1,232,518	-		27,360,138	-	28,592,656
Other purposes	315,195	-		-	-	315,195
Unassigned:	27,588,751	-		-	-	27,588,751
<b>Total Fund Balance</b>	<b>\$ 31,528,169</b>	<b>\$ 207,951</b>		<b>\$27,360,138</b>	<b>\$ 13,408,641</b>	<b>\$ 72,504,899</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 41,829,556</b>	<b>\$ 281,524</b>		<b>\$29,788,167</b>	<b>\$ 15,646,068</b>	<b>\$ 87,545,315</b>

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
**Reconciliation of Total Government Fund Balances to Net Position of**  
**Governmental Activities**  
**June 30, 2023**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - governmental funds	\$ 72,504,899
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of capital assets	472,897,809	
Accumulated depreciation	(238,699,710)	234,198,099

Unavailable revenues are not financial resources in the governmental funds, therefore the liability is eliminated and total net position is increased.	1,569,736
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The unamortized deferred charge on advance refunding represents a long term outflow of resources that is not presented in the governmental funds.	106,596
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The net pension liability and the related deferred outflows and deferred inflows do not represent current financial resources or uses, and are not reported in the governmental funds.

Net pension liability	(25,133,445)	
Deferred outflows from pensions	8,506,004	
Deferred inflows from pensions	(1,284,632)	(17,912,073)

The net OPEB asset and the related deferred inflows do not represent current financial resources or uses, and are not reported in the governmental funds.

Net OPEB asset	158,852	
Deferred outflows from OPEB	1,367,287	
Deferred inflows from OPEB	(3,164,319)	(1,638,180)

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities as of year-end consist of:

Compensated absences	6,300,189	
Bonds payable and loans payable	19,171,429	
SBITAs payable	2,579,187	
Leases payable	1,949,608	
Accrued interest on the general obligation bonds	49,978	
Unamortized bond premiums on the general obligation bonds	1,744,071	
Claims payable	2,303,180	(34,097,642)

Total net position - governmental activities	<u>\$254,731,434</u>
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See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances of**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2023**

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$ 46,053,556	\$ -	\$ -	\$ -	\$ 46,053,556
Revenue from other governments:					
Income taxes	19,507,358	-	-	-	19,507,358
Gas and motor vehicles taxes	2,799,573	-	-	-	2,799,573
County tax duplication payment	6,593,160	-	-	-	6,593,160
Admission and amusement taxes	1,072,782	-	-	-	1,072,782
Grants and other governmental revenue	2,905,095	-	2,714,194	1,642,528	7,261,817
Licenses and permits	3,362,521	-	-	-	3,362,521
Charges for services	8,227,251	-	-	196,912	8,424,163
Use of money and property	1,223,414	47,272	167,066	74,609	1,512,361
Fines and forfeitures	576,334	-	-	938,159	1,514,493
Other revenues	3,099,044	-	-	408,653	3,507,697
Total Revenues	<u>\$ 95,420,088</u>	<u>\$ 47,272</u>	<u>\$ 2,881,260</u>	<u>\$ 3,260,861</u>	<u>\$ 101,609,481</u>
<b>Expenditures</b>					
Current operations:					
General government	\$ 22,549,938	\$ -	\$ -	\$ 84,150	\$ 22,634,088
Community development	9,016,815	-	-	340,267	9,357,082
Economic development	-	-	-	2,213,082	2,213,082
Public safety	12,049,620	-	-	1,028,597	13,078,217
Public works	8,408,693	-	-	189,174	8,597,867
Recreation and parks	24,532,160	-	-	328,126	24,860,286
Capital outlay	1,519,258	-	12,800,912	1,188,234	15,508,404
Debt service	-	4,474,325	-	-	4,474,325
Total Expenditures	<u>\$ 78,076,484</u>	<u>\$ 4,474,325</u>	<u>\$ 12,800,912</u>	<u>\$ 5,371,630</u>	<u>\$ 100,723,351</u>
Excess (deficiency) of Revenues over Expenditures	<u>\$ 17,343,604</u>	<u>\$ (4,427,053)</u>	<u>\$ (9,919,652)</u>	<u>\$ (2,110,769)</u>	<u>\$ 886,130</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ 4,163,900	\$ 4,450,000	\$ 14,207,000	\$ 1,790,060	\$ 24,610,960
Transfers out	(21,714,495)	-	-	-	(21,714,495)
Leases - as lessee	706,094	-	-	-	706,094
SBITAs	866,996	-	-	840,030	1,707,026
Total Other Financing Sources (uses)	<u>\$ (15,977,505)</u>	<u>\$ 4,450,000</u>	<u>\$ 14,207,000</u>	<u>\$ 2,630,090</u>	<u>\$ 5,309,585</u>
Net change in fund balance	\$ 1,366,099	\$ 22,947	\$ 4,287,348	\$ 519,321	\$ 6,195,715
Fund balance at beginning of year, as previously reported	30,162,070	185,004	23,072,790	12,889,320	66,309,184
Fund balance at end of year	<u>\$ 31,528,169</u>	<u>\$ 207,951</u>	<u>\$ 27,360,138</u>	<u>\$ 13,408,641</u>	<u>\$ 72,504,899</u>

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2023**

Amounts reported for governmental activities in the Statement of Activities are different because:

Total net change in fund balances-total governmental funds	\$ 6,195,715	
Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$16,974,969 (including the net SBITAs additions) exceeded depreciation of \$12,834.965.	4,140,004	
Transfer from Redgate Golf Course Fund residual assets to General Fund.	1,372,712	
In the Statement of Activities, only the annual amortized loss on advance refunding is reported, whereas in the governmental funds, the entire loss from the advance refunding decreases financial resources in the year of the advance refunding.	(36,024)	
In governmental funds, bond proceeds and repayment of bond principal are revenues and expenditures, respectively. In the Statement of Net Position these activities are adjustments to long term liabilities. Bond repayments amounted to \$3,705,374.	3,705,375	
Governmental funds report the effect of premiums and discounts when debt is first issued, but these items are amortized in the Statement of Net Position and recognized annually.	314,956	
Lease proceeds for the current fiscal year of \$706,094.	(706,094)	
In governmental funds, lease payments are expenditures, respectively. In the Statement of Net Position these activities are adjustments to long term liabilities. Lease repayments amounted to \$663,420.	663,420	
SBITA proceeds for the current fiscal year of \$1,707,026.	(1,707,026)	
In governmental funds, SBITA payments are expenditures, respectively. In the Statement of Net Position these activities are adjustments to long term liabilities. SBITA repayments amounted to \$1,505,742.	1,505,742	
Because the unav ailable revenue will not be collected for several months after the City's fiscal year end, it is not considered revenue in the governmental funds. Unav ailable revenue increased in the current fiscal year.	150,161	
Because the unav ailable revenue - opioid, will not be collected for several months after the City's fiscal year end, it is not considered revenue in the governmental funds. Unav ailable revenue increased in the current fiscal year.	938,300	
The net pension liability and the related deferred outflows and deferred inflows relate to funding for future retiree benefit payments which are not considered current. Changes in the net pension liability, deferred outflows and deferred inflows are reflected below:		
Net pension liability	1,442,181	
Deferred outflows from pensions	(3,502,935)	
Deferred inflows from pensions	922,924	(1,137,830)
The net OPEB liability and the related deferred inflows relate to funding for future retiree benefit payments which are not considered current. Changes in the net OPEB liability and deferred inflows are reflected below:		
Net OPEB liability	30,911	
Deferred outflows from OPEB	(576,213)	
Deferred inflows from OPEB	741,866	196,564
Expenses for claims are recognized only when paid using current financial resources in the governmental fund statements. In the Statement of Activities, the expenses are recognized when the City is made aware of its liability for claims payments due. This claims payable increased in the current fiscal year.	79,929	
In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This fiscal year, vacation and sick leave earned of \$2,459,252 were more than the amounts used of \$1,942,049.	(517,203)	
In the Statement of Activities, interest expense is recognized as interest accrues, regardless of when it is due. In the governmental funds interest is recognized as an expenditure when it is due and requires the use of current financial resources. In fiscal year 2023, accrued interest on long-term debt reported in the Statement of Activities decreased.	7,845	
Change in net position of governmental activities	<u>\$ 15,166,546</u>	
See accompanying notes to the basic financial statements.		

## City of Rockville, Maryland

### Statement of Net Position Proprietary Funds June 30, 2023

	Business-Type Activities - Enterprise Funds						Total Business-type Activities
	Water Facility Fund	Sanitary Sewer Fund	Refuse Fund	Parking Fund	Stormwater Mgmt. Fund	RedGate Golf Course Fund	
<b>Assets</b>							
<b>Current Assets</b>							
Cash and cash equivalents	\$ 12,864,581	\$ 7,220,157	\$ 2,240,359	\$ 495,733	\$ 10,496,890	\$ -	\$ 33,317,720
Accounts receivable, net	2,942,698	3,814,133	27,098	196,093	283,549	-	7,263,571
Other receivables	56,946	41,052	15,244	5,919	43,210	-	162,371
<b>Total current assets</b>	<b>\$ 15,864,225</b>	<b>\$ 11,075,342</b>	<b>\$ 2,282,701</b>	<b>\$ 697,745</b>	<b>\$ 10,823,649</b>	<b>\$ -</b>	<b>\$ 40,743,662</b>
<b>Noncurrent Assets</b>							
<b>Capital Assets:</b>							
Land	123,202	-	-	-	842,697	-	965,899
Utility plant and equipment	98,751,574	129,244,471	8,534,760	27,955,968	28,657,673	-	293,144,446
Construction in progress	8,761,422	-	-	-	1,163,118	-	9,924,540
Purchased capacity, long-term	-	15,279,453	-	-	-	-	15,279,453
Less-accumulated depreciation	(59,257,886)	(79,974,928)	(6,152,558)	(8,395,236)	(10,483,795)	-	(164,264,403)
Right to use assets - Lease, net	193,383	66,045	26,712	110,540	78,813	-	475,493
Right to use assets - SBITAs, net	28,084	-	-	-	-	-	28,084
<b>Other Noncurrent Assets:</b>							
Leases receivable	1,426,281	-	-	8,524,373	-	-	9,950,654
<b>Total noncurrent assets</b>	<b>\$ 50,026,060</b>	<b>\$ 64,615,041</b>	<b>\$ 2,408,914</b>	<b>\$ 28,195,645</b>	<b>\$ 20,258,506</b>	<b>\$ -</b>	<b>\$ 165,504,166</b>
<b>Total Assets</b>	<b>\$ 65,890,285</b>	<b>\$ 75,690,383</b>	<b>\$ 4,691,615</b>	<b>\$ 28,893,390</b>	<b>\$ 31,082,155</b>	<b>\$ -</b>	<b>\$ 206,247,828</b>
<b>Deferred Outflows of Resources</b>							
Deferred charge on advance refunding	\$ 404,712	\$ 613,566	\$ -	\$ 967,581	\$ 7,730	\$ -	\$ 1,993,589
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 66,294,997</b>	<b>\$ 76,303,949</b>	<b>\$ 4,691,615</b>	<b>\$ 29,860,971</b>	<b>\$ 31,089,885</b>	<b>\$ -</b>	<b>\$ 208,241,417</b>
<b>Liabilities</b>							
<b>Current Liabilities</b>							
Bonds payable, net	\$ 3,051,415	\$ 3,959,300	\$ 99,039	\$ 1,553,319	\$ 441,861	\$ -	\$ 9,104,934
Accounts payable	717,222	134,668	134,813	23,984	485,882	-	1,496,569
Accrued liabilities	188,369	142,116	110,216	61,243	72,290	-	574,234
Compensated absences	270,722	135,689	221,455	10,230	144,495	-	782,591
Retainages payable	349,443	-	-	-	117,442	-	466,885
Leases payable	53,364	18,968	6,795	23,985	27,143	-	130,255
SBITAs payable	12,942	-	-	-	-	-	12,942
Deposits and other liabilities	51,763	-	-	-	-	-	51,763
<b>Total Current Liabilities</b>	<b>\$ 4,695,240</b>	<b>\$ 4,390,741</b>	<b>\$ 572,318</b>	<b>\$ 1,672,761</b>	<b>\$ 1,289,113</b>	<b>\$ -</b>	<b>\$ 12,620,173</b>
<b>Noncurrent Liabilities</b>							
Compensated absences	100,130	50,186	81,908	3,784	53,443	-	289,451
Leases payable	140,321	47,878	20,107	88,625	52,584	-	349,515
SBITAs payable	13,490	-	-	-	-	-	13,490
Bonds payable, net	32,306,946	36,718,480	199,039	22,503,142	2,885,569	-	94,613,176
<b>Total noncurrent liabilities</b>	<b>\$ 32,560,887</b>	<b>\$ 36,816,544</b>	<b>\$ 301,054</b>	<b>\$ 22,595,551</b>	<b>\$ 2,991,596</b>	<b>\$ -</b>	<b>\$ 95,265,632</b>
<b>Total Liabilities</b>	<b>\$ 37,256,127</b>	<b>\$ 41,207,285</b>	<b>\$ 873,372</b>	<b>\$ 24,268,312</b>	<b>\$ 4,280,709</b>	<b>\$ -</b>	<b>\$ 107,885,805</b>
<b>Deferred Inflows of Resources</b>							
Deferred inflows from leases	\$ 1,361,392	\$ -	\$ -	\$ 8,539,678	\$ -	\$ -	\$ 9,901,070
<b>Total Liabilities and Deferred Outflows of Resources</b>	<b>\$ 38,617,519</b>	<b>\$ 41,207,285</b>	<b>\$ 873,372</b>	<b>\$ 32,807,990</b>	<b>\$ 4,280,709</b>	<b>\$ -</b>	<b>\$ 117,786,875</b>
<b>Net Position</b>							
Net investment in capital assets	\$ 23,480,433	\$ 13,258,477	\$ 2,083,934	\$ (3,530,218)	\$ 19,219,021	\$ -	\$ 54,511,647
Unrestricted	4,197,045	21,838,187	1,734,309	583,199	7,590,155	-	35,942,895
<b>Total net position</b>	<b>\$ 27,677,478</b>	<b>\$ 35,096,664</b>	<b>\$ 3,818,243</b>	<b>\$ (2,947,019)</b>	<b>\$ 26,809,176</b>	<b>\$ -</b>	<b>\$ 90,454,542</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 66,294,997</b>	<b>\$ 76,303,949</b>	<b>\$ 4,691,615</b>	<b>\$ 29,860,971</b>	<b>\$ 31,089,885</b>	<b>\$ -</b>	<b>\$ 208,241,417</b>

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2023**

	Business-Type Activities - Enterprise Funds						Total Business-type Activities
	Water Facility Fund	Sanitary Sewer Fund	Refuse Fund	Parking Fund	Stormwater Mgmt. Fund	RedGate Golf Course Fund	
<b>Operating Revenues</b>							
Charges for Services	\$ 11,926,940	\$ 14,471,738	\$ 6,808,891	\$ 773,333	\$ 6,846,082	\$ -	\$ 40,826,984
Other Revenues	263,625	38,156	67,937	116,494	84,148	-	570,360
Total Operating Revenues	<u>\$ 12,190,565</u>	<u>\$ 14,509,894</u>	<u>\$ 6,876,828</u>	<u>\$ 889,827</u>	<u>\$ 6,930,230</u>	<u>\$ -</u>	<u>\$ 41,397,344</u>
<b>Operating Expenses</b>							
Treatment and purification	3,370,489	-	-	-	-	-	3,370,489
Distribution	2,072,170	-	-	-	-	-	2,072,170
Collection and disposal	-	4,277,908	4,380,008	-	-	-	8,657,916
Customer billing, collection, operating expenses	1,622,473	2,642,514	184,223	464,733	3,853,105	-	8,767,048
Repairs and maintenance	190,923	147,156	749,442	8,450	117,036	-	1,213,007
Total Operating Expenses	<u>\$ 7,256,055</u>	<u>\$ 7,067,578</u>	<u>\$ 5,313,673</u>	<u>\$ 473,183</u>	<u>\$ 3,970,141</u>	<u>\$ -</u>	<u>\$ 24,080,630</u>
Operating income (loss) before depreciation/amortization	4,934,510	7,442,316	1,563,155	416,644	2,960,089	-	17,316,714
Less - depreciation/amortization	(3,652,943)	(5,306,645)	(393,702)	(711,356)	(1,104,863)	(31,683)	(11,201,192)
Operating Income (loss)	<u>\$ 1,281,567</u>	<u>\$ 2,135,671</u>	<u>\$ 1,169,453</u>	<u>\$ (294,712)</u>	<u>\$ 1,855,226</u>	<u>\$ (31,683)</u>	<u>\$ 6,115,522</u>
<b>Nonoperating Income (Expenses)</b>							
Interest income	441,096	314,040	111,328	255,813	335,860	12,704	1,470,841
Interest expense	(819,423)	(847,996)	(3,322)	(688,903)	(79,423)	-	(2,439,067)
Other, net	(57,859)	(74,011)	-	154,270	(3,865)	-	18,535
Assets reassigned to general fund	-	-	-	-	-	(1,372,712)	(1,372,712)
Total Nonoperating Income (loss)	<u>\$ (436,186)</u>	<u>\$ (607,967)</u>	<u>\$ 108,006</u>	<u>\$ (278,820)</u>	<u>\$ 252,572</u>	<u>\$ (1,360,008)</u>	<u>\$ (2,322,403)</u>
Income (loss) before capital contributions and transfers	845,381	1,527,704	1,277,459	(573,532)	2,107,798	(1,391,691)	3,793,119
<b>Capital Grants and Contributions</b>	-	-	25,000	319,327	59,778	-	404,105
<b>Transfers</b>							
Transfer (to) from Proprietary Funds	352,160	(352,160)	-	-	-	-	-
Transfer to General Fund	(1,410,500)	(608,400)	(1,218,400)	(129,300)	(797,300)	-	(4,163,900)
Transfer from General Fund	-	-	50,300	1,100,000	-	117,135	1,267,435
Total Transfers	<u>\$ (1,058,340)</u>	<u>\$ (960,560)</u>	<u>\$ (1,168,100)</u>	<u>\$ 970,700</u>	<u>\$ (797,300)</u>	<u>\$ 117,135</u>	<u>\$ (2,896,465)</u>
Increase (decrease) in net position	(212,959)	567,144	134,359	716,495	1,370,276	(1,274,556)	1,300,759
Net position at beginning of year	27,890,437	34,529,520	3,683,884	(3,663,514)	25,438,900	1,274,556	89,153,783
Net position at end of year	<u>\$ 27,677,478</u>	<u>\$ 35,096,664</u>	<u>\$ 3,818,243</u>	<u>\$ (2,947,019)</u>	<u>\$ 26,809,176</u>	<u>\$ -</u>	<u>\$ 90,454,542</u>

See accompanying notes to the basic financial statements.



**City of Rockville, Maryland**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2023**

	Business-Type Activities - Enterprise Funds						Total Business-type Activities
	Water Facility Fund	Sanitary Sewer Fund	Refuse Fund	Parking Fund	Stormwater Mgmt. Fund	RedGate Golf Course Fund	
<b>Cash Flows from operating activities:</b>							
Cash received from customers	\$ 12,252,233	\$ 14,714,075	\$ 6,875,645	\$ 867,989	\$ 6,850,317	\$ -	\$ 41,560,259
Cash payments to suppliers for goods and services	(2,899,384)	(4,938,506)	(2,163,758)	(308,519)	(1,137,705)	-	(11,447,872)
Cash payments to employees for services	(4,086,299)	(2,014,470)	(3,160,669)	(299,133)	(2,668,122)	-	(12,228,693)
Net cash provided by operating activities	<u>\$ 5,266,550</u>	<u>\$ 7,761,099</u>	<u>\$ 1,551,218</u>	<u>\$ 260,337</u>	<u>\$ 3,044,490</u>	<u>\$ -</u>	<u>\$ 17,883,694</u>
<b>Cash Flows from noncapital financing activities:</b>							
Transfer (to) from Proprietary Funds	\$ 352,160	\$ (352,160)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to General Fund	(1,410,500)	(608,400)	(1,218,400)	(129,300)	(797,300)	-	(4,163,900)
Transfer from the General Fund	-	-	50,300	1,100,000	-	-	1,150,300
Proceeds from interfund payable	-	-	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>\$ (1,058,340)</u>	<u>\$ (960,560)</u>	<u>\$ (1,168,100)</u>	<u>\$ 970,700</u>	<u>\$ (797,300)</u>	<u>\$ -</u>	<u>\$ (3,013,600)</u>
<b>Cash Flows from capital and related financing activities:</b>							
Capital grants and contributions	\$ -	\$ -	\$ 25,000	\$ 319,327	\$ 114,647	\$ -	\$ 458,974
Acquisition and construction of capital assets	(5,772,158)	(3,583,993)	(727,537)	(168,882)	(1,819,186)	-	(12,071,756)
Principal paid on general obligation bond maturities	(3,023,405)	(3,862,415)	(95,000)	(1,490,000)	(438,235)	-	(8,909,055)
Interest paid on general obligation bonds	(1,058,151)	(1,098,789)	(12,744)	(715,822)	(79,140)	-	(2,964,646)
Proceeds from issuance of debt	7,671,339	2,020,173	-	-	2,604,959	-	12,296,471
Deferred inflows leases	(110,070)	-	-	-	-	-	(110,070)
Leases receivable	79,580	-	-	157,778	-	-	237,358
SBITAs payable	26,432	-	-	-	-	-	26,432
Leases payable	74,326	29,447	(9,563)	112,610	21,340	-	228,160
Net cash provided by (used in) capital and related financing activities	<u>\$ (2,112,107)</u>	<u>\$ (6,495,577)</u>	<u>\$ (819,844)</u>	<u>\$ (1,784,989)</u>	<u>\$ 404,385</u>	<u>\$ -</u>	<u>\$ (10,808,132)</u>
<b>Cash Flows from investing activities:</b>							
Interest on investments	\$ 391,695	\$ 278,834	\$ 98,230	\$ 250,945	\$ 297,957	\$ -	\$ 1,317,661
Net increase (decrease) in cash and cash equivalents	2,487,798	583,796	(338,496)	(303,007)	2,949,532	-	5,379,623
Cash and cash equivalents at the beginning of year	10,376,783	6,636,361	2,578,855	798,740	7,547,358	-	27,938,097
Cash and cash equivalents at the end of year	<u>\$ 12,864,581</u>	<u>\$ 7,220,157</u>	<u>\$ 2,240,359</u>	<u>\$ 495,733</u>	<u>\$ 10,496,890</u>	<u>\$ -</u>	<u>\$ 33,317,720</u>

See accompanying notes to the basic financial statements.

(Continued)

**City of Rockville, Maryland**  
 Statement of Cash Flows (continued)  
 Proprietary Funds  
 For the Fiscal Year Ended June 30, 2023

Reconciliation of Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities

	Business-Type Activities - Enterprise Funds						Total Business-type Activities
	Water Facility Fund	Sanitary Sewer Fund	Refuse Fund	Parking Fund	Stormwater Mgmt. Fund	RedGate Golf Course Fund	
<b>Operating income (loss)</b>	\$ 1,281,567	\$ 2,135,671	\$ 1,169,453	\$ (294,712)	\$ 1,855,226	\$ (31,683)	\$ 6,115,522
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</b>							
Depreciation	\$ 3,652,943	\$ 5,306,645	\$ 393,702	\$ 711,356	\$ 1,104,863	\$ 31,683	\$ 11,201,192
Changes in assets and liabilities:							
Effect of changes in accounts receivable	61,668	204,181	(1,183)	(21,838)	(79,913)	-	162,915
Effect of changes in accounts payable	8,519	90,457	(52,291)	(139,013)	123,567	-	31,239
Effect of changes in accrued liabilities	37,648	19,826	29,992	822	19,081	-	107,369
Effect of changes in compensated absences	27,111	4,319	11,545	1,472	9,414	-	53,861
Effect of changes in retainages payable	197,094	-	-	2,250	12,252	-	211,596
Effect of changes in deposits and other liabilities	-	-	-	-	-	-	-
Total adjustments	<u>\$ 3,984,983</u>	<u>\$ 5,625,428</u>	<u>\$ 381,765</u>	<u>\$ 555,049</u>	<u>\$ 1,189,264</u>	<u>\$ 31,683</u>	<u>\$ 11,768,172</u>
Net cash provided by operating activities	<u>\$ 5,266,550</u>	<u>\$ 7,761,099</u>	<u>\$ 1,551,218</u>	<u>\$ 260,337</u>	<u>\$ 3,044,490</u>	<u>\$ -</u>	<u>\$ 17,883,694</u>
Noncash capital and related financing activities:							
Purchase of equipment on account	<u>\$ (647,149)</u>	<u>\$ (40,857)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,062</u>	<u>\$ -</u>	<u>\$ (626,944)</u>

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
**Statement of Fiduciary Net Position**  
**Fiduciary Fund**  
**June 30, 2023**

	Pension and OPEB Trust Funds
<b>Assets</b>	
Open End Mutual Funds:	
Fixed Income	\$ 68,343,255
Target date	22,477,393
Equities	55,097,039
Real estate	25,060,083
Global real assets	18,108
Global tactical asset allocation	13,271,314
All asset fund	503,244
Deposits in transit	476,164
Money markets	1,525,510
<b>Total Assets</b>	<b>\$ 186,772,110</b>
<b>Liabilities</b>	
Benefits Payable	\$ 569,504
Administrative expense payable	7,500
<b>Total Liabilities</b>	<b>\$ 577,004</b>
<b>Net Position</b>	
Restricted for pensions	\$ 176,695,640
Restricted for OPEB	9,499,466
<b>Total Net Position restricted for plan benefits</b>	<b>\$ 186,195,106</b>
 <b>Total Liabilities and Net Position</b>	 <b>\$ 186,772,110</b>

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
**For the Fiscal Year Ended June 30, 2023**

	Pension and OPEB Trust Funds
<b>Additions</b>	
Contributions	
Employer	\$ 6,522,261
Plan Members	2,477,664
Total Contributions	8,999,925
Investment earnings (losses)	
Net appreciation in the fair value of plan investments	10,048,641
Interest and dividends	3,980,741
Total investment earnings (losses)	14,029,382
Less investment expense refunds	(261,149)
Net investment earnings (losses)	13,768,233
Total Additions	\$ 22,768,158
<b>Deductions</b>	
Benefits	\$ 10,586,246
Administrative expense	176,103
Total Deductions	\$ 10,762,349
Net Increase (Decrease)	12,005,809
Net position at beginning of year	174,189,297
Net position at end of year	\$ 186,195,106

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
**Notes to the Basic Financial Statements**  
**June 30, 2023**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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### A. Financial Reporting Entity

The City of Rockville (the "City"), was incorporated in 1860. Its legal authority is derived from Article XI E of the State Constitution and Article 23A of the Annotated Code of Maryland. The City has an estimated population of 69,950 and a land area of 13.55 square miles. According to the 2020 census, the City is the fourth largest city in Maryland. The City has operated under the council-manager form of government since 1948. The City is a municipal corporation where the City Council is comprised of a mayor and four at-large council members. Services provided include water, sewer, refuse, parking, streets and stormwater, recreation and parks, police, planning and zoning, and engineering services. Schools, libraries, social services, police, and fire protection are provided by Montgomery County, Maryland (the "County").

For financial reporting purposes, the government-wide financial statements include the various departments governed directly by the Mayor and Council. The City's officials are also responsible for appointing the board of directors of the Rockville Housing Enterprises (RHE), but the City's accountability does not extend beyond making the appointments, therefore the finances of RHE are not included in the financial statements. The City provides financial assistance to Rockville Economic Development, Inc. (REDI), but is not obligated to provide such assistance; however, the finances of REDI are included in the financial statements. The City is the sole member of REDI. In the event of liquidation, all the assets of REDI after the payment of obligations and liabilities will be transferred to the City. Based on the GASB 97 examination, REDI meets the criteria of a component unit of the City and is included in the City's financial statements. REDI's finances are presented as a special revenue fund in the City's financial statements.

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component unit, the entity for which the government is considered financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Rockville Economic Development, Inc. (REDI) was created to manage the City's economic development activities. REDI supports business outreach, expansion, retention, and recruitment programs. REDI is reported as a component unit because the mayor appoints its governing body. REDI is reported as a special revenue fund. Mostly all of the effects of interfund activities have been removed from these statements, see pages 78 and 79 for REDI details. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities. Business-type activities rely significantly on fees and charges for services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, although the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are considered available when they are deemed collectible within the current period or soon thereafter to pay the liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The government reports the following major proprietary funds:

The City operates six major types of enterprise funds: The Water Facility Fund, the Sanitary Sewer Fund, the Refuse Fund, the Parking Fund, the Stormwater Management Fund, and the RedGate Golf Course Fund. These funds account for the provision of water and sewer services, recycling and refuse services and the parking meter program, for residents within the City's service area. The Refuse Fund and RedGate Golf Course Fund do not meet the requirements of a major fund; however, management has elected to report these funds as major. The Refuse Fund accounts for the financial activity associated with the collection and disposal of residential recycling, refuse and yard waste. The RedGate Golf Course Fund accounts for the long-term debt costs for the City's golf course facility. Golf operations at the RedGate property ceased on December 31, 2018, and the RedGate Golf Course Fund is considered closed as of June 30, 2023.

Additionally, the government reports the following fund types:

The City operates four nonmajor governmental funds: The Special Activities Fund, the Community Development Block Grant (CDBG) Fund, and the Automated Speed Enforcement Fund. These funds primarily use donor restricted grants, contributions, and state-earmarked funding to meet specific programmatic needs. Rockville Economic Development, Inc. (REDI) – the blended component unit, primarily uses donor restricted grants and contributions to meet the needs of the City's economic development.

The City's fiduciary fund includes the Pension and OPEB Trust Funds which accounts for the contributions made by the City and its employees to finance future pension and post-employment benefit payments.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements, but interfund services provided and used are not eliminated in the process of consolidation.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments.

## (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, producing goods, and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Facility, Sanitary Sewer, Refuse, and Stormwater Management Funds are charges to customers for sales and services. The Water Facility and Sanitary Sewer funds also recognize the portion of capital contribution charges intended to recover the cost of connecting new customers to the system as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, then unrestricted resources as they are needed.

**D. Budgetary Basis of Accounting**

Annual budgets for governmental and proprietary funds are adopted on a basis consistent with generally accepted accounting principles. The budget for the capital projects fund and capital projects activities in other funds are appropriated on a project-length basis and serve as a guide for the City's financial planning.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a fund. Transfers of appropriations between funds require the approval of the Mayor and Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. Appropriations of all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reappropriated and become part of the subsequent year's budget.

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**1. Deposits and Investments

To facilitate effective management of the City's resources, substantially all operating cash is combined in one pooled account. Cash and cash equivalents include cash on hand, demand deposits and pooled cash. Investments held by the City include commercial paper, U.S. Treasury securities, U.S. Agency securities and mutual funds which are all stated at fair value. The Pension and OPEB Trust Fund assets are separately managed by the City's Retirement Board. The Pension and OPEB Trust Fund investments consist of mutual funds which are stated at fair value. Short-term pooled investments of one year or less which are included as cash equivalents are stated at amortized cost plus accrued interest.

For purposes of the Statement of Cash Flows, the proprietary funds reflect all monies in the City's cash management pool as cash equivalents.

Interest income earned on City investments is allocated among the funds each month pro-rata based on the average equity in pooled cash balances for the previous six months.

2. Property Taxes

Taxes on real property and business personal property are levied on property values as assessed on January 1, billed on July 1, and payable either by September 30 or in two equal installments on September 30 and December 31. Montgomery County bills and collects property taxes for the City and remits the cash collections monthly. Property taxes are attached as an enforceable lien on the underlying properties as of the succeeding June 1 and are, thereafter, sold at public auction if deemed delinquent.

Real and personal property taxes are levied at rates enacted by the Mayor and Council in the annual budget ordinance on the assessed value as determined by the Maryland State Department of Assessments and Taxation. The rate of levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public hearings.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

The real property tax rate was \$0.292 per \$100 of assessed value and the personal property tax rate was \$0.805 per \$100 of assessed value in fiscal year 2023. The City charges taxpayers interest (at the rate of 2/3 of 1 percent per month) and penalty (1 percent per month) on all overdue taxes.

3. Inventories and Prepaid Items

All City inventories (included in other assets in the governmental fund Balance Sheet) are maintained on a consumption basis of accounting and are valued at cost on a first-in, first-out basis and consist of either goods held for resale or goods and materials used in providing services. The classification of fund balance for General Fund inventories is made to reflect the non-spendable nature of those amounts for appropriation in the General Fund. Certain payments to vendors and contingent grants reflect costs applicable to future accounting periods and are recorded as prepaid items under the consumption method in both government-wide and fund financial statements.

4. Restricted Net Position

The Special Activities Fund, the Community Development Block Grant Fund (CDBG), the Automated Speed Enforcement Fund, and Rockville Economic Development Fund (REDI) are used to account for programs for which external funding sources impose requirements and restrictions on the use of funds for a particular purpose.

5. Capital Assets

Capital assets, which include buildings, infrastructure, equipment, furniture and fixtures, vehicles and purchased capacity assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art, and similar assets and capital assets received in a service concession arrangement, are reported at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Assignments of fund balance in the Capital Projects Fund have been made to reflect the authorized capital project appropriations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The City implemented GASB Statement No. 89, Accounting for Interest Costs Incurred before the End of a Construction Period and therefore does not capitalize interest. The capitalization threshold for infrastructure items is \$25,000. GASB Statement No. 34 requires prospective reporting of all infrastructure assets acquired after June 30, 2002. It has also required that all infrastructure assets that were acquired after June 30, 1980 be reported for fiscal years beginning after June 15, 2006. The City is in compliance with this requirement and has capitalized infrastructure assets acquired after June 30, 2002.

Capital assets of the primary government are depreciated over their useful lives using the straight-line method of depreciation in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The following are estimated useful lives:

<u>Description</u>	<u>Lives (Years)</u>
Buildings	30-50
Infrastructure	20-50
Equipment	3-20
Furniture and fixtures	7-10
Automobiles and trucks	5-7
Purchased capacity	50
Right-to-use assets – leases	5-7
Right-to-use assets – SBITAs	5-7

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.



## (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.

6. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the Statement of Net Position reports separate sections for deferred outflows and inflows of resources. Separate financial statement elements represent either a consumption or acquisition of net assets that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources until then. The City has four items that qualify for reporting in these categories. They are the deferred charge on advance refunding reported in the government-wide and proprietary fund Statement of Net Position, the unavailable revenue for property taxes, special assessments, and leases reported in the Governmental Fund Balance Sheet, the deferred outflows and inflows from pension and OPEB activities reported in the government-wide Statement of Net Position, and the deferred inflows from leases reported in the government-wide Statement of Net Position and Proprietary Funds Statement of Net Position. A deferred charge on an advance refunding results from the difference in the carrying value of refunded debt and its reacquisition price. Deferred inflows and outflows from pension and OPEB activities reflect changes in assumptions, differences between actual and expected experience and differences between actual and projected earnings on investments. The deferred inflows from leases reflect the present values of payments expected to be received during the lease term, adjusted for lease payments received at or before the lease commencement dates. Subsequently, the deferred inflows of resources is recognized as revenue over the life of the lease term.

7. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused annual and sick leave benefits. Annual leave and sick leave are accrued when incurred and eligible for pay-out in the government-wide and proprietary financial statements. Sick leave is only eligible for pay-out when an employee is retiring, has elected sick leave pay-out instead of credited service and meets specific age and length of service requirements. An expenditure for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the current period in accordance with GASB Statement No. 65.

In the fund financial statements, the Debt Service Fund recognizes bond premiums and discounts, bond issuance costs, as well as any charges from advance refundings, in the period incurred. The face amount of debt issued is reported net of any bond premiums/discounts.

Commitments of fund balance in the Debt Service Fund have been made in accordance with the City's policy to maintain a minimum cash balance of 10% of average outstanding principal for future debt service appropriations. The City is not restricted by a legal debt limit.

9. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds" or "interfund receivable/payable". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal Balances".

10. Fund Balance

In the fund financial statements, governmental funds report fund balance using classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the purpose for which the funds may be spent. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned. When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

**Nonspendable** - Portion of net resources that cannot be spent either (a) because of their form or (b) because they must be maintained intact.

**Restricted** - Portion of net resources with imposed limitations set by either (a) creditors, grantors, contributors, or the laws and regulations of other governments or (b) laws through constitutional provisions or enabling legislation.

**Committed** - Portion of net resources with imposed limitations set at the highest level of decision making authority. Such authority includes ordinances of the Mayor and Council and the City's Charter. Formal action at the same level of authority is required to remove such limitations.

**Assigned** - Portion of net resources intended for a specific use by the City, as determined by the City Manager, as the designee of the Mayor and Council pursuant to ordinance 12-13.

**Unassigned** - Portion of net resources in excess of the nonspendable, restricted, committed and assigned balances. The General Fund is the only fund that must report a positive unassigned fund balance. In instances where expenditures incurred for a particular purpose exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

11. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net investment in capital assets portion of net position, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets, including any balances from advanced refundings. The portion of net position related to investment in capital assets, is adjusted for unspent debt proceeds of \$16,935,196 attributable to business-type activities. Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The portion of net position restricted for external restrictions imposed by grantors is \$13,408,641, as noted in the government-wide statement of net position. Restricted resources are used first to fund appropriations. When an expense is incurred for which both restricted and unrestricted net position are available, the City will first apply restricted resources.

12. Adoption of New Accounting Standards

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA). This standard requires the recognition of certain SBITA assets and liabilities for subscriptions that previously were classified as operating subscriptions and outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for SBITA accounting based on the foundational principle that SBITAs are financings of the right to use an underlying asset. Under this standard, a subscriber is required to recognize a SBITA liability and an intangible right-to-use SBITA asset. The City adopted the requirements of the guidance effective July 1, 2022 and has applied the provisions of this standard to the beginning of the period of adoption.

## (2) DETAILED NOTES ON ALL FUNDS

## A. Cash, Cash Equivalents and Investments

The City maintains a cash and investment pool that is subject to oversight by the Mayor and Council, but is not subject to regulatory oversight by the Securities and Exchange Commission (SEC). The City's cash and investment pool is available for use by all of the City's funds, except the Fiduciary Funds. The City is restricted by State law to invest only in federally insured banks in the State of Maryland, federally insured savings and loan associations in the State of Maryland, or in the Maryland Local Government Investment Pool (MLGIP). The City invests in the MLGIP, a pooled fund money market for municipalities, which is highly efficient and utilizes a programmed approach to investing. The MLGIP was established under the Annotated Code of Maryland and is rated AAAM by Standard and Poors, their highest rating for money market funds. MLGIP is a 2a7 like pool, which is not registered with the Securities and Exchange Commission (SEC), but generally operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940 (Rule 2a7). Unit value is computed using the amortized cost method. The City maintains other investments in commercial paper, U.S. agency securities, U.S. treasury securities and open end mutual funds which are managed by a third party asset manager. The City's Pension and OPEB Trust Funds are invested in open end mutual funds, which are subject to oversight by the City's Retirement Board. The City's open end mutual funds include equities, fixed income, real estate, global real assets, global tactical asset allocation accounts and money market funds. All investments are reported at fair value.

As of July 1, 2015, the City implemented GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Under this standard, the MLGIP meets the criteria of a qualified external investment pool, thereby allowing the City to report its investments using the amortized cost method. There are no limitations or restrictions on MLGIP withdrawals. Amounts invested in external investment pools of \$71,894,388 are comprised of securities valued using quoted market prices which are then allocated to pool participants to maintain a \$1.00 per unit value.

As of June 30, 2023, the City had the following cash, cash equivalents and investments included as cash and cash equivalents and investments in the Statement of Net Position and the Statement of Fiduciary Net Position.

	Primary Government	Fiduciary Funds	Interest Range
Deposits	\$ 9,223,431	\$ -	0.00%
Maryland Local Government Pool (MLGIP)	71,894,388	-	0.00% - 0.43%
Total Cash and Cash Equivalents	<u>\$ 81,117,819</u>	<u>\$ -</u>	
US Agency Securities	\$ 8,197,701	\$ -	0.15% - 4.40%
US Treasury Securities	22,219,678	-	0.23% - 4.40%
Open-End Mutual Funds	133,402	186,772,110	0.00% - 0.01%
Total Investments	<u>\$ 30,550,781</u>	<u>\$ 186,772,110</u>	
Total	<u>\$ 111,668,600</u>	<u>\$ 186,772,110</u>	

(2) DETAILED NOTES ON ALL FUNDS (CONTINUED)

**A. Equity in Pooled Cash, Cash Equivalents and Investments (Continued)**

Effective July 1, 2015 the City adopted GASB Statement No. 72, Fair Value Measurement and Application. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2023:

Asset Type	Total	Level 1	Level 2	Level 3
<u>Primary Government</u>				
US Agency Securities	8,197,701	-	8,197,701	-
US Treasury Securities	22,219,678	-	22,219,678	-
Open-End Mutual Funds	133,402	133,402	-	-
<u>Fiduciary Funds</u>				
Open-End Mutual Funds	\$ 186,772,110	\$ 79,118,050	\$ 107,654,060	\$ -
<b>Total Investments at Fair Market Value</b>	<b>\$ 217,322,891</b>	<b>\$ 79,251,452</b>	<b>\$ 138,071,439</b>	<b>\$ -</b>

- Amounts invested in open-end mutual funds of \$79,251,452 are comprised of securities valued using quoted market prices (Level 1). These funds are required to publish their daily net asset value (NAV) and to transact at that price.
- Amounts invested in U.S. agency securities of \$8,197,701 are comprised of securities which are priced by industry standard vendors, using observable inputs such as benchmark yields, reported trades broker/dealer quotes, and issuer spreads (Level 2).
- Amounts invested in U.S. treasury securities of \$22,219,678 are comprised of securities valued using quoted market prices of similar, but not identical assets. (Level 2).
- Amounts invested in open-end mutual funds of \$82,593,977 include investments in domestic fixed income securities which are priced by industry standard vendors such as Interactive Data Corporation, using observable inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads (Level 2).
- Amounts invested in open-end mutual funds of \$25,060,083 are comprised of real estate investments valued using observable inputs such as discounted income streams, the current cost of reproducing the real estate, and values indicated by comparable real estate in the market (Level 2).

**Deposits:**

Custodial Credit Risk: Custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be returned. Maryland State Law prescribes that local government units, such as the City, must deposit its cash in banks which transact business in the State of Maryland. Such banks must also secure any deposits exceeding the Federal Depository Insurance Corporation insurance levels with collateral whose market value is at the least equal to 102% of the deposits. As of June 30, 2023, the City’s bank balance was \$7,900,862, all of which were either covered by federal depository insurance or covered by collateral held in the pledging banks trust department in the City’s name.

Foreign Currency Risk: Foreign currency risk, also known as exchange rate risk, is the financial risk arising from fluctuations in the value of a base currency against a foreign currency in which deposits are held. As of June 30, 2023 the City does not maintain deposits in foreign currencies and is not exposed to foreign currency risk.

(2) DETAILED NOTES ON ALL FUNDS (CONTINUED)

**A. Equity in Pooled Cash, Cash Equivalents and Investments (Continued)**

**Investments:**

Credit Risk: The Mayor and Council of Rockville recognize that their authority to invest the public funds of the City derives from Section 6-222a of the State of Maryland’s Finance and Procurement Article, as well as Article 95, Section 22-22N of the Annotated Code of Maryland. Authority to invest City funds in compliance and provisions of these State statutes is delegated to the Director of Finance. All City investments must receive the highest letter and numerical rating from at least one nationally recognized statistical rating organization, except for obligations which are backed by the full credit of the U.S. Government, obligations of federal agencies, or an instrument that has been issued in accordance with acts of Congress and unrated. Investments in commercial paper must receive the highest letter and numerical rating from at least two nationally recognized statistical rating organizations. The Pension and OPEB Trust funds are invested in open-end pooled mutual funds, which are unrated.

At June 30, 2023 the City and its Fiduciary Funds held cash equivalents and investments which were exposed to credit risk with the following ratings:

Cash Equivalents and Investments	S&P Rating	Total
Maryland Local Government Pool (MLGIP)	AAAm	\$ 71,894,388
US Agency Securities	AA+	8,197,701
US Treasury Securities	AA+	22,219,678
Open-End Mutual Funds	Unrated	186,905,512

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is minimized due to the fact that all authorized investments have a maximum allowable maturity of five years from the date of purchase as stated in section XII of the City's investment policy. The MLGIP pooled money market funds and open-end mutual funds are highly liquid with no fixed maturity and therefore do not expose the City to interest rate risk. As of June 30, 2023, the cash equivalents and investments of the City and its Fiduciary Funds had the following maturities:

Cash Equivalents and Investments	Total	Maturity				
		<1 year	1-2 years	2-3 years	3-4 years	4-5 years
Maryland Local Government Pool (MLGIP)	\$ 71,894,388	\$ 71,894,388	\$ -	\$ -	\$ -	\$ -
US Agency Securities	8,197,701	-	5,736,322	1,440,656	1,020,723	-
US Treasury Securities	22,219,678	1,020,824	6,738,537	9,561,495	1,552,131	3,346,691
Open-End Mutual Funds	186,905,512	186,905,512	-	-	-	-

Concentration of Credit Risk: Concentration of credit risk is the risk of losses associated with the City's investment in a single issuer. To reduce these risks the City's investment policy establishes the following limits: U.S. obligations backed by full faith and credit - 100%; federal agency obligations - 100% total, no more than 35% per federal agency issuer; repurchase agreements - 35% total; bankers' acceptances - 35% total; commercial paper - 10% total; money market mutual funds - 100%; Maryland local government investment pool - 100%.

At June 30, 2023 the City had \$22,219,678 of U.S. Treasury securities and \$8,197,701 of U.S. Agency securities which exceeded 5% of the City's total portfolio.

Custodial Credit Risk: Custodial credit risk for investments is the risk that in the event of failure of a depository financial institution or counterparty to a transaction, the City will not recover the value of deposits, investments or collateral securities that are in the possession of an outside party. The City is not exposed to custodial credit risk at June 30, 2023.

Foreign Currency Risk: Foreign currency risk, also known as exchange rate risk, is the financial risk arising from fluctuations in the value of a base currency against a foreign currency in which investments are held. As of June 30, 2023 the City does not maintain investments denominated in foreign currencies and is not exposed to foreign currency risk.

(2) DETAILED NOTES ON ALL FUNDS (CONTINUED)

**B. Receivables / Unearned Revenues / Deferred Inflows of Resources**

Receivables as of the year ended June 30, 2023 for all of the City’s individual funds were as follows:

Receivables	General	Debt Service	Capital Projects	Other Governmental Funds	Governmental Activities Total
Property Taxes Receivable	\$ 1,580,038	\$ -	\$ -	\$ -	\$ 1,580,038
Accounts Receivable	983,090	-	45,565	365,054	1,393,709
Due from Other Governments	2,189,349	-	-	195,493	2,384,842
Loans Receivable					
REL P One, L.P.	120,000	-	-	-	120,000
Other Receivables	158,599	6,644	23,701	472,319	661,263
Lease Receivables	2,071,405	-	-	-	2,071,405
Unbilled Assessments Receivable	-	73,573	-	-	73,573
Gross Receivables	7,102,481	80,217	69,266	1,032,866	8,284,830
Allowance for Uncollectibles	(1,022,175)	-	-	-	(1,022,175)
Net Receivables	\$ 6,080,306	\$ 80,217	\$ 69,266	\$ 1,032,866	\$ 7,262,655

Receivables	Water	Sewer	Refuse	Parking	Stormwater Management	Business-type Activities Total
Billed / Unbilled Accounts	\$ 2,949,894	\$ 3,826,968	\$ 27,098	\$ -	\$ 283,549	\$ 7,087,509
Accounts Receivable	-	-	-	321,060	-	321,060
Other Receivables	56,946	41,052	15,244	5,919	43,210	162,371
Gross Receivables	3,006,840	3,868,020	42,342	326,979	326,759	7,570,940
Allowance for Uncollectibles	(7,196)	(12,835)	-	(124,967)	-	(144,998)
Net Receivables	\$ 2,999,644	\$ 3,855,185	\$ 42,342	\$ 202,012	\$ 326,759	\$ 7,425,942

Other Receivables includes balances for interest and investment earnings receivable.

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$1,167,173 at June 30, 2023, and is composed of the following:

General Fund property taxes receivable	\$ 1,022,175
Enterprise Funds utility fees receivable	20,031
Enterprise Funds parking citations receivable	124,967
Total allowance for uncollectibles	\$ 1,167,173

## (2) DETAILED NOTES ON ALL FUNDS (CONTINUED)

**B. Receivables / Unearned Revenues / Deferred Inflows of Resources (Continued)**

Governmental funds report deferred inflows in connection with receivables for revenues that are considered to be unavailable to liquidate liabilities of the current period. Governmental funds also postpone revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows and unearned revenue in the governmental funds were as follows:

	Deferred	Unearned
Property taxes receivable (General Fund)	\$ 73,573	\$ -
Deferred inflows from leases (General Fund)	557,863	-
Recreation services not earned (General Fund)	1,971,753	-
Deferred inflows from opioid (Special Activities Fund)	938,300	-
Total deferred/unearned revenue for governmental funds	-	2,268,372
	<u>\$ 3,541,489</u>	<u>\$ 2,268,372</u>

The City has the following loans receivable which are noncurrent assets:

REL P One, L.P. - The loan in the total amount of \$120,000 was issued on June 12, 2003 to REL P One, L.P. The loan bears no interest. The loan is secured by a Second Deed of Trust, Security Agreement and Assignment of Rents dated June 12, 2003. The maturity date is June 30, 2043. The loan is recorded in the General Fund. The outstanding balance was \$120,000 as of June 30, 2023.

**C. Prepaid Items**

The City participated with the County by providing a contingent grant award, as an economic development initiative for Choice Hotels International, Inc., for the purpose of attracting business activity to the City. The grant has performance requirements, when if met, will initiate the City's recognition of the grant expenditure. If the performance requirements are not met, the contingent grant will convert to a loan receivable and bear interest at 3% per annum. The performance period for the contingent grant award of \$156,000 to Choice Hotels International, Inc. will conclude in August 2023. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. At June 30, 2023, prepaid items in the General Fund consisted of \$156,000 for the contingent grant award to Choice Hotels International, Inc.

## (2) DETAILED NOTES ON ALL FUNDS (CONTINUED)

## D. Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 11,544,482	\$ -	\$ -	\$ 1,093,041	\$ 12,637,523
Construction in progress	16,976,137	6,632,517	-	(13,132,006)	10,476,648
Total capital assets, not being depreciated	\$ 28,520,619	\$ 6,632,517	\$ -	\$ (12,038,965)	\$ 23,114,171
Capital assets, being depreciated/amortized:					
Buildings	86,470,406	-	-	1,367,398	87,837,804
Right-to-use leased assets	2,311,026	599,569	-	-	2,910,595
Right-to-use SBITAs	-	4,084,930	-	-	4,084,930
Improvements other than buildings	45,195,575	1,438,183	-	5,193,650	51,827,408
Equipment	27,625,861	1,038,983	(1,846,931)	-	26,817,913
Infrastructure	261,567,950	5,558,691	-	9,178,347	276,304,988
Total capital assets being depreciated/amortized	\$ 423,170,818	\$ 12,720,356	\$ (1,846,931)	\$ 15,739,395	\$ 449,783,638
Less accumulated depreciation/amortization for:					
Buildings	(31,645,849)	(2,192,031)	-	-	(33,837,880)
Right-to use leased assets	(418,196)	(571,521)	-	-	(989,717)
Right-to-use SBITAs	-	(1,120,541)	-	-	(1,120,541)
Improvements other than buildings	(15,548,023)	(2,111,249)	-	(2,327,718)	(19,986,990)
Equipment	(21,568,332)	(1,249,630)	1,846,931	-	(20,971,031)
Infrastructure	(156,203,558)	(5,589,993)	-	-	(161,793,551)
Total accumulated depreciation	\$ (225,383,958)	\$ (12,834,965)	\$ 1,846,931	\$ (2,327,718)	\$ (238,699,710)
Total capital assets, being depreciated/amortized, net	197,786,860	(114,609)	-	13,411,677	211,083,928
Governmental activities capital assets, net	\$ 226,307,479	\$ 6,517,908	\$ -	\$ 1,372,712	\$ 234,198,099
<b>Business-Type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 2,058,940	\$ -	\$ -	\$ (1,093,041)	\$ 965,899
Construction in progress	5,115,767	4,808,773	-	-	9,924,540
Total capital assets, not being depreciated	\$ 7,174,707	\$ 4,808,773	\$ -	\$ (1,093,041)	\$ 10,890,439
Capital assets, being depreciated/amortized:					
Buildings	32,328,917	-	-	-	32,328,917
Right-to-use leased assets	302,423	336,908	-	-	639,331
Right-to-use SBITAs	-	39,317	-	-	39,317
Improvements other than buildings	245,143,594	4,832,120	-	(2,607,389)	247,368,325
Equipment	12,322,843	1,427,694	(303,334)	-	13,447,203
Purchased capacity	15,279,453	-	-	-	15,279,453
Total capital assets being depreciated/amortized	\$ 305,377,230	\$ 6,636,039	\$ (303,334)	\$ (2,607,389)	\$ 309,102,546
Less accumulated depreciation/amortization for:					
Buildings	(11,795,680)	(725,954)	-	-	(12,521,634)
Right-to-use leased assets	(51,771)	(112,067)	-	-	(163,838)
Right-to-use SBITAs	-	(11,233)	-	-	(11,233)
Improvements other than buildings	(128,080,008)	(9,473,028)	-	2,327,718	(135,225,318)
Equipment	(9,607,743)	(573,321)	303,334	-	(9,877,730)
Purchased capacity	(6,334,131)	(305,589)	-	-	(6,639,720)
Total accumulated depreciation	\$ (155,869,333)	\$ (11,201,192)	\$ 303,334	\$ 2,327,718	\$ (164,439,473)
Total capital assets, being depreciated/amortized, net	149,507,897	(4,565,153)	-	(279,671)	144,663,073
Business-type activities capital assets, net	\$ 156,682,604	\$ 243,620	\$ -	\$ (1,372,712)	\$ 155,553,512



(2) DETAILED NOTES ON ALL FUNDS (CONTINUED)

**D. Capital Assets (Continued)**

Depreciation and amortization expense were charged to functions/programs of the City as follows:

Governmental Activities:		
General Government		\$ 6,167,305
Public Safety		421,788
Public Works		6,121,543
Recreation and Parks		124,329
Total depreciation expense - governmental activities		<u>\$ 12,834,965</u>
Business-Type Activities:		
Water		\$ 3,652,943
Sewer		5,306,645
Refuse		393,702
Parking		711,356
Stormwater Management		1,104,863
RedGate Golf Course		31,683
Total depreciation expense - business-type activities		<u>\$ 11,201,192</u>

**E. Interfund Payables and Transfers**

The interfund payables from various funds represent operating advances that are payable to the General Fund within one year. The interfund payables as of June 30, 2023 consisted of \$22,097 payable from the CDBG Fund.

The interfund transfers are used to provide resources from the General Fund to other funds and occur in the normal course of business. Interfund transfers for the year ended June 30, 2023 consisted of the following:

	Transfers in:					Total
	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Enterprise Funds	
Transfers out:						
General Fund	\$ -	\$ 14,207,000	\$ 4,450,000	\$ 1,790,060	\$ 1,267,435	\$ 21,714,495
Enterprise Funds	4,163,900	-	-	-	-	4,163,900
Total	<u>\$ 4,163,900</u>	<u>\$ 14,207,000</u>	<u>\$ 4,450,000</u>	<u>\$ 1,790,060</u>	<u>\$ 1,267,435</u>	<u>\$ 25,878,395</u>

During the fiscal year, the City made the following transfers:

- 1) A transfer of \$4,450,000 from the General Fund to the Debt Service Fund to support repayment of general obligation bonds and loans.
- 2) \$14,207,000 from the General Fund to the Capital Projects Fund to provide pay-as-you-go funding for planned capital outlay.
- 3) A total of \$1,267,435 to the Enterprise Funds to provide payment for refuse services used by RHE properties, support the close of RedGate Golf Course Fund, and support repayment of general obligation bonds for the Parking Fund.
- 4) A total of \$1,790,060 transfer to the Special Activities Fund and REDI to support various arts, community assistance and senior programs, as well as the economic development of the City.
- 5) A transfer of \$4,163,900 from various enterprise funds to provide payment for General Fund administrative support.

Administrative functions of the City’s water and sewer utility operations are maintained in the Water Fund. During the year ended June 30, 2023 the Sewer Fund transferred \$352,160 to the Water Fund in order to cover their share of operational expenses.

## (2) DETAILED NOTES ON ALL FUNDS (CONTINUED)

## F. Long-Term Debt

General Obligation Bonds and Loans Payable

General obligation bonds provide funds for the acquisition and construction of major capital assets and are direct city obligations in which the full faith and credit of the government is pledged. These bonds generally are issued as 10-30 year serial bonds with equal amounts of principal maturing each year. When preferential interest rates exist, the City will issue refunding bonds to refinance outstanding general obligation bonds. Loans payable represent direct borrowings due to other government entities in connection with specific intergovernmental activities and initiatives. These loans are not secured with any collateral and are not subject to any special terms related to events of default, termination events or escalation clauses. As of June 30, 2023, the City has one unused line of credit of \$653,953 through the Maryland Department of the Environment. General obligation bonds and loans payable which were outstanding at June 30, 2023 are as follows:

	Year of Issuance	Outstanding Principal	Interest Rate Range	Year of Final Maturity
<b>Governmental Activities</b>				
General Improvements - Refunding 2014A	2014	501,269	2.00 - 5.00%	2024
General Improvements - Refunding 2015A	2015	1,231,736	4.00 - 5.00%	2025
General Improvements - 2016A	2016	715,000	2.00 - 3.00%	2036
General Improvements - Advance Refunding 2016B	2016	1,818,424	2.00 - 5.00%	2028
General Improvements - 2017A	2017	3,785,000	4.00%	2037
General Improvements - 2019A	2019	5,125,000	2.00 - 5.00%	2039
General Improvements - Refunding 2020A	2020	5,355,000	1.90%	2031
General Improvements - Advance Refunding 2020C	2020	640,000	1.00 - 1.70%	2025
Total Governmental Activities		<u>\$ 19,171,429</u>		
<b>Business-Type Activities</b>				
Loan Payable - State of Maryland	2005	145,327	0.00%	2025
Loan Payable - State of Maryland	2010	344,147	1.00%	2031
General Improvements - Refunding 2014A	2014	118,731	2.00 - 5.00%	2024
General Improvements - Refunding 2015A	2015	928,263	4.00 - 5.00%	2025
General Improvements - 2015B	2015	6,300,000	2.00 - 5.00%	2036
General Improvements - 2016A	2016	3,315,000	2.00 - 3.00%	2036
General Improvements - Advance Refunding 2016B	2016	3,166,577	2.00 - 5.00%	2028
General Improvements - 2017A	2017	3,330,000	4.00%	2037
General Improvements - 2019A	2019	6,725,000	2.00 - 5.00%	2039
General Improvements - Advance Refunding 2019B	2019	23,730,000	2.55 - 3.00%	2036
General Improvements - Refunding 2020A	2020	3,840,000	1.90%	2031
General Improvements - 2020B	2020	15,855,000	1.00 - 5.00%	2040
General Improvements - Advance Refunding 2020C	2020	19,315,000	1.00 - 1.70%	2035
General Improvements - 2022A	2022	10,980,000	2.95 - 4.17%	2042
Total Business-Type Activities		<u>\$ 98,093,045</u>		

The City anticipates that all amounts required for payment of interest and principal on business-type activities debt will be provided from the respective fund's revenues; however, the bonds are further secured by the full faith and credit and unlimited taxing power of the City.

## (2) DETAILED NOTES ON ALL FUNDS (CONTINUED)

## F. Long-Term Debt (Continued)

Unamortized bond premiums are reported with outstanding principal for governmental and business-type activities. The long-term outstanding debt payable consists of the following:

	Governmental Activities	Business-Type Activities
Long-term outstanding debt	\$ 19,171,429	\$ 98,093,045
Unamortized bond premiums	1,744,071	5,625,065
Long-term outstanding debt, net	<u>\$ 20,915,500</u>	<u>\$ 103,718,110</u>

The City's future payments of long-term debt are as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-Type Activities			
	Bonds		Bonds		Loans from Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	3,246,802	635,453	8,448,197	2,891,478	123,741	3,442
2025	2,732,537	532,286	8,337,466	2,632,382	124,251	2,930
2026	1,791,970	434,344	7,668,030	2,372,400	52,105	2,414
2027	1,780,120	370,520	7,579,880	2,136,486	52,626	1,894
2028	1,310,000	306,821	7,300,001	1,898,603	53,152	1,368
2029-2033	5,140,000	951,725	33,184,999	6,363,849	83,599	1,136
2034-2038	2,850,000	311,781	20,509,998	2,173,546	-	-
2039-2042	320,000	10,000	4,575,000	300,797	-	-
<b>Total</b>	<u>\$ 19,171,429</u>	<u>\$ 3,552,930</u>	<u>\$ 97,603,571</u>	<u>\$ 20,769,541</u>	<u>\$ 489,474</u>	<u>\$ 13,184</u>

Note: Principal amounts do not include net unamortized bond premiums of \$1,744,071 for governmental activities and \$5,625,065 for business-type activities.

(2) DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Debt (Continued)

The City’s future payments of long-term debt for governmental activities are as follows:

Governmental Activities			
Fiscal Year Ending June 30,	Principal	Interest	Total Principal and Interest
2024	3,246,802	635,453	3,882,255
2025	2,732,537	532,286	3,264,823
2026	1,791,970	434,344	2,226,314
2027	1,780,120	370,520	2,150,640
2028	1,310,000	306,821	1,616,821
2029	1,295,000	266,321	1,561,321
2030	1,285,000	226,104	1,511,104
2031	1,270,000	186,076	1,456,076
2032	645,000	146,531	791,330
2033	645,000	126,094	770,894
2034	645,000	105,255	750,056
2035	645,000	83,950	728,750
2036	645,000	62,575	707,375
2037	595,000	40,600	635,600
2038	320,000	20,000	340,000
2039	320,000	10,000	330,000
<b>Total</b>	<b>\$ 19,171,429</b>	<b>\$ 3,552,930</b>	<b>\$ 22,723,359</b>

Note: Principal amounts do not include net unamortized bond premiums of \$1,744,071 for governmental activities.

(2) DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long-Term Debt (Continued)

The City's future payments of long-term debt for business-type activities are as follows:

Fiscal Year Ending June 30,	Business-Type Activities										Total Principal and Interest
	Water Facility		Sanitary Sewer		Refuse		Parking		Stormwater Management		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2024	2,805,640	1,080,396	3,712,557	1,018,967	90,000	7,994	1,530,000	671,122	433,741	116,441	11,466,858
2025	2,794,330	978,868	3,568,134	918,996	95,000	4,394	1,575,000	625,223	429,252	107,831	11,097,028
2026	2,616,233	879,494	3,211,798	815,827	95,000	2,256	1,620,000	577,972	177,105	99,265	10,094,950
2027	2,603,476	788,098	3,176,403	728,416	-	-	1,675,000	529,372	177,626	92,494	9,770,885
2028	2,574,188	695,000	2,880,813	640,130	-	-	1,720,000	479,123	178,152	85,718	9,253,124
2029-2033	10,006,048	2,309,579	13,193,952	2,089,651	-	-	9,365,000	1,636,620	703,599	329,135	39,633,584
2034-2038	6,648,291	949,637	7,016,707	692,218	-	-	6,245,000	354,991	600,000	176,700	22,683,544
2039-2042	2,605,000	182,192	1,490,000	72,555	-	-	-	-	480,000	46,050	4,875,797
<b>Total</b>	<b>\$ 32,653,206</b>	<b>\$ 7,863,264</b>	<b>\$ 38,250,364</b>	<b>\$ 6,976,760</b>	<b>\$ 280,000</b>	<b>\$ 14,644</b>	<b>\$ 23,730,000</b>	<b>\$ 4,874,423</b>	<b>\$ 3,179,475</b>	<b>\$ 1,053,634</b>	<b>\$ 118,875,770</b>

Note: Principal amounts do not include net unamortized bond premiums of \$5,625,065 for business-type activities.

(2) DETAILED NOTES ON ALL FUNDS (CONTINUED)

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**F. Long-Term Debt (Continued)**

Loans Payable

A non-interest bearing loan for \$1,381,600 was awarded to the City from the State of Maryland in September 2005 for the restoration of Wootton Mill Park Stream. At June 30, 2023 the outstanding loan payable in the Stormwater Management Fund is \$145,327.

A loan was awarded to the City for \$998,100 from American Recovery and Reinvestment Act (ARRA) Funds through Maryland Department of the Environment (MDE) in December 2009. This is a revolving loan with a 1.00% interest rate that was awarded to the City for improvements to Woodley Gardens Park; of which \$344,147 remained outstanding in the Stormwater Management Fund as of June 30, 2023.

Conduit Debt Obligations

From time to time, the City may issue Economic Revenue Development Bonds to provide financial assistance to non-profit 501(c)3 entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Neither the City, the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2023, there are Economic Development Revenue Bonds outstanding with National Lutheran Home & Village at Rockville, Inc. with a principal amount payable of \$18,625,000 and with King Farm Presbyterian Retirement Community, Inc. with a principal amount payable of \$131,990,000.

Debt Issuance

During the fiscal year, the City issued General Obligation Bonds, Series 2022A, in a total amount of \$12,348,514, including premiums of \$783,514, which includes the discount, for the purpose of financing certain capital projects in the Water Fund, the Sewer Fund and the Stormwater Management Fund.

## (2) DETAILED NOTES ON ALL FUNDS (CONTINUED)

## F. Long-Term Debt (Continued)

## Changes in Long-Term Liabilities

The following is a summary of changes in the City's governmental activities long-term liabilities and business-type activities long term liabilities for the year ended June 30, 2023:

	Balance as of 6/30/22	Additions	Reductions	Balance as of 6/30/23	Due within One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 22,876,804	\$ -	\$ (3,705,375)	\$ 19,171,429	\$ 3,246,802
Unamortized bond premiums	2,059,027	-	(314,956)	1,744,071	274,305
Accrued obligations for compensated absences	5,782,986	2,459,252	(1,942,049)	6,300,189	4,599,138
Leases payable	1,906,934	706,094	(663,420)	1,949,608	614,780
SBITAs payable *	-	4,084,930	(1,505,742)	2,579,187	1,342,847
Claims payable	2,383,109	613,461	(693,390)	2,303,180	875,208
Net pension liability	26,575,626	12,972,708	(14,414,889)	25,133,445	-
Net OPEB liability/(Asset)	(127,941)	928,539	(959,450)	(158,852)	-
Governmental activities long-term liabilities	<u>\$ 61,456,545</u>	<u>\$ 21,764,983</u>	<u>\$ (24,199,271)</u>	<u>\$ 59,022,257</u>	<u>\$ 10,953,080</u>
<b>Business-Type Activities</b>					
General obligation bonds and loans					
Water facility fund	\$ 28,461,611	\$ 7,215,000	\$ (3,023,405)	\$ 32,653,206	\$ 2,805,640
Sanitary sewer fund	40,212,779	1,900,000	(3,862,415)	38,250,364	3,712,557
Refuse fund	375,000	-	(95,000)	280,000	90,000
Parking fund	25,220,000	-	(1,490,000)	23,730,000	1,530,000
Stormwater management fund	1,167,710	2,450,000	(438,235)	3,179,475	433,741
RedGate golf course fund	21,841	-	(21,841)	-	-
Unamortized bond premiums	5,439,914	731,471	(546,320)	5,625,065	532,996
Leases payable	251,611	228,159	-	479,770	130,255
SBITAs payable	-	26,432	-	26,432	12,942
Accrued obligations for compensated absences	1,018,181	602,138	(548,277)	1,072,042	782,591
Business-type activities long-term liabilities	<u>\$ 102,168,647</u>	<u>\$ 13,153,200</u>	<u>\$ (10,025,493)</u>	<u>\$ 105,296,354</u>	<u>\$ 10,030,722</u>

\* The City implemented GASB 96-SBITA effective July 1, 2022. Fiscal year 2023 proceeds from other financing sources for governmental activities had a total of \$1,707,026. The total long-term SBITA liability amounted to \$4,084,930.

## G. Leases – City as a Lessor

The City is a lessor for a noncancellable lease of a water storage tank and a communication tower in its Water Facility Fund. The City reports a lease receivable of \$1,426,281 and a deferred inflows of resources of \$1,361,392 in the Water Facility Fund. The lease has a discount rate of 1.94% for the water storage tank and 2.15% for the communication tower. The leases provide for two renewal options, each for 60 months.

(2) DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Leases – City as a Lessor (Continued)

The City is also a lessor for a noncancellable lease of several parking garages in its Parking Fund. The City reports a lease receivable of \$8,524,373 and a deferred inflows of resources in the amount of \$8,539,678 in its Parking Fund. The lease has a discount rate of 2.43%.

The City, acting as lessor, leases several properties, including the Arts and Innovation Center to VisArts, the communication facilities, as well as telecommunication facility in its General Fund. The value of the deferred inflow of resources as of June 30, 2023 was \$1,971,753. The lease receivable as of June 30, 2023 was \$2,071,405. The discount rate for the lease of art facility is 2.34% and the lease has three extensions, each for 60 months. The discount rate for the lease of communication facility at Avery Road is 1.87% and the lease has two extensions, each for 60 months. The discount rate for the lease of communication facility at Lake Frank is 2.22% and the lease has three extensions, each for 60 months. The discount rate for the lease of telecommunication monopole facility is 0.81%.

The leases receivable and deferred inflows from leases are recognized in the government-wide financial statements.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Total future minimum lease payments to be received under lease agreements are as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-Type Activities		Total
	Leases		Leases		
	Principal	Interest	Principal	Interest	
2024	\$ 102,799	\$ 43,266	\$ 200,815	\$ 236,081	\$ 582,962
2025	109,055	41,681	208,174	231,427	590,337
2026	79,477	40,083	215,779	226,608	561,947
2027	68,356	38,695	223,637	221,620	552,308
2028	73,567	37,206	230,403	216,130	557,306
2029-2033	440,590	160,229	1,282,292	997,125	2,880,236
2034-2038	492,625	107,722	1,451,262	839,857	2,891,466
2039-2043	393,762	58,556	1,155,223	687,284	2,294,825
2044-2048	311,173	15,414	1,182,262	551,382	2,060,231
2049-2053	-	-	1,332,735	400,910	1,733,645
2054-2058	-	-	1,502,358	231,286	1,733,644
2059-2061	-	-	965,714	6,967	972,681
<b>Total</b>	<b>\$ 2,071,405</b>	<b>\$ 542,853</b>	<b>\$ 9,950,654</b>	<b>\$ 4,846,677</b>	<b>\$ 17,411,588</b>

H. Leases – City as a Lessee

The City is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. The City uses its estimated incremental borrowing rate as the discount rate. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City is a lessee for a noncancellable lease of vehicles. In the Water Facility Fund, the City reports intangible right-to-use assets (net lease assets) of \$193,383. The discount rate is 0.98%. The total lease liability at June 30, 2023 was \$193,685.

The City is a lessee for a noncancellable lease of vehicles. In the Sanitary Sewer Fund, the City reports intangible right-to-use assets (net lease assets) of \$66,045. The discount rate is 0.98%. The total lease liability at June 30, 2023 was \$66,846.



## (2) DETAILED NOTES ON ALL FUNDS (CONTINUED)

**H. Leases – City as a Lessee (Continued)**

The City is a lessee for a noncancellable lease of vehicles. In the Refuse Fund, the City reports intangible right-to-use assets (net lease assets) of \$26,712. The discount rate is 0.65%. The total lease liability at June 30, 2023 was \$26,902.

The City is a lessee for a noncancellable lease of vehicles. In the Parking Fund, the City reports intangible right-to-use assets (net lease assets) of \$110,540. The discount rate ranges from 0.81% to 0.98%. The total lease liability at June 30, 2023 was \$112,610.

The City is a lessee for a noncancellable lease of vehicles. In the Stormwater Management Fund, the City reports intangible right-to-use assets (net lease assets) of \$78,813. The discount rate ranges from 0.81% to 0.98%. The total lease liability at June 30, 2023 was \$79,727.

The City is a lessee for noncancellable lease of vehicles, copiers and parking spaces. During fiscal year 2023, the City recognized a total of \$706,094 as other financing sources in the General Fund. These other financing sources include the current year vehicle leases.

The City, acting as lessee, had a total net right to use lease asset for \$1,920,878 for governmental activities, and \$475,493 for business-type activities in the government-wide financial statements.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

The future minimum lease payments under lease agreements are as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-Type Activities		Total
	Leases		Leases		
	Principal	Interest	Principal	Interest	
2024	\$ 614,780	\$ 25,082	\$ 130,255	\$ 8,509	\$ 778,626
2025	549,963	16,458	129,623	6,155	702,198
2026	361,534	9,757	113,371	3,814	488,475
2027	246,478	4,697	84,216	1,729	337,119
2028	91,956	947	22,306	705	115,914
2029-2032	84,898	601	-	-	85,499
<b>Total</b>	<b>\$ 1,949,608</b>	<b>\$ 57,542</b>	<b>\$ 479,770</b>	<b>\$ 20,912</b>	<b>\$ 2,507,832</b>

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class.

	Governmental Activities	Business-Type Activities
Equipment	2,910,595	639,331
Less: accumulated amortization	(989,717)	(163,838)
	<b>\$ 1,920,878</b>	<b>\$ 475,493</b>

(2) DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. SBITAs

The City has entered into subscription based-information technology arrangements (SBITAs) for various IT software and financial software. The SBITA arrangements expire at various dates through 2027 and provide for renewal options.

As of June 30, 2023, the SBITA assets and related accumulated amortization totaled \$4,124,247 and \$1,131,774, respectively.

The future subscription payments under SBITA agreements are as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-Type Activities		Total
	SBITAs		SBITAs		
	Principal	Interest	Principal	Interest	
2024	\$ 1,342,847	\$ 64,915	\$ 12,942	\$ 558	\$ 1,421,262
2025	574,996	33,472	13,490	285	622,243
2026	325,890	19,417	-	-	345,307
2027	335,455	9,852	-	-	345,307
2028	-	-	-	-	-
2029-2032	-	-	-	-	-
<b>Total</b>	<b>\$ 2,579,187</b>	<b>\$ 127,656</b>	<b>\$ 26,432</b>	<b>\$ 843</b>	<b>\$ 2,734,118</b>

	Governmental Activities	Business-Type Activities
Software	4,084,930	39,317
Less: accumulated amortization	(1,120,541)	(11,233)
	<b>\$ 2,964,389</b>	<b>\$ 28,084</b>

J. Fund Balance and Net Position

The City has classified portions of its governmental fund balance as nonspendable, which reflects the nonspendable form of the assets. At June 30, 2023 total nonspendable fund balance is \$1,091,383.

At June 30, 2023 the City had a net position deficit in the Parking Fund of \$2,947,019. This will continue until the long-term debt from the construction of the parking garages is repaid.

(3) OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and employee health benefits. The City carries insurance for worker’s compensation, comprehensive general, automobile and professional liability, fire and theft, and the liability for errors, omissions and other selected areas that require coverage.

Beginning July 1, 2011, the City became partially self-insured with respect to worker’s compensation. City management believes it is more economical to manage its risks internally and set aside assets for claim settlements. The City has a Self-Insured Retention (SIR) of \$500,000 per claim with an aggregate retention of \$2,200,000 for the policy year. The worker’s compensation claims payable of \$2,303,180 reported at June 30, 2023 includes all claims for which information prior to the issuance of the financial statements indicates that it was probable that a liability had been incurred and that the loss could be reasonably estimated. Changes in the claims liability amounts for the current and previous year are as follows:

Fiscal Year	Beginning of the Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2022	\$ 2,328,963	\$ 801,441	\$ (747,295)	\$ 2,383,109
2023	\$ 2,383,109	\$ 613,461	\$ (693,390)	\$ 2,303,180

## (3) OTHER INFORMATION (CONTINUED)

**A. Risk Management (Continued)**

The City continues to carry commercial insurance for employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**B. Tax Abatements**

The City enters into property tax abatement arrangements in the form of agreements with specific entities and special tax credit programs when authorized by the Mayor and Council. For fiscal year ended June 30, 2023, while maintaining the same tax rate, the City abated property taxes totaling \$77,380, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- Fireside Park Apartments makes payments in lieu of taxes (PILOT) under a waiver agreement in support of affordable housing within the City. The abatement amounted to \$50,500.
- In support of affordable housing within the City, an agreement with Rockville Housing Enterprise's subsidiary RELP, exempts certain properties from property tax. The abatement amounted to \$21,500.

**C. Commitments and Contingent Liabilities**Washington Suburban Sanitary Commission (WSSC)

The City has an agreement with WSSC that includes shared responsibility for upgrades and enhancements to the Blue Plains Waste Water Treatment Plant. Through June 30, 2023, the City had paid \$85,768,585 as its share of the construction costs of the treatment facility and the related sewer transmission lines, which were recorded in capital assets. The City's remaining contribution through the completion of the project is estimated to be \$14,132,062 for treatment capacity. The City intends to issue bonds to fund most of these costs.

The City has no direct ongoing equity interest in WSSC's assets and liabilities. Furthermore, the City has no significant influence over the management of the treatment facilities. Accordingly, the City does not record this contractual arrangement as a joint venture.

In addition to the capacity cost described above, WSSC charges the City a portion of its operating costs for treatment of sewage. The City accrues an amount for these charges each year based on its best estimate of usage. Adjustments to the accrued charges, which result from subsequent billings by WSSC, are recorded in the period during which the City receives the final bill.

Litigation

The City is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operations. The total number of pending lawsuits and claims not covered by insurance nor expressly provided in these statements will not have an adverse impact on the City's financial condition.

Encumbrances

As discussed in Note (1)D, Budgetary Basis of Accounting, encumbrance accounting is utilized to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

	Encumbrances
General Fund	\$ 2,367,035
Other Governmental Funds	245,991
Total	<u>\$ 2,613,026</u>

### (3) OTHER INFORMATION (CONTINUED)

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#### C. Commitments and Contingent Liabilities (Continued)

##### American Rescue Plan Act (ARPA)

The City received \$9.6 million – ARPA allocation. According to the current guidance from the United States Department of Treasury (U.S. Treasury), ARPA fund obligations need to be made by December 31, 2024 (mid-FY 2025) and spent by December 31, 2026 (mid-FY 2027).

The U. S. Treasury’s guidance defines the eligible uses for the ARPA funds. The broad categories of eligible uses include revenue replacement for the provision of government services to the extent that there was a reduction in revenue due to the COVID-19 public health emergency; premium pay for essential workers; public health expenditures for COVID-19 mitigation efforts, medical expenses, and behavioral healthcare; assistance to small businesses, households, and hard-hit industries; and infrastructure investment in water, sewer, and broadband. The U.S. Treasury guidance contains two restrictions on eligible uses: 1) funds cannot be used to directly/indirectly offset tax reductions or delay a tax increase; 2) funds cannot be deposited into any pension account; 3) funds cannot be used to pay interest or principal on outstanding debt; 4) funds cannot be used as replenishment of reserves; and 5) funds cannot be used to undermine purpose of pandemic mitigation.

During FY 2022, the Mayor and Council held several meetings to discuss the city’s use of the ARPA funds. The Mayor and Council appropriated \$7.1 million of the total \$9.6 million. During FY 2023, the balance of \$2.5 million was appropriated for the following:

- \$292,500 for Bank On Rockville,
- \$58,250 for RHE Water Submeters,
- \$30,500 for Fall Protection Solutions at the Rockville Swim and Fitness Center,
- \$106,700 for Energy Efficient Lighting for City Hall,
- \$2,032,173 for RedGate Park Master Plan Implementation.

#### D. Expenses Exceeding Appropriation

During fiscal year 2023 the City’s Automated Speed Enforcement Fund exceeded the budget appropriation, due to the implementation of GASB 96 for SBITAs.

### (4) RETIREMENT PLANS

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#### A. Retirement Plan Descriptions

Covered police and non-police employees hired before 1986 participate in a single-employer defined benefit pension plan. Non-police employees hired on or after 1986 participate in a hybrid pension plan that includes a single-employer defined benefit plan and a defined contribution plan. All benefitted employees of the City have the option to participate in a deferred compensation plan. The Retirement Board is composed of a member of the Mayor and Council, the City Manager, three City employees, below assistant department head level, and two residents with previous business experience, one of whom serves as the chairperson. Each board member serves a two-year term. The Finance Director is the executive secretary to the board. The Retirement Board makes recommendations to Mayor and Council, which has the authority to establish and amend the benefit provisions of the pension plans including contribution requirements of the employees and employer.

The City has implemented GASB Statement No. 67, Financial Reporting for Pension Plans and GASB Statement No. 68, Accounting and Financial Reporting for Pensions. These statements replace previously issued requirements for pension plans administered through trusts.

#### (4) RETIREMENT PLANS

##### A. Retirement Plan Descriptions (Continued)

###### Measurement Focus and Basis of Accounting

The financial statements of the City's pension plans are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which contributions are due. City contributions to each plan are recognized when due and the City has made a formal commitment to provide the contributions. City contributions to the defined benefit pension plan are actuarially determined. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Future payments of the net pension liability are the primary responsibility of the General Fund, therefore this long-term liability is presented in the Government-wide Statement of Net Position.

###### Administration

The Principal Financial Group and Lincoln Financial are record-keepers of the single-employer defined benefit pension plan and the hybrid pension plan, which were established and are administered by the City. For financial reporting purposes, the Rockville Employee Retirement System (ROCKERS) includes the Pension and OPEB Trust Funds, a Fiduciary Fund in the City's financial statements. No other financial statements are issued related to the ROCKERS.

The ROCKERS includes the pre-1986 single-employer defined benefit pension plan and the hybrid pension plan which includes a defined benefit plan and a defined contribution plan. The activities of the pre-1986 defined benefit plan are combined with the activities of the defined benefit component of the hybrid plan for reporting purposes. The defined contribution plan and defined benefit plan are reported as separate Pension Trust Funds.

###### Method Used to Value Investments

Plan investments are reported at fair value or estimated fair value. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation.

##### B. Defined Benefit Pension Plan

###### Pre-1986 Plan Benefits and Contributions

This benefit is available to police employees, who participate 100 percent in the defined benefit option regardless of the date of employment, administrative employees hired prior to April 15, 1986 and union employees hired prior to December 2, 1986. An employee who retires at age 60 or a police employee with the completion of 25 years of credited service regardless of age is entitled to an annual retirement benefit, payable monthly for life (120 payments are guaranteed). For union employees, the annual benefit amount is equal to 1.8 percent of their final average salary, for each year of credited service, for administrative personnel in an amount equal to 1.8 percent of their final average salary for credited service before April 1, 1996, and 2.0 percent of their final average salary for credited service after April 1, 1996.

For police personnel, the annual benefit amount is equal to the lesser of (a) (1) 2.0 percent of their final average earnings multiplied by their years of credited service prior to April 1, 2004, plus (2) 2.25 percent of their final average earnings multiplied by their years of credited service on or after April 1, 2004, or (b) 67.5 percent of their final average earnings. Final average salary for administrative personnel and union employees is computed as the average earnings over three consecutive years within the last 10 years of service which produces the highest average and for police employees the average annual earnings is computed as the average annual earnings during the final 60 months of employment with the City.

Covered police and pre-1986 non-police employees are required by statute to contribute a certain percent (4.2 percent for union, 5.2 percent for administrative and 8.5 percent for police) of their salaries to the plan. If an employee leaves covered employment or dies before 10 years of credited service (based upon a graduated vesting schedule of 50 percent after five years, up to 100 percent after 10 years of credited service), accumulated employee contributions plus credited interest thereon at the rate of 6 percent and a portion of the City's contribution (City contributions are deemed to be 150 percent of the employees contributions plus credited interest) are paid to the employee or designated beneficiary.

(4) RETIREMENT PLANS (CONTINUED)

**B. Defined Benefit Pension Plan (Continued)**

Post-1986 Hybrid Plan Benefits and Contributions

This benefit is available to full-time, permanent, non-police employees hired on or after April 15, 1986 and union employees hired after December 2, 1986. An employee becomes an eligible retiree after (a) having attained age 60 (age 65 for employees hired after July 1, 2011) while employed with the City and completed at least 10 years of service prior to retirement, (b) taking early retirement occasioned by poor health, having attained age 50 while employed with the City and having completed 10 years of service if hired before July 1, 2011, or having attained age 58 while employed with the City and having completed 10 years of service if hired on or after July 1, 2011, or (c) taking early retirement from the City when their age plus service equals or exceeds 85. These employees are also covered by the defined contribution plan described below. Employees are required to participate from the date of employment. Union employees are covered for an annual benefit equal to 1.0 percent of average salary and administrative personnel are covered

for an annual benefit equal to 1.0 percent before April 1, 1996, and 1.2 percent on or after April 1, 1996, of average salary (as previously defined) for each year of credited service.

Administrative personnel are required by statute to contribute 1.0 percent of their salaries to the plan starting April 1, 1996 and union personnel have no contribution requirement. Employees are fully vested after 10 years of service, regardless of the plan entry age.

Membership

Membership in the defined benefit plan consisted of the following at July 1, 2022, the date of the most recent actuarial valuation:

Retirees and beneficiaries receiving benefits	323
Terminated plan members vested but not yet receiving benefits	65
Active plan members	488
Total	<u>876</u>

**C. Net Pension Liability**

The City’s net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was based on an actuarial valuation date of July 1, 2022. Actuaries utilized update procedures to roll forward the total pension liability in the July 1, 2022 actuarial valuation to the June 30, 2023 measurement date.

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions which were adopted by the City during fiscal year 2023 and applied to all periods included in the measurement:

<u>Actuarial assumptions</u>	
-Actuarial valuation date	July 1, 2022
-Investment rate of return, including inflation	6.75%
-Projected salary increases, including inflation	2.50% - 9.00%
-Includes inflation at	2.50%

The mortality rates were based on the Pub 2010 mortality tables, projected generationally using scale MP-2020.

The actuarial assumptions used in the most recent actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2017 through July 1, 2020.

## (4) RETIREMENT PLANS (CONTINUED)

## C. Net Pension Liability (Continued)

The long term expected rate of return on pension plan investments was determined by evaluating the historical investment, the selection of a portfolio of multiple asset classes, the use of professional investment managers, and the regular monitoring of investment performance. Expected future real rates of return are developed for each major asset class and combined to produce the single long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	30.0%	6.74%
International Equity	20.0%	6.87%
Fixed Income	20.0%	1.53%
Real Estate	12.5%	3.44%
Global Real Assets	7.5%	1.44%
Global Tactical Asset Allocation (GTAA)	10.0%	4.11%
Total	100.0%	

Based on these factors, the long-term real rate of return is expected to be in the range of 4.00% and 5.50%. A rate of 4.65% was used for the actuarial assumption. When combined with the inflation rate of 2.50%, the investment rate of return is determined to be 6.75%. For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense was 4.65%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made equal to the actuarially determined contribution. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

Changes in the Net Pension Liability

Changes in the City's net pension liability for the year ended June 30, 2023 were as follows:

	(A)	(B)	(A - B)
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2022	\$ 144,711,540	\$ 118,135,914	\$ 26,575,626
Changes for the year:			
Service Cost	3,163,211	-	3,163,211
Interest	9,467,294	-	9,467,294
Differences between expected and actual experience	(804,740)	-	(804,740)
Changes of benefit terms	-	-	-
Changes of assumptions	224,128	-	224,128
Contributions - employer	-	5,468,739	(5,468,739)
Contributions - employee	-	807,673	(807,673)
Net investment income	-	7,333,737	(7,333,737)
Benefit payments, including refunds of employee contributions	(8,910,650)	(8,910,650)	-
Administrative expense	-	(118,075)	118,075
Net changes	3,139,243	4,581,424	(1,442,181)
Balances at June 30, 2023	\$ 147,850,783	\$ 122,717,338	\$ 25,133,445

(4) RETIREMENT PLANS (CONTINUED)

C. Net Pension Liability (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City calculated using a discount rate of 6.75%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
\$ 43,688,857	\$ 25,133,446	\$ 9,613,165

Pension Expense and Deferred Outflows of Resources

For the year ended June 30, 2023, the City recognized pension expense of \$6,606,569. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,613,476	\$ 1,276,581
Changes of assumptions	2,389,962	8,051
Net difference between projected and actual earnings on investments	4,502,566	-
Total	\$ 8,506,004	\$ 1,284,632

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2024	2,081,959
2025	598,990
2026	4,446,160
2027	191,035
2028	(96,772)
Thereafter	-
Total	\$ 7,221,372

D. Defined Contribution Pension Plans

Full-time, permanent non-police employees hired on or after April 15, 1986, are required to participate in this plan from the date of employment. The plan is administered by Lincoln Financial and allows participant contributions up to a maximum of 5 percent of earnings. The employee contributions are matched \$0.50 by the City for each \$1 contributed by the employee. The employee is fully vested in their employee contributions and investment earnings thereon. The City's contribution for each employee (City's contributions and investment earnings thereon) is fully vested after three years of credited service. The contributions made in fiscal year 2023 by plan members totaled \$1,669,991 and the City contributed \$810,406.

The City provides a supplemental defined contribution plan to charter-appointed employees and non-appointed at-will contract employees of the City. The plan is administered by Lincoln Financial. The City provides an employer contribution equal to 10% of base salary, which is vested immediately, as biweekly contributions are made. The contributions made in fiscal year 2023 by the City totaled \$243,116.



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**(4) RETIREMENT PLANS (CONTINUED)**

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**E. Deferred Compensation Plan**

All employees of the City Government may participate in the deferred compensation plan, organized under the Internal Revenue Code Section 457, and administered by Lincoln Financial. Under the terms of the plan, participating employees may have a portion of their salaries withheld, subject to limitations imposed by the Internal Revenue Service, and invested in the plan. All taxes are deferred on these contributions and related earnings until the participant terminates from the plan. The City is compliant with the Internal Revenue Code Section 457(b) requiring all assets and income of the plan to be held in trust for the exclusive benefit of participants and their beneficiaries. Management's involvement with the plan is limited to transferring amounts withheld from payroll to the Plan record keeper, in a timely manner. Accordingly, the fair values of the plan assets are not reflected in the City's financial statements.

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**(5) OTHER POST-EMPLOYMENT BENEFITS**

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**A. Other Post-Employment Benefits Plan Description**Plan Administration

In addition to the pension benefits described in Note (4), the City provides other post-employment health benefits (OPEB) which include medical, dental and vision coverage. The City established an irrevocable trust for administering the plan assets and paying health care costs on behalf of the participants. For financial reporting purposes, the OPEB Trust Fund is included as part of the Pension and OPEB Trust Funds, a Fiduciary Fund in the City's financial statements. No other financial statements are issued related to the OPEB Trust Fund.

The OPEB plan is a single-employer defined benefit plan that is used to provide post-employment benefits other than pensions for all permanent employees of the City. The Retirement Board has oversight of the ROCKERS, which includes the OPEB plan. The Retirement Board is composed of a member of the Mayor and Council, the City Manager, three City employees, below assistant department head level, and two residents with previous business experience, one of whom serves as the chairperson. Each board member serves a two-year term. The Finance Director is the executive secretary to the board. The Retirement Board makes recommendations to Mayor and Council, which has the authority to establish and amend the benefit provisions of the OPEB plan, including contributions.

The City has implemented GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. These statements replace previously issued requirements for OPEB plans administered through trusts.

Benefits Provided

The OPEB plan authorizes a retiree who elects to stay with the City's group health policy to receive from the City the employer's share (i.e., the same level of premium support given to current employees) of medical insurance premiums up until age 65. In the event a retiree establishes residency outside the geographic area served by the City's group health insurance carriers, that person may purchase coverage and receive reimbursement from the City in an amount not to exceed the prevailing two-person coverage employer rate granted to current employees.

Membership

At July 1, 2021, the date of the most recent valuation, plan membership was as follows:

	<u>Membership</u>
Pre-medicare retirees	29
Disabled participants	1
Beneficiaries	1
Active employees	<u>332</u>
Total	<u>363</u>

(5) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

**A. Other Post-Employment Benefits Plan Description (Continued)**

Contributions and Funding

The Retirement Board establishes the employer contributions to the OPEB plan based on actuarially determined amounts. During fiscal year 2023 the City did not fund any payments. Benefit expenses of \$569,504 and administrative expenses of \$7,500 which were paid by the City, were reimbursed by the trust after June 30, 2023. Future payments of the net OPEB liability are the primary responsibility of the General Fund, therefore this long-term liability is presented in the Government-wide Statement of Net Position.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

**B. Net OPEB Asset**

The City’s net OPEB asset was measured as of June 30, 2023, and the total OPEB liability was determined by an actuarial valuation as of July 1, 2021. Actuaries utilized update procedures to roll forward the total OPEB liability in the July 1, 2021 actuarial valuation to the June 30, 2023 measurement date.

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions which were adopted by the City during fiscal year 2023 and applied to all periods included in the measurement:

Actuarial assumptions

-Actuarial valuation date	July 1, 2021
-Investment rate of return, including inflation	7.00%
-Projected salary increases, including inflation	4.75% - 12.5%
-Includes inflation at	2.50%
-Healthcare cost trends:	5.20% for 2023. The ultimate rate is 4.0%.

Mortality rates were based on the Pub 2010 Total Dataset Mortality Table projected generationally using Scale MP-2020.

The long-term expected rate of return on OPEB plan investments was determined by evaluating the historical investment performance, the selection of a portfolio of multiple asset classes, the use of professional investment managers, and the regular monitoring of investment performance. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Global Equity	55.00%	6.68%
Fixed Income	40.00%	1.53%
Multi Asset Class Solutions (MACS)	5.00%	4.11%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total OPEB liability.

## (5) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

## B. Net OPEB Asset (Continued)

Changes in the Net OPEB Liability/(Asset)

Changes in the City's net OPEB liability (asset) for the year ended June 30, 2023 were as follows:

	(A) Total OPEB Liability	(B) Plan Fiduciary Net Position	(A - B) Net OPEB Liability (Asset)
Balances at June 30, 2022	\$ 9,039,220	\$ 9,167,161	\$ (127,941)
Changes for the year:			
Service Cost	317,744	-	317,744
Interest	610,795	-	610,795
Differences between expected and actual experience	(90,049)	-	(90,049)
Changes of assumptions	-	-	-
Contributions - employer	-	-	-
Net investment income	-	869,401	(869,401)
Benefit payments	(537,096)	(537,096)	-
Administrative expense	-	-	-
Net changes	301,394	332,305	(30,911)
Balances at June 30, 2023	\$ 9,340,614	\$ 9,499,466	\$ (158,852)

Sensitivity of the Net OPEB Asset

The following presents the net OPEB asset of the City, as well as what the City's net OPEB asset would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage-point higher (8.00%) than the current discount rate:

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
Net OPEB (Asset) Liability	\$ 560,789	\$ (158,852)	\$ (816,177)

The following presents the net OPEB asset of the City, as well as what the City's net OPEB asset would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (approximately 3.00%) or 1-percentage-point higher (approximately 5.00%) than the current healthcare cost trend rates:

	1% Decrease (3.00%)	Healthcare Cost Trend Rates (4.00%)	1% Increase (5.00%)
Net OPEB (Asset) Liability	\$ (1,139,192)	\$ (158,852)	\$ 990,137

(5) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

B. Net OPEB Asset (Continued)

OPEB Expense and Deferred Inflows of Resources

For the year ended June 30, 2023, the City recognized OPEB revenue of \$196,564. At June 30, 2023 the City reported deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,775,440
Changes of assumptions	-	1,388,879
Net difference between projected and actual earnings on investments	1,367,287	-
Total	<u>\$ 1,367,287</u>	<u>\$ 3,164,319</u>

Amounts reported as deferred outflows of resources and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,775,440
Changes of assumptions	1,388,879
Net difference between projected and actual earnings on investments	(1,367,287)
Total	<u>\$ 1,797,032</u>

## (6) CONDENSED FINANCIAL INFORMATION OF PENSION AND OPEB TRUST FUNDS

The Pension and OPEB Trust Funds are presented in the statement of Fiduciary Net Position and in the Statement of Changes in Fiduciary Net Position. The combining statements of the Pension and OPEB Trust Funds are provided below for the year ended June 30, 2023:

	Combining Statement of Net Position Pension and OPEB Trust Funds				
	Pension Trust Fund			OPEB Trust Fund	Total Pension and OPEB Trust Funds
	Defined Benefit Trust	Defined Contribution Trust	Total Pension Trust Fund	OPEB Trust Fund	
<b>Assets</b>					
Open End Mutual Funds:					
Fixed Income	\$ 55,320,456	\$ 9,730,373	\$ 65,050,829	\$ 3,292,426	\$ 68,343,255
Target date	-	22,477,393	22,477,393	-	22,477,393
Equities	27,336,246	21,479,993	48,816,239	6,280,800	55,097,039
All asset fund	-	-	-	503,244	503,244
Deposits in transit	476,164	-	476,164	-	476,164
Real estate	24,787,648	272,435	25,060,083	-	25,060,083
Global real assets	-	18,108	18,108	-	18,108
Global tactical asset allocation	13,271,314	-	13,271,314	-	13,271,314
Money markets	1,525,510	-	1,525,510	-	1,525,510
<b>Total Assets</b>	<b>\$ 122,717,338</b>	<b>\$ 53,978,302</b>	<b>\$176,695,640</b>	<b>\$ 10,076,470</b>	<b>\$186,772,110</b>
<b>Liabilities</b>					
Benefits Payable	\$ -	\$ -	\$ -	\$ 569,504	\$ 569,504
Administrative expense payable	-	-	-	7,500	7,500
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 577,004</b>	<b>\$ 577,004</b>
<b>Net Position</b>					
Restricted for plan benefits	\$ 122,717,338	\$ 53,978,302	\$176,695,640	\$ 9,499,466	\$186,195,106
<b>Total Liabilities and Net Position</b>	<b>\$ 122,717,338</b>	<b>\$ 53,978,302</b>	<b>\$176,695,640</b>	<b>\$ 10,076,470</b>	<b>\$186,772,110</b>

See accompanying notes to the basic financial statements.

	Combining Statement of Changes in Fiduciary Net Position Pension and OPEB Trust Funds				
	Pension Trust Fund			OPEB Trust Fund	Total Pension and OPEB Trust Funds
	Defined Benefit Trust	Defined Contribution Trust	Total Pension Trust Funds	OPEB Trust Fund	
<b>Additions</b>					
Contributions					
Employer	\$ 5,468,739	\$ 1,053,522	\$ 6,522,261	\$ -	\$ 6,522,261
Plan Members	807,673	1,669,991	2,477,664	-	2,477,664
Total Contributions	\$ 6,276,412	\$ 2,723,513	\$ 8,999,925	\$ -	\$ 8,999,925
Investment earnings (losses):					
Net appreciation in the fair value of plan investments	5,789,305	3,531,940	9,321,245	727,396	10,048,641
Interest and dividends	1,790,581	2,048,155	3,838,736	142,005	3,980,741
Total investment earnings (losses)	7,579,886	5,580,095	13,159,981	869,401	14,029,382
Less investment expense refunds	(246,149)	(15,000)	(261,149)	-	(261,149)
Net investment earnings (losses)	7,333,737	5,565,095	12,898,832	869,401	13,768,233
Total Additions	\$ 13,610,149	\$ 8,288,608	\$ 21,898,757	\$ 869,401	\$ 22,768,158
<b>Deductions</b>					
Benefits	\$ 8,910,650	\$ 1,138,500	\$ 10,049,150	\$ 537,096	\$ 10,586,246
Administrative expense	118,075	58,028	176,103	-	176,103
Total Deductions	\$ 9,028,725	\$ 1,196,528	\$ 10,225,253	\$ 537,096	\$ 10,762,349
Net Increase (Decrease)	4,581,424	7,092,080	11,673,504	332,305	12,005,809
Net position at beginning of year	118,135,914	46,886,222	165,022,136	9,167,161	174,189,297
Net position at end of year	\$ 122,717,338	\$ 53,978,302	\$176,695,640	\$ 9,499,466	\$186,195,106

See accompanying notes to the basic financial statements.

(7) NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD STANDARDS

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The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that will impact future fiscal years. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City:

- GASB Statement No. 99, Omnibus 2022. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.
- GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62 is effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.
- GASB Statement No. 101, Compensated Absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

## **Required Supplementary Information**





## City of Rockville, Maryland

### Rockville Employee Retirement System – Schedule of Changes in the City’s Net Pension Liability and Related Ratios Last Ten Fiscal Years (Unaudited – See Accompanying Independent Auditor’s Report)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Pension Liability</b>										
Service cost	\$ 2,286,185	\$ 2,462,254	\$ 2,338,305	\$ 2,092,506	\$ 1,980,718	\$ 2,638,792	\$ 2,718,028	\$ 2,883,883	\$ 3,213,474	\$ 3,163,211
Interest	7,037,226	7,280,449	7,576,514	7,847,249	7,996,269	7,944,162	8,391,525	8,882,122	9,110,563	9,467,294
Changes of benefit terms	-	-	-	-	-	-	446,900	-	-	-
Differences between expected and actual experience	(1,135,056)	(561,939)	(845,894)	1,097,364	(8,463,015)	2,296,074	1,730,195	1,308,132	(908,946)	(804,740)
Changes of assumptions	-	-	-	6,150,798	3,617,949	(48,306)	-	1,768,127	1,978,688	224,128
Benefit payments including refunds of member contributions	(4,825,594)	(5,428,204)	(4,778,615)	(5,664,043)	(5,219,512)	(6,533,123)	(6,346,521)	(6,209,717)	(7,307,095)	(8,910,650)
<b>Net change in total pension liability</b>	<b>\$ 3,362,761</b>	<b>\$ 3,752,560</b>	<b>\$ 4,290,310</b>	<b>\$ 11,523,874</b>	<b>\$ (87,591)</b>	<b>\$ 6,297,599</b>	<b>\$ 6,940,127</b>	<b>\$ 8,632,547</b>	<b>\$ 6,086,684</b>	<b>\$ 3,139,243</b>
Total pension liability - beginning	93,912,669	97,275,430	101,027,990	105,318,300	116,842,174	116,754,583	123,052,182	129,992,309	138,624,856	144,711,540
<b>Total pension liability - end</b>	<b>\$ 97,275,430</b>	<b>\$ 101,027,990</b>	<b>\$ 105,318,300</b>	<b>\$ 116,842,174</b>	<b>\$ 116,754,583</b>	<b>\$ 123,052,182</b>	<b>\$ 129,992,309</b>	<b>\$ 138,624,856</b>	<b>\$ 144,711,540</b>	<b>\$ 147,850,783</b>
<b>Plan Fiduciary Net Position</b>										
Contributions - employer	\$ 5,218,589	\$ 4,024,603	\$ 3,575,462	\$ 3,473,255	\$ 3,899,592	\$ 4,210,698	\$ 3,592,613	\$ 3,961,789	\$ 4,589,309	\$ 5,468,739
Contributions - member	730,162	740,120	743,813	756,187	783,669	890,199	868,669	849,728	923,150	807,673
Net investment income	11,520,268	2,236,876	1,240,819	9,378,222	7,287,735	3,396,845	1,663,635	27,880,298	(9,998,773)	7,333,737
Benefit payments including refunds of member contributions	(4,825,594)	(5,428,204)	(4,778,615)	(5,664,043)	(5,219,512)	(6,533,123)	(6,346,521)	(6,209,717)	(7,307,095)	(8,910,650)
Plan administrative expenses	(18,798)	(27,230)	(35,543)	(31,821)	(30,041)	(108,910)	(46,229)	(75,164)	(108,766)	(118,075)
Other changes	-	-	-	-	-	-	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>\$ 12,624,627</b>	<b>\$ 1,546,165</b>	<b>\$ 745,936</b>	<b>\$ 7,911,800</b>	<b>\$ 6,721,443</b>	<b>\$ 1,855,709</b>	<b>\$ (267,833)</b>	<b>\$ 26,406,934</b>	<b>\$ (11,902,175)</b>	<b>\$ 4,581,424</b>
Plan fiduciary net position - beginning	72,493,308	85,117,935	86,664,100	87,410,036	95,321,836	102,043,279	103,898,988	103,631,155	130,038,089	118,135,914
<b>Plan fiduciary net position - end</b>	<b>\$ 85,117,935</b>	<b>\$ 86,664,100</b>	<b>\$ 87,410,036</b>	<b>\$ 95,321,836</b>	<b>\$ 102,043,279</b>	<b>\$ 103,898,988</b>	<b>\$ 103,631,155</b>	<b>\$ 130,038,089</b>	<b>\$ 118,135,914</b>	<b>\$ 122,717,338</b>
<b>Net pension liability</b>	<b>\$ 12,157,495</b>	<b>\$ 14,363,890</b>	<b>\$ 17,908,264</b>	<b>\$ 21,520,338</b>	<b>\$ 14,711,304</b>	<b>\$ 19,153,194</b>	<b>\$ 26,361,154</b>	<b>\$ 8,586,767</b>	<b>\$ 26,575,626</b>	<b>\$ 25,133,445</b>
Plan fiduciary net position as a percentage of total pension liability	87.50%	85.78%	83.00%	81.58%	87.40%	84.43%	79.72%	93.81%	81.64%	83.00%
Covered payroll	\$ 34,875,678	\$ 35,376,646	\$ 34,922,626	\$ 37,507,188	\$ 36,810,351	\$ 38,763,043	\$ 39,968,358	\$ 42,412,060	\$ 41,719,436	\$ 42,506,765
Net pension liability as a percentage of covered payroll	34.86%	40.60%	51.28%	57.38%	39.97%	49.41%	65.96%	20.25%	63.70%	59.13%

**City of Rockville, Maryland**  
**Rockville Employee Retirement System – Schedule of City Pension Contributions and Investment Returns**  
**Last Ten Fiscal Years**  
**(Unaudited – See Accompanying Independent Auditor’s Report)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$ 5,030,754	\$ 4,024,603	\$ 3,575,462	\$ 3,473,255	\$ 3,899,592	\$ 4,210,681	\$ 3,592,613	\$ 3,961,789	\$ 4,589,309	\$ 5,468,739
Contributions made	5,218,589	4,024,603	3,575,462	3,473,255	3,899,592	4,210,698	3,592,613	3,961,789	4,589,309	5,468,739
Contribution deficiency (excess)	\$ (187,835)	\$ -	\$ -	\$ -	\$ -	\$ (17)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 34,875,678	\$ 35,376,646	\$ 34,922,626	\$ 37,507,188	\$ 36,810,351	\$ 38,763,043	\$ 39,968,358	\$ 42,412,060	\$ 41,719,436	\$ 42,506,765
Contributions as a percentage of covered payroll	14.96%	11.38%	10.24%	9.26%	10.59%	10.86%	8.99%	9.34%	11.00%	12.87%
Annual money weighted rate of return, net of investment expense	16.16%	2.84%	1.62%	11.10%	8.40%	4.53%	1.47%	28.60%	-7.60%	6.40%

**Notes to Schedule:**

Valuation Date:	Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the year immediately preceding the fiscal year. Actuarial reports are performed annually. During fiscal year 2022 actuarial assumptions were updated to reflect the most recent experience study.
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll
Amortization Period:	20 years
Asset Valuation Method:	Gains and losses are spread over five years beginning 4/01/2010.
Inflation:	2.50%
Salary Increases:	2.50% - 9.00%, including inflation
Investment Rate of Return:	6.75%
Retirement Age:	Varies by participant age and years of credited service
Mortality:	The mortality rates were based on the Pub 2010 mortality tables, projected generationally using scale MP-2020.

Note: Actuaries utilized update procedures to roll forward Pension data from the July 1, 2022 valuation to the June 30, 2023 measurement date.

**City of Rockville, Maryland**  
**Other Post-Employment Benefits Plan – Schedule of Changes in the City’s Net OPEB Liability (Asset) and Related Ratios**  
**Last Ten Fiscal Years**  
**(Unaudited – See Accompanying Independent Auditor’s Report)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total OPEB Liability</b>										
Service cost				\$ 569,070	\$ 506,923	\$ 405,503	\$ 340,740	\$ 316,324	\$ 328,344	\$ 317,744
Interest				722,728	784,240	733,193	778,238	613,702	638,876	610,795
Changes of benefit terms	Information for plan years 2016 and prior is not available			-	-	-	-	-	-	-
Differences between expected and actual experience				-	(280,090)	(339,500)	(2,577,898)	(297,396)	(32,656)	(90,049)
Changes of assumptions				-	(1,459,922)	-	(637,832)	-	(939,975)	-
Benefit payments				(274,540)	(271,490)	(229,882)	(193,415)	(244,300)	(381,718)	(537,096)
<b>Net change in total OPEB liability</b>				<b>\$ 1,017,258</b>	<b>\$ (720,339)</b>	<b>\$ 569,314</b>	<b>\$ (2,290,167)</b>	<b>\$ 388,330</b>	<b>\$ (387,129)</b>	<b>\$ 301,394</b>
Total OPEB liability - beginning				10,461,953	11,479,211	10,758,872	11,328,186	9,038,019	9,426,349	9,039,220
Total OPEB liability - end				<u>\$ 11,479,211</u>	<u>\$ 10,758,872</u>	<u>\$ 11,328,186</u>	<u>\$ 9,038,019</u>	<u>\$ 9,426,349</u>	<u>\$ 9,039,220</u>	<u>\$ 9,340,614</u>
<b>Plan Fiduciary Net Position</b>										
Contributions - employer	Information for plan years 2016 and prior is not available			\$ 639,042	\$ 695,017	\$ 582,804	\$ 591,190	\$ 163,815	\$ 135,053	\$ -
Net investment income				605,972	529,689	433,121	1,053,228	2,383,108	(3,008,051)	869,401
Benefit payments				(274,540)	(271,490)	(229,882)	(193,415)	(244,300)	(381,718)	(537,096)
Plan administrative expenses				(5,000)	(22,581)	(14,433)	(23,040)	(6,250)	(5,000)	-
Other changes				-	-	-	-	-	-	-
<b>Net change in plan fiduciary net position</b>				<b>\$ 965,474</b>	<b>\$ 930,635</b>	<b>\$ 771,610</b>	<b>\$ 1,427,963</b>	<b>\$ 2,296,373</b>	<b>\$ (3,259,716)</b>	<b>\$ 332,305</b>
Plan fiduciary net position - beginning				6,034,822	7,000,296	7,930,931	8,702,541	10,130,504	12,426,877	9,167,161
Plan fiduciary net position - end				<u>\$ 7,000,296</u>	<u>\$ 7,930,931</u>	<u>\$ 8,702,541</u>	<u>\$ 10,130,504</u>	<u>\$ 12,426,877</u>	<u>\$ 9,167,161</u>	<u>\$ 9,499,466</u>
<b>Net OPEB liability / (asset)</b>				<u>\$ 4,478,915</u>	<u>\$ 2,827,941</u>	<u>\$ 2,625,645</u>	<u>\$ (1,092,485)</u>	<u>\$ (3,000,528)</u>	<u>\$ (127,941)</u>	<u>\$ (158,852)</u>
	Information for plan years 2016 and prior is not available									
Plan fiduciary net position as a percentage of total OPEB liability				60.98%	73.72%	76.82%	112.09%	131.83%	101.42%	101.70%
Covered payroll				\$ 36,993,233	\$ 36,810,351	\$ 38,763,043	\$ 39,968,358	\$ 42,412,060	\$ 41,719,436	\$ 42,506,765
Net OPEB liability / (asset) as a percentage of covered payroll				12.11%	7.68%	6.77%	-2.73%	-7.07%	-0.31%	-0.37%

Note: The above schedules are presented to illustrate the requirement for information covering the last ten fiscal years; however, until a full ten-year trend is complied, information is only presented for those years for which information is available.

**City of Rockville, Maryland**  
**Other Post-Employment Benefits Plan – Schedule of City OPEB Contributions and Investment Returns**  
**Last Ten Fiscal Years**  
**(Unaudited – See Accompanying Independent Auditor’s Report)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution				\$ 658,361	\$ 687,495	\$ 582,804	\$ 591,190	\$ 163,815	\$ 135,053	\$ -
Contributions made			Information for plan years 2016 and prior is not available	639,042	695,017	582,804	591,190	163,815	135,053	-
Contribution deficiency (excess)				\$ 19,319	\$ (7,522)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll				\$ 36,993,233	\$ 36,810,351	\$ 38,763,043	\$ 39,968,358	\$ 42,412,060	\$ 41,719,436	\$ 42,506,765
Contributions as a percentage of covered payroll			Information for plan years 2016 and prior is not available	1.73%	1.89%	1.50%	1.48%	0.39%	0.32%	0.00%
Annual money weighted rate of return, net of investment expense				9.40%	7.80%	5.53%	11.36%	23.30%	-25.40%	9.80%

**Notes to Schedule:**

Valuation Date:	Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the two years immediately preceding the fiscal year. Actuarial reports are performed biennially.
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Level Percentage of Payroll
Amortization Period:	21 years
Asset Valuation Method:	Gains and losses are spread over five years beginning 4/01/2010.
Inflation:	2.50%
Healthcare Cost Trend Rates:	5.20% for 2023. The ultimate rate is 4.00%.
Salary Increases:	4.75% - 12.5%, including inflation
Investment Rate of Return:	7.00%
Retirement Age:	Varies by participant age and years of credited service
Mortality:	The mortality rates were based on the RP-2014 Total Dataset Mortality Table projected generationally using Scale MP-2017.

Note: The above schedules are presented to illustrate the requirement for information covering the last ten fiscal years; however, until a full ten-year trend is compiled, information is only presented for those years for which information is available.

Note: Actuaries utilized update procedures to roll forward OPEB data from the July 1, 2021 valuation to the June 30, 2023 measurement date.

**City of Rockville, Maryland**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2023**

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/(Negative)
<b>Revenues</b>				
Property Taxes	\$ 45,950,000	\$ 45,950,000	\$ 46,053,556	\$ 103,556
Revenue from Other Governments:				
Income taxes	16,800,000	19,900,000	19,507,358	(392,642)
Gas and motor vehicle taxes	2,887,000	2,887,000	2,799,573	(87,427)
County tax duplication payment	6,593,160	6,593,160	6,593,160	-
Admissions and amusement taxes	1,000,000	500,000	1,072,782	572,782
Grants and other governmental revenue	2,121,460	3,057,214	2,905,095	(152,119)
Licenses and permits	3,336,630	3,336,630	3,362,521	25,891
Charges for Services	7,446,000	7,446,000	8,227,251	781,251
Use of Money and Property	444,190	444,190	1,223,414	779,224
Fines and Forfeitures	1,353,000	503,000	576,334	73,334
Other Revenues	1,045,860	1,649,520	3,099,044	1,449,524
<b>Total Revenues</b>	<b>\$ 88,977,300</b>	<b>\$ 92,266,714</b>	<b>\$ 95,420,088</b>	<b>\$ 3,153,374</b>
<b>Expenditures</b>				
Current operations:				
General government	\$ 21,771,620	\$ 22,570,073	\$ 22,702,381	\$ (132,308)
Community development	9,706,860	9,968,271	9,016,815	951,456
Public safety	12,483,540	12,613,822	12,056,570	557,252
Public works	10,827,000	11,349,405	9,023,727	2,325,678
Recreation and parks	25,711,350	27,175,887	25,276,991	1,898,896
<b>Total Expenditures</b>	<b>\$ 80,500,370</b>	<b>\$ 83,677,458</b>	<b>\$ 78,076,484</b>	<b>\$ 5,600,974</b>
Excess of Revenues over Expenditures	\$ 8,476,930	\$ 8,589,256	\$ 17,343,604	\$ (8,754,348)
<b>Other Financing Sources (Uses)</b>				
Transfer to Debt Service Fund	\$ (4,400,000)	\$ (4,450,000)	\$ (4,450,000)	\$ -
Transfer to Capital Projects Fund	(7,000,000)	(14,207,000)	(14,207,000)	-
Transfer to Special Activities Fund	(169,730)	(169,730)	(169,730)	-
Transfer to Refuse Fund	(50,300)	(50,300)	(50,300)	-
Transfer to Parking Fund	(1,100,000)	(1,100,000)	(1,100,000)	-
Transfer to RedGate	-	(117,135)	(117,135)	-
Transfer to REDI	-	(1,620,330)	(1,620,330)	-
Transfer in	4,343,100	4,343,100	4,163,900	179,200.00
Leases - as lessee	-	-	706,094	(706,094.00)
SBITAs	-	-	866,996	(866,996.00)
<b>Total Other Financing Uses</b>	<b>\$ (8,376,930)</b>	<b>\$ (17,371,395)</b>	<b>\$ (15,977,505)</b>	<b>\$ (1,393,890)</b>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	\$ 100,000	\$ (8,782,139)	\$ 1,366,099	\$ (10,148,238)
Fund balance at beginning of year	30,162,070	30,162,070	30,162,070	-
<b>Fund balance at end of year</b>	<b>\$ 30,262,070</b>	<b>\$ 21,379,931</b>	<b>\$ 31,528,169</b>	<b>\$ 10,148,238</b>

**City of Rockville, Maryland**  
Notes to the Required Supplementary Information  
June 30, 2023

Stewardship, Compliance, and Accountability

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to June 1, the City Manager submits to the Mayor and Council a proposed operating and capital improvements budget for the fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing them. Public hearings are then conducted to review the budget.
- Prior to July 1, the budget is legally enacted through passage of an ordinance.
- The budget ordinance becomes effective July 1 and provides spending authority for the operations of the City. The legal control which the budget ordinance establishes over spending is at the fund level. Each of the General, Non-Major Governmental, Debt Service and Enterprise Funds have legally adopted annual budgets appropriated at the fund level. The capital budget is adopted at the fund level but is not adopted as an annual budget.
- The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Mayor and Council.
- Subsequent to passage of the budget ordinance, the Mayor and Council may approve supplemental appropriations. During FY 2023, supplemental appropriations in the General Fund totaled \$12,979,625. Of these appropriations, \$1,400,000 General Fund transfer to CIP Maintenance and Emergency Facility Improvements and \$5,000,000 to support future capital projects.

At the end of the fiscal year, unexpended operating budget appropriations of the governmental and enterprise funds lapse. Budgets for the General, Non-Major Governmental, Debt Service, and Enterprise Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Accordingly, all governmental fund budgets are presented on the modified accrual basis of accounting; the enterprise fund budgets are adopted on the full accrual basis. The budgetary comparison schedules – original budget, amended budget and actual - General Fund compares actual expenditures on a basis consistent with the legally adopted budgets as amended. The budgetary comparison schedule allocates capital outlay expenditures to the related operational units, and will therefore differ in presentation, from the Statement of Revenues, Expenditures, and Changes in Fund Balances.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded to reserve that portion of the applicable appropriation, is an extension of formal budgetary control in all governmental funds. The encumbrances outstanding at June 30, 2023 are reported within fund balance based on the nature of their use and are subject to reappropriation by Mayor and Council ordinance in the succeeding fiscal year.

## **Other Supplementary Information**

### **Major Governmental Funds Debt Service Fund**

The Debt Service Fund accounts for the payment of principal and interest on long term obligations related to the governmental activities of the City.

**and**

### **Nonmajor Governmental Funds Special Revenue Funds**

The Special Revenue Funds account for the proceeds of specific revenue sources to be expended for specified purposes. The City maintains three Special Revenue funds: the Special Activities, the Community Development Block Grant, and the Automated Speed Enforcement Funds. The Special Activities Fund accounts for funds raised for various community activities (i.e. Rockville Seniors Inc., mansion improvements, etc.). The Community Development Block Grant Fund accounts for federal grants for housing and community development programs. The Automated Speed Enforcement Fund accounts for funds received from the speed camera program that are restricted by State Law for public safety projects.





**City of Rockville, Maryland**  
 Budgetary Comparison Schedule  
 Debt Service Fund  
 For the Fiscal Year Ended June 30, 2023

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/(Negative)
<b>Revenues</b>				
Use of money and property	\$ 22,000	\$ 22,000	\$ 47,272	\$ 25,272
Total Revenues	<u>\$ 22,000</u>	<u>\$ 22,000</u>	<u>\$ 47,272</u>	<u>\$ 25,272</u>
<b>Expenditures</b>				
Principal repayments:				
General obligation bonds	\$ 3,705,400	\$ 3,705,400	\$ 3,705,375	\$ 25
Interest and issuance costs:				
General obligation bonds	766,100	776,100	768,950	7,150
Total Expenditures	<u>\$ 4,471,500</u>	<u>\$ 4,481,500</u>	<u>\$ 4,474,325</u>	<u>\$ 7,175</u>
Excess of Revenues over Expenditures	<u>\$ (4,449,500)</u>	<u>\$ (4,459,500)</u>	<u>\$ (4,427,053)</u>	<u>\$ 32,447</u>
<b>Other Financing Sources (Uses)</b>				
Transfer in from General Fund	\$ 4,400,000	\$ 4,450,000	\$ 4,450,000	\$ -
Total Other Financing Sources (Uses)	<u>\$ 4,400,000</u>	<u>\$ 4,450,000</u>	<u>\$ 4,450,000</u>	<u>\$ -</u>
Excess (deficiency) of revenues and other financing sources over expenditures	\$ (49,500)	\$ (9,500)	\$ 22,947	\$ 32,447
Fund Balance at beginning of year	185,004	185,004	185,004	-
Fund Balance at end of year	<u><u>\$ 135,504</u></u>	<u><u>\$ 175,504</u></u>	<u><u>\$ 207,951</u></u>	<u><u>\$ 32,447</u></u>

**City of Rockville, Maryland**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2023**

	Special Revenue				Total Nonmajor Governmental Funds
	Special Activities Fund	Community Development Block Grant Fund (CDBG)	Automated Speed Enforcement Fund	Rockville Economic Development, Inc. (REDI)	
<b>Assets</b>					
Cash and cash equivalents	\$ 10,660,465	\$ -	\$ 1,412,106	\$ 1,602,331	\$ 13,674,902
Accounts receivable, net	-	-	84,844	280,210	365,054
Other assets	-	-	-	472,319	472,319
Due from other governments	169,537	25,956	-	-	195,493
Opioid receivable	938,300	-	-	-	938,300
<b>Total Assets</b>	<b>\$ 11,768,302</b>	<b>\$ 25,956</b>	<b>\$ 1,496,950</b>	<b>\$ 2,354,860</b>	<b>\$ 15,646,068</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities</b>					
Accounts payable	\$ 64,020	\$ -	\$ 586,352	\$ 106,420	\$ 756,792
Interfund payable	-	22,097	-	-	22,097
Accrued liabilities	-	-	2,640	500,879	503,519
Retainages payable	5,301	774	10,644	-	16,719
<b>Total Liabilities</b>	<b>\$ 69,321</b>	<b>\$ 22,871</b>	<b>\$ 599,636</b>	<b>\$ 607,299</b>	<b>\$ 1,299,127</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - opioid	\$ 938,300	\$ -	\$ -	\$ -	\$ 938,300
<b>Total Deferred Inflows of Resources</b>	<b>\$ 938,300</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 938,300</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 1,007,621</b>	<b>\$ 22,871</b>	<b>\$ 599,636</b>	<b>\$ 607,299</b>	<b>\$ 2,237,427</b>
<b>Fund Balance</b>					
Restricted for:					
Special revenue programming	\$ 10,760,681	\$ 3,085	\$ 897,314	\$ 1,747,561	\$ 13,408,641
<b>Total Fund Balance</b>	<b>\$ 10,760,681</b>	<b>\$ 3,085</b>	<b>\$ 897,314</b>	<b>\$ 1,747,561</b>	<b>\$ 13,408,641</b>
<b>Total liabilities and fund balance</b>	<b>\$ 11,768,302</b>	<b>\$ 25,956</b>	<b>\$ 1,496,950</b>	<b>\$ 2,354,860</b>	<b>\$ 15,646,068</b>

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2023

	Special Revenue				Total Nonmajor Governmental Funds
	Special Activities Fund	Community Development Block Grant Fund (CDBG)	Automated Speed Enforcement Fund	Rockville Economic Development, Inc. (REDI)	
<b>Revenues</b>					
Grants and other governmental revenue	\$ 735,572	\$ 288,956	\$ -	\$ 618,000	\$ 1,642,528
Charges for services	37,362	-	-	159,550	196,912
Use of money and property	20,000	-	54,609	-	74,609
Fines and forfeitures	-	-	938,159	-	938,159
Other revenue	399,457	-	2,189	7,007	408,653
<b>Total Revenues</b>	<b>\$ 1,192,391</b>	<b>\$ 288,956</b>	<b>\$ 994,957</b>	<b>\$ 784,557</b>	<b>\$ 3,260,861</b>
<b>Expenditures</b>					
General government	\$ 84,150	\$ -	\$ -	\$ -	\$ 84,150
Community development	50,537	289,730	-	-	340,267
Economic development	-	-	-	2,213,082	2,213,082
Public safety	-	-	1,028,597	-	1,028,597
Public works	189,174	-	-	-	189,174
Recreation and parks	328,126	-	-	-	328,126
Capital outlay	72,240	-	1,115,994	-	1,188,234
<b>Total Expenditures</b>	<b>\$ 724,227</b>	<b>\$ 289,730</b>	<b>\$ 2,144,591</b>	<b>\$ 2,213,082</b>	<b>\$ 5,371,630</b>
Excess (deficiency) of Revenues over Expenditures	\$ 468,164	\$ (774)	\$ (1,149,634)	\$ (1,428,525)	\$ (2,110,769)
<b>Other Financing Sources</b>					
Transfer in from General Fund	\$ 169,730	\$ -	\$ -	\$ 1,620,330	\$ 1,790,060
Proceeds from SBITAs	-	-	840,030	-	840,030
<b>Total Financing Sources</b>	<b>\$ 169,730</b>	<b>\$ -</b>	<b>\$ 840,030</b>	<b>\$ 1,620,330</b>	<b>\$ 2,630,090</b>
Net change in fund balance	\$ 637,894	\$ (774)	\$ (309,604)	\$ 191,805	\$ 519,321
Fund balance at beginning of year	10,122,787	3,859	1,206,918	1,555,756	12,889,320
Fund balance at end of year	<b>\$ 10,760,681</b>	<b>\$ 3,085</b>	<b>\$ 897,314</b>	<b>\$ 1,747,561</b>	<b>\$ 13,408,641</b>

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
**Budgetary Comparison Schedule**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2023**

	Special Activities Fund				Community Development Block Grant Fund (CDBG)				Automated Speed Enforcement Fund			
	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/Negative	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/Negative	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/Negative
<b>Revenues</b>												
Grants and other governmental revenue	\$ -	\$ 45,790	\$ 735,572	\$ 689,782	\$ 263,000	\$ 526,000	\$ 288,956	\$ (237,044)	\$ -	\$ -	\$ -	\$ -
Use of money and property	1,135,630	1,160,630	20,000	(1,140,630)	-	-	-	-	1,000	1,000	54,609	53,609
Fines and forfeitures	-	-	-	-	-	-	-	-	1,500,000	930,000	938,159	8,159
Other*	285,480	302,400	606,549	304,149	-	-	-	-	-	-	2,189	2,189
<b>Total Revenues</b>	<b>\$ 1,421,110</b>	<b>\$ 1,508,820</b>	<b>\$ 1,362,121</b>	<b>\$ (146,699)</b>	<b>\$ 263,000</b>	<b>\$ 526,000</b>	<b>\$ 288,956</b>	<b>\$ (237,044)</b>	<b>\$ 1,501,000</b>	<b>\$ 931,000</b>	<b>\$ 994,957</b>	<b>\$ 63,957</b>
<b>Expenditures</b>												
Community services	\$ 1,084,820	\$ 3,069,766	\$ 651,987	\$ 2,417,779	\$ 263,000	\$ 526,000	\$ 289,730	\$ 236,270	\$ 993,310	\$ 994,736	\$ 1,028,597	\$ (33,861)
<b>Total expenditures</b>	<b>\$ 1,084,820</b>	<b>\$ 3,069,766</b>	<b>\$ 651,987</b>	<b>\$ 2,417,779</b>	<b>\$ 263,000</b>	<b>\$ 526,000</b>	<b>\$ 289,730</b>	<b>\$ 236,270</b>	<b>\$ 993,310</b>	<b>\$ 994,736</b>	<b>\$ 1,028,597</b>	<b>\$ (33,861)</b>
Excess (deficiency) of budgeted revenues over expenditures	\$ 336,290	\$ (1,560,946)	\$ 710,134	\$ 2,271,080	\$ -	\$ -	\$ (774)	\$ (774)	\$ 507,690	\$ (63,736)	\$ (33,640)	\$ 30,096
Capital outlay**			\$ (72,240)				\$ -				\$ (1,115,994)	
<b>Other financing sources</b>												
SBITA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 840,030	\$ 840,030
<b>Total other financing sources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 840,030</b>	<b>\$ 840,030</b>
<b>Net change in fund balance</b>			<b>\$ 637,894</b>				<b>\$ (774)</b>				<b>\$ (309,604)</b>	

\*Note: Other revenue for the Special Activities Fund includes a transfer of \$169,730 from the General Fund.

\*\*Note: Expenditures in the Special Activities Fund include capital improvement outlays of \$925,860. Capital improvements are budgeted separately as multi-year budgets, reflective of the project length. Capital budgets are not reflected in the budgeted figures above. All spending during the year was within the appropriated limits.

## **Other Supplementary Information**

### **Proprietary Funds Enterprise Funds**

Budgetary comparison schedules for the Water Facility, Sanitary Sewer, Refuse, Parking, Stormwater Management, and Redgate Golf Course.



**City of Rockville, Maryland**  
**Budgetary Comparison Schedule**  
**Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2023**

	Water Facility Fund				Sanitary Sewer Fund				Refuse Fund			
	Original Budget	Budget as Amended	Actual	Variance from Amended Budget	Original Budget	Budget as Amended	Actual	Variance from Amended Budget	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
				Positive/Negative				Positive/Negative				Positive/Negative
Total revenues	\$ 13,820,130	\$ 13,820,130	\$ 12,190,565	\$ (1,629,565)	\$ 16,291,000	\$ 16,291,000	\$ 14,509,894	\$ (1,781,106)	\$ 6,674,600	\$ 6,674,600	\$ 6,876,828	\$ 202,228
Total operating expenses	7,137,400	8,436,534	7,256,055	1,180,479	7,172,850	8,598,622	7,067,578	1,531,044	6,687,410	7,258,913	5,313,673	1,945,240
Operating income (loss) before depreciation and amortization	\$ 6,682,730	\$ 5,383,596	\$ 4,934,510	\$ (449,086)	\$ 9,118,150	\$ 7,692,378	\$ 7,442,316	\$ (250,062)	\$ (12,810)	\$ (584,313)	\$ 1,563,155	\$ 2,147,468
Depreciation/amortization	(3,551,840)	(3,594,840)	(3,652,943)	(58,103)	(5,260,940)	(5,260,940)	(5,306,645)	(45,705)	(531,900)	(531,900)	(393,702)	138,198
Operating income (loss)	\$ 3,130,890	\$ 1,788,756	\$ 1,281,567	\$ (507,189)	\$ 3,857,210	\$ 2,431,438	\$ 2,135,671	\$ (295,767)	\$ (544,710)	\$ (1,116,213)	\$ 1,169,453	\$ 2,285,666
<b>Non-Operating Income (Expenses)</b>												
Interest income	\$ 87,510	\$ 87,510	\$ 441,096	\$ 353,586	\$ 1,000	\$ 1,000	\$ 314,040	\$ 313,040	\$ 7,500	\$ 7,500	\$ 111,328	\$ 103,828
Interest expense	(1,050,000)	(1,050,000)	(819,423)	230,577	(1,120,000)	(1,120,000)	(847,996)	272,004	(12,800)	(12,800)	(3,322)	9,478
Other, net	(57,860)	(57,860)	(57,859)	1	(74,010)	(74,010)	(74,011)	(1)	-	-	-	-
Total non-operating income (expense)	\$ (1,020,350)	\$ (1,020,350)	\$ (436,186)	\$ 584,164	\$ (1,193,010)	\$ (1,193,010)	\$ (607,967)	\$ 585,043	\$ (5,300)	\$ (5,300)	\$ 108,006	\$ 113,306
Income (loss) before contributions	\$ 2,110,540	\$ 768,406	\$ 845,381	\$ 76,975	\$ 2,664,200	\$ 1,238,428	\$ 1,527,704	\$ 289,276	\$ (550,010)	\$ (1,121,513)	\$ 1,277,459	\$ 2,398,972
Capital grants and contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000
<b>Transfers:</b>												
Transfer (to) from												
Enterprise Funds	352,160	352,160	352,160	-	(352,160)	(352,160)	(352,160)	-	-	-	-	-
Transfer to General Fund	(1,410,500)	(1,410,500)	(1,410,500)	-	(608,400)	(608,400)	(608,400)	-	(1,218,400)	(1,218,400)	(1,218,400)	-
Transfer from General Fund	-	-	-	-	-	-	-	-	50,300	50,300	50,300	-
Total transfers	\$ (1,058,340)	\$ (1,058,340)	\$ (1,058,340)	\$ -	\$ (960,560)	\$ (960,560)	\$ (960,560)	\$ -	\$ (1,168,100)	\$ (1,168,100)	\$ (1,168,100)	\$ -
Net increase (decrease) in net position	\$ 1,052,200	\$ (289,934)	\$ (212,959)	\$ 76,975	\$ 1,703,640	\$ 277,868	\$ 567,144	\$ 289,276	\$ (1,718,110)	\$ (2,289,613)	\$ 134,359	\$ 2,423,972

**City of Rockville, Maryland**  
**Budgetary Comparison Schedule**  
**Enterprise Funds (Continued)**  
**For the Fiscal Year Ended June 30, 2023**

	Parking Fund				Stormwater Management Fund				RedGate Golf Course Fund			
	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/ (Negative)	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/ (Negative)	Original Budget	Budget as Amended	Actual	Variance from Amended Budget Positive/ (Negative)
Total revenues	\$ 807,120	\$ 807,120	\$ 889,827	\$ 82,707	\$ 6,284,650	\$ 6,284,650	\$ 6,930,230	\$ 645,580	\$ 1,400	\$ 1,400	\$ -	\$ (1,400)
Total operating expenses	491,150	512,126	473,183	38,943	4,385,450	4,523,764	3,970,141	553,623	-	-	-	-
Operating income (loss) before depreciation and amortization	\$ 315,970	\$ 294,994	\$ 416,644	\$ 121,650	\$ 1,899,200	\$ 1,760,886	\$ 2,960,089	\$ 1,199,203	\$ 1,400	\$ 1,400	\$ -	\$ (1,400)
Depreciation/amortization	(9,100)	(712,100)	(711,356)	744	(1,160,400)	(1,160,400)	(1,104,863)	55,537	(100,600)	(100,600)	(31,683)	68,917
Operating income (loss)	\$ 306,870	\$ (417,106)	\$ (294,712)	\$ 122,394	\$ 738,800	\$ 600,486	\$ 1,855,226	\$ 1,254,740	\$ (99,200)	\$ (99,200)	\$ (31,683)	\$ 67,517
<b>Non-Operating Income (Expenses)</b>												
Interest income	\$ 2,500	\$ 2,500	\$ 255,813	\$ 253,313	\$ 31,100	\$ 31,100	\$ 335,860	\$ 304,760	\$ -	\$ -	\$ 12,704	\$ 12,704
Interest expense	(715,900)	(715,900)	(688,903)	26,997	(9,500)	(9,500)	(79,423)	(69,923)	(880)	(880)	-	880
Other, net	100,420	100,420	154,270	53,850	-	-	(3,865)	(3,865)	-	-	-	-
Assets reassigned to general fund	-	-	-	-	-	-	-	-	-	-	(1,372,712)	(1,372,712)
Total non-operating income (expense)	\$ (612,980)	\$ (612,980)	\$ (278,820)	\$ (334,160)	\$ 21,600	\$ 21,600	\$ 252,572	\$ 230,972	\$ (880)	\$ (880)	\$ (1,360,008)	\$ (1,359,128)
Income (loss) before contributions	\$ (306,110)	\$ (1,030,086)	\$ (573,532)	\$ 456,554	\$ 760,400	\$ 622,086	\$ 2,107,798	\$ 1,485,712	\$ (100,080)	\$ (100,080)	\$ (1,391,691)	\$ (1,291,611)
Capital grants and contributions	\$ 319,000	\$ 319,000	\$ 319,327	\$ 327	\$ -	\$ -	\$ 59,778	\$ 59,778	\$ -	\$ -	\$ -	\$ -
Transfers:												
Transfer (to) from Enterprise Funds	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to General Fund	(129,300)	(129,300)	(129,300)	-	(797,300)	(797,300)	(797,300)	-	-	-	-	-
Transfer from General Fund	1,100,000	1,100,000	1,100,000	-	-	-	-	-	-	117,135	117,135	-
Total transfers	\$ 970,700	\$ 970,700	\$ 970,700	\$ -	\$ (797,300)	\$ (797,300)	\$ (797,300)	\$ -	\$ -	\$ 117,135	\$ 117,135	\$ -
Net increase (decrease) in net position	\$ 983,590	\$ 259,614	\$ 716,495	\$ 456,881	\$ (36,900)	\$ (175,214)	\$ 1,370,276	\$ 1,545,490	\$ (100,080)	\$ 17,055	\$ (1,274,556)	\$ (1,291,611)



## **Other Supplementary Information**

### **Fiduciary Fund Pension and OPEB Trust Fund**

Combining Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position for City's Pension Trust and OPEB Trust.



**City of Rockville, Maryland**  
Combining Statement of Fiduciary Net Position  
Pension and OPEB Trust Funds  
June 30, 2023

	Pension Trust Fund			OPEB Trust Fund	Total Pension and OPEB Trust Funds
	Defined Benefit Trust	Defined Contribution Trust	Total Pension Trust Fund	OPEB Trust Fund	
<b>Assets</b>					
Open End Mutual Funds:					
Fixed Income	\$ 55,320,456	\$ 9,730,373	\$ 65,050,829	\$ 3,292,426	\$ 68,343,255
Target date	-	22,477,393	22,477,393	-	22,477,393
Equities	27,336,246	21,479,993	48,816,239	6,280,800	55,097,039
All asset fund	-	-	-	503,244	503,244
Deposits in transit	476,164	-	476,164	-	476,164
Real estate	24,787,648	272,435	25,060,083	-	25,060,083
Global real assets	-	18,108	18,108	-	18,108
Global tactical asset allocation	13,271,314	-	13,271,314	-	13,271,314
Money markets	1,525,510	-	1,525,510	-	1,525,510
<b>Total Assets</b>	<u>\$ 122,717,338</u>	<u>\$ 53,978,302</u>	<u>\$ 176,695,640</u>	<u>\$ 10,076,470</u>	<u>\$ 186,772,110</u>
<b>Liabilities</b>					
Benefits Payable	\$ -	\$ -	\$ -	\$ 569,504	\$ 569,504
Administrative expense payable	-	-	-	7,500	7,500
<b>Total Liabilities</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 577,004</u>	<u>\$ 577,004</u>
<b>Net Position</b>					
Restricted for plan benefits	\$ 122,717,338	\$ 53,978,302	\$ 176,695,640	\$ 9,499,466	\$ 186,195,106
<b>Total Liabilities and Net Position</b>	<u>\$ 122,717,338</u>	<u>\$ 53,978,302</u>	<u>\$ 176,695,640</u>	<u>\$ 10,076,470</u>	<u>\$ 186,772,110</u>

See accompanying notes to the basic financial statements.

**City of Rockville, Maryland**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Pension and OPEB Trust Funds**  
**For the Fiscal Year Ended June 30, 2023**

	Pension Trust Fund			OPEB Trust Fund	Total Pension and OPEB Trust Funds
	Defined Benefit Trust	Defined Contribution Trust	Total Pension Trust Funds	OPEB Trust Fund	
<b>Additions</b>					
Contributions					
Employer	\$ 5,468,739	\$ 1,053,522	\$ 6,522,261	\$ -	\$ 6,522,261
Plan Members	807,673	1,669,991	2,477,664	-	2,477,664
Total Contributions	<u>\$ 6,276,412</u>	<u>\$ 2,723,513</u>	<u>\$ 8,999,925</u>	<u>\$ -</u>	<u>\$ 8,999,925</u>
Investment earnings (losses):					
Net appreciation in the fair value of plan investments	5,789,305	3,531,940	9,321,245	727,396	10,048,641
Interest and dividends	1,790,581	2,048,155	3,838,736	142,005	3,980,741
Total investment earnings (losses)	<u>7,579,886</u>	<u>5,580,095</u>	<u>13,159,981</u>	<u>869,401</u>	<u>14,029,382</u>
Less investment expense refunds	(246,149)	(15,000)	(261,149)	-	(261,149)
Net investment earnings (losses)	<u>7,333,737</u>	<u>5,565,095</u>	<u>12,898,832</u>	<u>869,401</u>	<u>13,768,233</u>
Total Additions	<u>\$ 13,610,149</u>	<u>\$ 8,288,608</u>	<u>\$ 21,898,757</u>	<u>\$ 869,401</u>	<u>\$ 22,768,158</u>
<b>Deductions</b>					
Benefits	\$ 8,910,650	\$ 1,138,500	\$ 10,049,150	\$ 537,096	\$ 10,586,246
Administrative expense	118,075	58,028	176,103	-	176,103
Total Deductions	<u>\$ 9,028,725</u>	<u>\$ 1,196,528</u>	<u>\$ 10,225,253</u>	<u>\$ 537,096</u>	<u>\$ 10,762,349</u>
Net Increase (Decrease)	4,581,424	7,092,080	11,673,504	332,305	12,005,809
Net position at beginning of year	118,135,914	46,886,222	165,022,136	9,167,161	174,189,297
Net position at end of year	<u>\$ 122,717,338</u>	<u>\$ 53,978,302</u>	<u>\$176,695,640</u>	<u>\$ 9,499,466</u>	<u>\$186,195,106</u>

See accompanying notes to the basic financial statements.



# Statistical Section

Fiscal Year Ended  
June 30, 2023



# Statistical Section

The Statistical Section presents detailed information for the City in the following areas, as a context for understanding what the information in the Financial Section says about the City's overall financial health:

**REVENUE CAPACITY** - Information to help the reader assess the City's most significant local revenue source, the property tax.

**FINANCIAL TRENDS** - Information to help the reader understand how the City's financial performance and well-being have changed over time.

**DEBT CAPACITY** - Information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

**DEMOGRAPHIC AND ECONOMIC INFORMATION** - Indicators to help the reader understand how the environment within which the City's financial activities take place.

**OPERATING INFORMATION** - Service and infrastructure data to help the reader understand how the information in the City's Financial report relates to the services the City provides and the activities it performs.

Many of the tables cover more than two fiscal years and present data from outside accounting records. Therefore, the Statistical Section is unaudited.





## City of Rockville, Maryland

### Financial Trends Information (unaudited)

#### Net Position by Category Government-Wide, (Governmental and Business-type Activities) - Last Ten Fiscal Years (accrual basis of accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 227,007,883	\$ 236,257,929	\$ 242,206,193	\$ 251,497,341	\$ 258,103,935	\$ 180,264,476	\$ 189,355,879	\$ 194,918,299	\$ 199,997,005	\$ 208,486,829
Restricted	31,504,391	28,241,472	8,958,785	9,196,988	9,637,846	9,564,641	10,877,025	10,872,899	12,889,320	13,408,641
Unrestricted	11,252,856	842,090	20,493,148	18,653,066	18,669,094	20,828,738	16,634,804	18,021,201	26,678,563	32,835,964
Total Governmental Activities Net Position	\$ 269,765,130	\$ 265,341,491	\$ 271,658,126	\$ 279,347,395	\$ 286,410,875	\$ 210,657,855	\$ 216,867,708	\$ 223,812,399	\$ 239,564,888	\$ 254,731,434
<b>Business-Type Activities</b>										
Net investment in capital assets	\$ 69,660,027	\$ 73,858,569	\$ 80,207,561	\$ 82,902,957	\$ 84,792,752	\$ 47,681,534	\$ 45,275,449	\$ 47,467,611	\$ 68,730,672	\$ 54,511,647
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	(10,553,298)	(12,866,439)	(16,018,230)	(13,447,240)	(11,587,452)	24,736,541	31,276,128	35,835,268	20,423,111	35,942,895
Total Business-Type Activities Net Position	\$ 59,106,729	\$ 60,992,130	\$ 64,189,331	\$ 69,455,717	\$ 73,205,300	\$ 72,418,075	\$ 76,551,577	\$ 83,302,879	\$ 89,153,783	\$ 90,454,542
<b>Primary Government</b>										
Net investment in capital assets	\$ 296,667,910	\$ 310,116,498	\$ 322,413,754	\$ 334,400,298	\$ 342,896,687	\$ 227,946,010	\$ 234,631,328	\$ 242,385,910	\$ 268,727,677	\$ 262,998,476
Restricted	31,504,391	28,241,472	8,958,785	9,196,988	9,637,846	9,564,641	10,877,025	10,872,899	12,889,320	13,408,641
Unrestricted	699,558	(12,024,349)	4,474,918	5,205,826	7,081,642	45,565,279	47,910,932	53,856,469	47,101,674	68,778,859
Total Primary Government Net Position	\$ 328,871,859	\$ 326,333,621	\$ 335,847,457	\$ 348,803,112	\$ 359,616,175	\$ 283,075,930	\$ 293,419,285	\$ 307,115,278	\$ 328,718,671	\$ 345,185,976

- Note: In fiscal year 2019, the City had restatements of net position that consisted of adjustments to accumulated depreciation on fixed assets and adjustments to construction in progress as follows: The government-wide net position was restated by (\$93,367,113) which is made up of governmental net position restatements of (\$85,206,345) and business-type net position restatements of (\$8,160,768), which also decrease the reported net investment in capital assets, as observed in the table above. In addition, changes in the presentation of Parking Fund net position, contribute to the fiscal year 2019 decrease in business-type activities net investment in capital assets.

**City of Rockville, Maryland**  
**Financial Trends Information (unaudited)**  
**Changes in Net Position by Category, Government-Wide, (Governmental and Business-type Activities) – Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Expenses</b>										
Governmental activities:										
General government	\$ 18,029,867	\$ 16,056,710	\$ 19,939,261	\$ 22,179,924	\$ 20,613,735	\$ 23,393,793	\$ 25,240,933	\$ 20,536,401	\$ 24,767,845	\$ 27,731,839
Community development block grant	274,100	324,341	192,372	-	-	-	-	-	-	-
Community development	4,499,173	4,742,679	5,208,701	5,559,447	5,464,560	5,595,043	7,026,330	8,030,851	8,507,999	9,357,082
Economic development	-	-	-	-	-	-	-	-	1,996,852	2,213,082
Public safety	11,925,500	11,955,154	14,011,145	13,055,908	13,078,545	14,225,613	13,323,731	12,372,318	12,144,440	13,320,805
Public works	10,480,582	10,680,119	11,489,202	11,298,192	11,903,718	12,709,877	13,341,995	14,201,763	14,039,787	14,719,410
Recreation and parks	20,192,932	20,316,220	21,677,656	22,483,951	23,193,122	23,804,520	23,261,943	20,028,092	22,644,143	24,984,615
Interest on long-term debt	1,570,515	1,481,177	1,451,990	1,279,361	1,388,516	1,271,638	1,369,546	1,042,271	898,054	757,877
<b>Total governmental activities expenses</b>	<b>\$ 66,972,669</b>	<b>\$ 65,556,400</b>	<b>\$ 73,970,327</b>	<b>\$ 75,856,783</b>	<b>\$ 75,642,196</b>	<b>\$ 81,000,484</b>	<b>\$ 83,564,478</b>	<b>\$ 76,211,696</b>	<b>\$ 84,999,120</b>	<b>\$ 93,084,711</b>
Business-type activities:										
Water	\$ 8,781,145	\$ 8,786,204	\$ 8,954,708	\$ 9,541,833	\$ 10,196,312	\$ 9,969,367	\$ 10,225,304	\$ 9,945,637	\$ 10,275,797	\$ 11,786,280
Sewer	8,851,481	10,761,488	12,465,393	10,632,475	11,507,060	11,598,825	11,608,010	10,850,259	11,797,114	13,296,230
Refuse	4,374,062	4,482,442	4,273,936	4,593,424	4,655,333	4,848,875	5,405,423	5,429,616	5,527,202	5,710,697
Parking	1,856,615	1,826,227	1,783,298	1,800,872	2,004,078	1,816,468	3,421,832	1,279,238	1,896,381	1,719,172
Stormwater management	2,931,502	2,963,825	3,176,524	3,522,042	3,734,179	3,837,179	4,318,925	4,251,262	4,505,152	5,158,292
Golf course	121,087	106,119	105,439	104,761	104,090	103,357	490,370	101,594	31,850	31,683
<b>Total business-type activities expenses</b>	<b>26,915,892</b>	<b>28,926,305</b>	<b>30,759,298</b>	<b>30,195,407</b>	<b>32,201,052</b>	<b>32,174,071</b>	<b>35,469,864</b>	<b>31,857,606</b>	<b>34,033,496</b>	<b>37,702,354</b>
<b>Total primary government expenses</b>	<b>\$ 93,888,561</b>	<b>\$ 94,482,705</b>	<b>\$ 104,729,625</b>	<b>\$ 106,052,190</b>	<b>\$ 107,843,248</b>	<b>\$ 113,174,555</b>	<b>\$ 119,034,342</b>	<b>\$ 108,069,302</b>	<b>\$ 119,032,616</b>	<b>\$ 130,787,065</b>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 308,228	\$ 331,004	\$ 379,871	\$ 411,704	\$ 573,971	\$ 652,239	\$ 519,634	\$ 387,304	\$ 921,900	\$ 1,878,143
Community development	2,631,132	2,127,341	1,983,953	2,043,566	2,153,492	2,507,674	4,226,994	3,060,460	3,746,815	3,693,757
Economic development	-	-	-	-	-	-	-	-	46,582	159,550
Public safety	4,913,037	3,998,962	4,155,894	4,367,130	4,531,053	4,213,136	2,709,657	2,250,734	1,849,248	1,581,833
Public works	655,773	647,298	677,274	208,457	780,999	1,066,358	343,141	499,453	886,217	1,160,721
Recreation and parks	5,304,462	5,510,139	5,667,549	6,124,135	6,322,356	6,291,076	4,375,849	2,200,987	5,142,856	6,855,909
Operating grants and contributions	1,276,981	1,802,196	1,414,801	1,842,041	1,587,580	2,200,863	3,379,267	2,762,499	3,784,720	3,330,130
Capital grants and contributions	1,170,792	458,203	1,021,763	929,414	1,623,758	1,645,078	1,386,536	499,774	5,366,478	2,771,376
<b>Total governmental activities program revenues</b>	<b>\$ 16,260,405</b>	<b>\$ 14,875,143</b>	<b>\$ 15,301,105</b>	<b>\$ 15,926,447</b>	<b>\$ 17,573,209</b>	<b>\$ 18,576,424</b>	<b>\$ 16,941,078</b>	<b>\$ 11,661,211</b>	<b>\$ 21,744,816</b>	<b>\$ 21,431,419</b>
Business type activities:										
Charges for services:										
Water	\$ 10,694,368	\$ 11,028,502	\$ 12,150,240	\$ 12,360,559	\$ 11,779,188	\$ 12,280,599	\$ 13,309,595	\$ 12,240,675	\$ 11,849,849	\$ 11,926,940
Sewer	9,118,470	9,447,082	11,041,983	12,407,271	13,283,207	14,212,488	15,518,514	15,647,083	14,355,486	14,471,738
Refuse	5,534,943	5,687,674	5,799,796	6,121,016	6,294,727	6,193,581	6,195,480	6,247,044	6,487,980	6,808,891
Parking	1,286,239	1,156,885	1,108,497	857,266	1,004,449	923,056	619,319	453,070	761,933	773,333
Stormwater management	4,241,331	4,809,791	5,120,666	5,781,614	5,693,065	6,827,996	5,466,361	5,354,261	6,028,578	6,846,082
Golf course	2,100	100	-	-	-	-	-	-	-	-
Capital grants and contributions	1,109,875	1,163,751	2,523,759	1,683,070	1,589,340	875,236	597,096	118,316	4,100,731	404,105
<b>Total business-type activities program revenues</b>	<b>31,987,326</b>	<b>33,293,785</b>	<b>37,744,941</b>	<b>39,210,796</b>	<b>39,643,976</b>	<b>41,312,956</b>	<b>41,706,365</b>	<b>40,060,449</b>	<b>43,584,557</b>	<b>41,231,089</b>
<b>Total primary government revenues</b>	<b>\$ 48,247,731</b>	<b>\$ 48,168,928</b>	<b>\$ 53,046,046</b>	<b>\$ 55,137,243</b>	<b>\$ 57,217,185</b>	<b>\$ 59,889,380</b>	<b>\$ 58,647,443</b>	<b>\$ 51,721,660</b>	<b>\$ 65,329,373</b>	<b>\$ 62,662,508</b>

## City of Rockville, Maryland

### Financial Trends Information (unaudited)

#### Changes in Net Position by Category, Government-Wide, (Governmental and Business-type Activities) – Last Ten Fiscal Years (Continued) (accrual basis of accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (50,712,264)	\$ (50,681,257)	\$ (58,669,222)	\$ (59,930,336)	\$ (58,068,987)	\$ (62,424,060)	\$ (66,623,400)	\$ (64,550,485)	\$ (63,254,304)	\$ (71,653,292)
Business-type activities	5,071,434	4,367,480	6,985,643	9,015,389	7,442,924	9,138,885	6,236,501	8,202,843	9,551,061	3,528,735
Total primary government net expense	\$ (45,640,830)	\$ (46,313,777)	\$ (51,683,579)	\$ (50,914,947)	\$ (50,626,063)	\$ (53,285,175)	\$ (60,386,899)	\$ (56,347,642)	\$ (53,703,243)	\$ (68,124,557)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes	\$ 36,057,121	\$ 35,774,964	\$ 38,283,902	\$ 40,246,427	\$ 41,278,428	\$ 42,110,434	\$ 42,761,718	\$ 44,310,187	\$ 45,002,799	\$ 46,314,322
Income taxes	13,023,794	12,438,718	14,154,731	13,577,486	13,634,659	15,585,645	16,049,228	16,631,367	18,874,910	19,507,358
Gas and motor vehicle taxes	1,601,681	1,663,404	1,914,024	1,897,093	1,960,667	2,169,474	2,494,082	2,763,951	2,925,644	2,799,573
County tax duplications payment	2,116,671	2,116,671	2,116,671	2,409,750	2,409,750	2,409,750	2,409,750	2,409,750	5,327,472	6,593,160
Admissions and amusement taxes	1,036,536	993,387	985,525	1,321,900	1,350,266	1,375,116	1,009,777	312,323	555,400	1,072,782
Use of money and property	289,824	299,215	384,646	456,123	768,464	1,690,421	2,443,669	686,635	(226,229)	4,071,013
Other revenue	2,537,174	2,821,943	3,016,088	3,409,976	3,334,811	3,294,275	3,045,759	2,466,693	3,045,900	3,565,165
Transfers	2,598,360	2,665,365	4,130,270	4,300,850	4,264,970	3,242,270	2,619,270	1,914,270	2,460,800	2,896,465
Total governmental activities	59,261,161	58,773,667	64,985,857	67,619,605	69,002,015	71,877,385	72,833,253	71,495,176	77,966,696	86,819,838
Business-type activities:										
Property taxes	\$ 172,382	\$ 181,081	\$ 196,481	\$ 206,704	\$ 216,927	\$ 208,743	\$ 160,762	\$ 147,019	\$ 125,395	\$ 110,606
Use of money and property	2,341	2,205	15,451	42,127	91,976	151,540	144,318	16,349	97,680	1,470,841
Other revenue	-	-	129,896	303,016	262,726	1,116,645	211,191	299,361	250,681	459,754
Transfers	(2,598,360)	(2,665,365)	(4,130,270)	(4,300,850)	(4,264,970)	(3,242,270)	(2,619,270)	(1,914,270)	(2,460,800)	(4,269,177)
Total business-type activities	(2,423,637)	(2,482,079)	(3,788,442)	(3,749,003)	(3,693,341)	(1,765,342)	(2,102,999)	(1,451,541)	(1,987,044)	(2,227,976)
Total primary government	\$ 56,837,524	\$ 56,291,588	\$ 61,197,415	\$ 63,870,602	\$ 65,308,674	\$ 70,112,043	\$ 70,730,254	\$ 70,043,635	\$ 75,979,652	\$ 84,591,862
<b>Changes in Net Position</b>										
Governmental activities	\$ 8,548,897	\$ 8,092,410	\$ 6,316,635	\$ 7,689,269	\$ 10,933,028	\$ 9,453,325	\$ 6,209,853	\$ 6,944,691	\$ 14,712,392	\$ 15,166,546
Business-type activities	2,647,797	1,885,401	3,197,201	5,266,386	3,749,583	7,373,543	4,133,502	6,751,302	7,564,017	1,300,759
Total primary government	\$ 11,196,694	\$ 9,977,811	\$ 9,513,836	\$ 12,955,655	\$ 14,682,611	\$ 16,826,868	\$ 10,343,355	\$ 13,695,993	\$ 22,276,409	\$ 16,467,305

**City of Rockville, Maryland**  
**Financial Trends Information (unaudited)**  
**Fund Balances, Governmental Funds – Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>General Fund</b>										
Nonspendable	\$ 1,712,687	\$ 1,734,918	\$ 1,793,249	\$ 793,744	\$ 824,326	\$ 786,524	\$ 923,482	\$ 850,844	\$ 909,080	\$ 1,091,383
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	428,000	-	100,000	270,000	1,126,620	481,000
Assigned	342,006	772,345	984,077	739,037	1,385,354	1,015,143	740,985	992,028	1,679,959	2,367,035
Unassigned	15,689,079	19,916,594	21,039,026	19,643,296	19,092,844	22,733,031	22,022,347	22,869,949	26,446,411	27,588,751
<b>Total General Fund</b>	<b>\$ 17,743,772</b>	<b>\$ 22,423,857</b>	<b>\$ 23,816,352</b>	<b>\$ 21,176,077</b>	<b>\$ 21,730,524</b>	<b>\$ 24,534,698</b>	<b>\$ 23,786,814</b>	<b>\$ 24,982,821</b>	<b>\$ 30,162,070</b>	<b>\$ 31,528,169</b>
<b>All Other Governmental Funds</b>										
Nonspendable	\$ 1,750,728	\$ 1,705,709	\$ 1,705,709	\$ 1,705,709	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	31,504,391	28,241,472	8,958,785	9,196,988	9,637,846	9,564,641	10,877,025	10,872,899	12,889,320	13,408,641
Committed	-	-	180,461	320,328	1,555,317	1,488,780	867,612	311,221	185,004	207,951
Assigned	-	-	15,795,046	17,467,665	24,146,176	24,877,332	21,154,242	19,174,560	23,072,790	27,360,138
Unassigned	-	(4,312)	(351,108)	(12,988)	(113)	(19,972)	-	(18,642)	-	-
<b>Total Other Governmental Funds</b>	<b>\$ 33,255,119</b>	<b>\$ 29,942,869</b>	<b>\$ 26,288,893</b>	<b>\$ 28,677,702</b>	<b>\$ 35,339,226</b>	<b>\$ 35,910,781</b>	<b>\$ 32,898,879</b>	<b>\$ 30,340,038</b>	<b>\$ 36,147,114</b>	<b>\$ 40,976,730</b>

**City of Rockville, Maryland**  
**Financial Trends Information (unaudited)**  
**Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenues</b>										
Property taxes	\$ 36,300,047	\$ 36,206,420	\$ 38,435,104	\$ 40,105,716	\$ 41,385,199	\$ 42,167,988	\$ 42,551,677	\$ 44,327,269	\$ 44,931,581	\$ 46,053,556
Assessments	19,014	13,127	49,695	17,306	13,540	13,911	180	-	-	-
Revenue from other governments:										
Community development block grant	269,966	320,645	182,678	206,478	145,585	276,545	-	-	-	-
Income taxes	13,023,794	12,438,718	14,154,731	13,577,486	13,634,659	15,585,645	16,049,228	16,631,367	18,874,910	19,507,358
Gas and motor vehicle taxes	1,601,681	1,663,404	1,914,024	1,897,093	1,960,667	2,169,474	2,494,082	2,763,951	2,925,644	2,799,573
County tax duplication payment	2,116,671	2,116,671	2,116,671	2,409,750	2,409,750	2,409,750	2,409,750	2,409,750	5,327,472	6,593,160
Admissions and amusement taxes	1,036,536	993,387	985,525	1,321,900	1,350,266	1,375,116	1,009,777	312,323	555,400	1,072,782
Grants and other governmental revenue	2,016,584	2,215,514	3,796,415	3,726,575	3,831,943	4,942,651	4,293,669	4,756,260	10,073,834	7,261,817
Licenses and permits	3,179,708	2,604,279	2,919,812	2,927,369	3,085,155	3,464,229	3,594,801	2,832,775	3,480,338	3,362,521
Charges for services	6,184,270	6,790,786	6,662,970	6,792,763	7,511,352	7,744,968	5,432,233	3,003,157	6,361,303	8,424,163
Use of money and property	289,824	299,215	384,646	456,123	768,464	1,690,421	2,443,669	686,635	(858,912)	1,512,361
Fines and forfeitures	3,236,025	2,975,888	2,876,907	3,099,446	3,251,514	2,911,702	2,635,485	2,177,376	1,771,920	1,514,493
Other revenues	7,407,613	6,215,424	6,944,972	7,606,955	7,568,233	7,397,901	7,440,081	4,538,106	3,092,553	3,507,697
<b>Total revenues</b>	<b>\$ 76,681,733</b>	<b>\$ 74,853,478</b>	<b>\$ 81,424,150</b>	<b>\$ 84,144,960</b>	<b>\$ 86,916,327</b>	<b>\$ 92,150,301</b>	<b>\$ 90,354,632</b>	<b>\$ 84,438,969</b>	<b>\$ 96,536,043</b>	<b>\$ 101,609,481</b>
<b>Expenditures</b>										
Current operations:										
General government	\$ 14,377,671	\$ 14,275,094	\$ 15,686,607	\$ 16,407,663	\$ 16,342,618	\$ 17,814,977	\$ 18,714,782	\$ 18,671,868	\$ 19,379,629	\$ 22,634,088
Community development block grant	274,100	324,341	192,372	-	-	-	-	-	-	-
Community development	4,498,124	4,741,630	5,207,652	5,542,514	5,464,560	5,595,043	7,026,330	8,030,851	8,507,999	9,357,082
Economic development	-	-	-	-	-	-	-	-	1,996,852	2,213,082
Public safety	11,496,594	11,501,814	12,185,400	12,443,786	12,459,492	13,567,548	12,689,749	12,025,397	11,810,523	13,078,217
Public works	7,384,086	7,303,804	7,750,002	7,230,606	7,327,415	7,612,913	7,789,950	8,403,476	8,028,157	8,597,867
Recreation and parks	20,143,088	20,263,690	21,624,308	22,432,984	23,136,161	23,718,127	23,161,217	19,910,546	22,521,146	24,860,286
Capital outlay	8,064,997	12,158,974	13,099,398	15,418,428	14,704,558	21,146,123	17,983,725	11,404,211	12,664,143	15,508,404
Debt service										
Principal	9,851,039	11,092,586	4,340,170	3,935,601	4,074,204	3,904,994	12,138,488	5,226,047	3,722,421	3,705,375
Interest	1,609,647	1,474,312	1,475,550	1,298,334	1,392,498	1,268,855	1,438,225	1,115,727	866,673	728,728
Bond Counsel/Amortization	78,550	80,936	-	80,294	16,927	53,701	40,222	40,222	40,222	40,222
<b>Total expenditures</b>	<b>\$ 77,777,896</b>	<b>\$ 83,217,181</b>	<b>\$ 81,561,459</b>	<b>\$ 84,790,210</b>	<b>\$ 84,918,433</b>	<b>\$ 94,682,281</b>	<b>\$ 100,982,688</b>	<b>\$ 84,828,345</b>	<b>\$ 89,537,765</b>	<b>\$ 100,723,351</b>
Excess (deficiency) revenues over expenditures	\$ (1,096,163)	\$ (8,363,703)	\$ (137,309)	\$ (645,250)	\$ 1,997,894	\$ (2,531,980)	\$ (10,628,056)	\$ (389,376)	\$ 6,998,278	\$ 886,130
<b>Other Financing Sources (Uses)</b>										
Transfers in	\$ 12,147,230	\$ 14,610,342	\$ 13,397,890	\$ 17,584,502	\$ 16,849,860	\$ 13,730,460	\$ 14,855,250	\$ 12,472,440	\$ 20,335,370	\$ 24,610,960
Transfers out	(12,936,290)	(15,400,137)	(14,277,890)	(18,344,022)	(17,746,590)	(14,877,190)	(16,001,980)	(14,469,170)	(17,874,570)	(21,714,495)
Leases - as lessee	*	*	*	*	*	*	*	*	487,150	706,094
SBITAs	-	-	-	-	-	-	-	-	*	1,707,026
Payment to refunded bond escrow agent	-	-	-	(5,390,020)	-	-	-	-	-	-
Issuance of general obligation bonds	-	3,527,737	-	1,114,028	6,114,807	7,054,439	-	-	-	-
Issuance of refunding bonds	5,784,588	6,993,596	-	5,429,296	-	-	8,015,000	1,023,272	-	-
Loan Proceeds	-	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>\$ 4,995,528</b>	<b>\$ 9,731,538</b>	<b>\$ (880,000)</b>	<b>\$ 393,784</b>	<b>\$ 5,218,077</b>	<b>\$ 5,907,709</b>	<b>\$ 6,868,270</b>	<b>\$ (973,458)</b>	<b>\$ 2,947,950</b>	<b>\$ 5,309,585</b>
<b>Net change in fund balances</b>	<b>\$ 3,899,365</b>	<b>\$ 1,367,835</b>	<b>\$ (1,017,309)</b>	<b>\$ (251,466)</b>	<b>\$ 7,215,971</b>	<b>\$ 3,375,729</b>	<b>\$ (3,759,786)</b>	<b>\$ (1,362,834)</b>	<b>\$ 9,946,228</b>	<b>\$ 6,195,715</b>
Debt Service as percentage of non-capital expenditures	16.44%	17.69%	8.49%	7.54%	7.79%	7.04%	16.36%	8.64%	5.97%	5.20%

\* not applicable for the years presented

**City of Rockville, Maryland**  
 Revenue Capacity Information (unaudited)  
 Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Property	Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Percentage Change
2014	11,451,738,175	409,935,282	11,861,673,457	0.292	11,861,673,457	1.0%
2015	11,536,297,040	418,533,998	11,954,831,038	0.292	11,954,831,038	0.8%
2016	12,025,581,009	422,828,843	12,448,409,852	0.292	12,448,409,852	4.1%
2017	12,607,868,059	468,851,914	13,076,719,973	0.292	13,076,719,973	5.0%
2018	13,115,652,277	450,448,415	13,566,100,692	0.292	13,566,100,692	3.7%
2019	13,395,760,564	423,664,690	13,819,425,254	0.292	13,819,425,254	1.9%
2020	13,616,196,177	427,152,944	14,043,349,121	0.292	14,043,349,121	1.6%
2021	14,010,077,827	436,757,839	14,446,835,666	0.292	14,446,835,666	2.9%
2022	14,209,994,545	432,765,487	14,642,760,032	0.292	14,642,760,032	1.4%
2023	14,656,813,161	438,618,750	15,095,431,911	0.292	15,095,431,911	3.1%

Note: Property is assessed at 100% and tax rates are per \$100 of assessed value. For fiscal year ends June 30, 2014 to June 30, 2023, real property and personal property figures are based on the Montgomery County confirmation and Personal Property Assessment Report. Personal property is taxed at a rate of 0.805.

**City of Rockville, Maryland**  
 Revenue Capacity Information (unaudited)  
 Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years

Fiscal Year	City	Overlapping Rates	
	Total Direct	Montgomery County	State of Maryland
2014	0.292	0.927	0.112
2015	0.292	0.909	0.112
2016	0.292	0.900	0.112
2017	0.292	0.940	0.112
2018	0.292	0.916	0.112
2019	0.292	0.899	0.112
2020	0.292	0.892	0.112
2021	0.292	0.888	0.112
2022	0.292	0.886	0.112
2023	0.292	0.888	0.112

Note: The City portion of property taxes (FY 2023 direct rate of 0.292) is fully dedicated to operating expenditures. Property is assessed at 100%.

**City of Rockville, Maryland**  
 Revenue Capacity Information (unaudited)  
 Principal Property Tax Payers – Current Year and Nine Years Ago

For the Fiscal Year Ended June 30, 2023

	Assessable Base			Ratio:
	Total	Real	Personal	Taxpayer
		Property	Property	Base to Total
	Assessable Base	Assessable Base	Assessable Base	Assessable Base
Congressional Plaza Assoc LLC	\$ 167,796,534	\$ 167,796,534	\$ -	1.11%
Morguard Fenestra Apts LLC	120,914,695	120,914,695	-	0.80%
1800 Rockville Residential LLC	117,893,404	117,893,404	-	0.78%
FK Upper Rock I LLC	114,032,932	114,032,932	-	0.76%
King Farm Apartments Ph 2 LLC	113,893,336	113,893,336	-	0.75%
JPI/KF Apt Sec 1 LLLP	109,932,065	109,932,065	-	0.73%
Terra Funding-RCV LLC	101,668,534	101,668,534	-	0.67%
FP Redland Technology Center LP	97,336,332	97,336,332	-	0.64%
PF Apartments LLC	83,967,668	83,967,668	-	0.56%
Bainbridge Shady Grove Apartments	74,333,332	74,333,332	-	0.49%
<b>Total</b>	<b>\$ 1,101,768,832</b>	<b>\$ 1,101,768,832</b>	<b>\$ -</b>	<b>7.30%</b>
Total Assessable Value	<u>\$ 15,095,431,911</u>			<u>100.00%</u>

For the Fiscal Year Ended June 30, 2014

	Assessable Base			Ratio:
	Total	Real	Personal	Taxpayer
		Property	Property	Base to Total
	Assessable Base	Assessable Base	Assessable Base	Assessable Base
Congressional Plaza Assoc LLC	107,378,555	107,378,555	-	0.91%
Congressional Village Assoc LLC	107,140,000	107,140,000	-	0.90%
Street Retail, Inc.	99,927,945	99,927,945	-	0.84%
Boston Prop LTD Partnership	87,616,534	87,616,534	-	0.74%
Brandywine Research LLC	77,800,000	77,800,000	-	0.66%
F P Rockville II LTD Partnership	77,750,264	77,750,264	-	0.66%
Twinbrook Commons Residential	77,738,199	77,738,199	-	0.66%
Tower-Dawson LLC	75,592,863	75,592,863	-	0.64%
PF Apartments LLC	67,750,866	67,750,866	-	0.57%
Congressional Towers	65,367,466	65,367,466	-	0.55%
<b>Total</b>	<b>\$ 844,062,692</b>	<b>\$ 844,062,692</b>	<b>\$ -</b>	<b>7.12%</b>
Total Assessable Value	<u>\$ 11,861,673,457</u>			<u>100.00%</u>

Source: Tax Assessment and Accounts Receivable Report provided by Montgomery County, MD.



**City of Rockville, Maryland**  
 Revenue Capacity Information (unaudited)  
 Property Tax Levies and Collections – Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	33,405,919	33,291,816	99.6%	19,226	33,311,042	99.7%
2015	34,174,382	33,785,982	98.9%	19,784	33,805,766	98.9%
2016	34,644,503	34,596,817	99.9%	33,248	34,630,065	100.0%
2017	36,693,505	36,531,512	99.6%	111,286	36,642,798	99.9%
2018	38,193,030	38,097,608	99.8%	(24,730)	38,072,878	99.7%
2019	39,115,621	39,044,064	99.8%	(30,459)	39,013,605	99.7%
2020	39,759,293	39,657,403	99.7%	13,812	39,671,215	99.8%
2021	40,679,013	40,633,479	99.9%	(40,461)	40,593,018	99.8%
2022	41,989,087	41,914,490	99.8%	(5,107)	41,909,383	99.8%
2023	40,690,367	40,577,450	99.7%	-	40,577,450	99.7%

Note: Collections are shown net of adjustments and refunds.

Source: Tax Assessment and Accounts Receivable Report provided by Montgomery County, MD.

**City of Rockville, Maryland**  
**Debt Capacity Information (unaudited)**  
**Ratios of Outstanding Debt by Type – Last Ten Fiscal Years**

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Estimated Personal Income	Per Capita
	General Obligation Bonds	Loan Payable	Leases Payable	SBITAs Payable	General Obligation Bonds	Loan Payable	Leases Payable	SBITAs Payable			
2014	39,098,908	1,809,332	*	*	89,446,092	4,946,130	*	*	135,300,462	2.85%	2,114
2015	40,228,422	1,119,999	*	*	97,349,903	4,369,475	*	*	143,067,799	2.72%	2,158
2016	36,344,961	430,666	*	*	102,077,045	3,779,524	*	*	142,632,196	2.55%	1,816
2017	33,580,117	241,333	*	*	100,676,067	3,175,889	*	*	137,673,406	2.34%	1,718
2018	35,466,495	52,000	*	*	99,024,440	2,558,165	*	*	137,101,100	2.26%	1,678
2019	38,265,910	26,000	*	*	101,676,922	1,925,939	*	*	141,894,771	2.19%	1,635
2020	33,640,035	-	*	*	95,620,635	1,470,226	*	*	130,730,896	1.96%	1,418
2021	28,988,553	-	*	*	108,638,498	1,147,637	*	*	138,774,688	2.32%	1,559
2022	24,935,831	-	1,906,934	*	100,078,109	820,746	251,611	*	127,993,231	1.87%	1,344
2023	20,915,500	-	1,949,608	2,579,187	103,228,636	489,474	479,770	26,432	129,668,607	1.95%	1,363

\* not applicable for the years presented, leases payable per GASB 87 starting fiscal year 2022.

Note: Amounts above include unamortized bond premiums for governmental activities and business-type activities.

Source: Per capita is calculated using population estimates provided internally by the Department of Community Planning and Development Services.

**City of Rockville, Maryland**  
Debt Capacity Information (unaudited)  
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2014	128,545,000	1.08%	2,008
2015	137,578,325	1.15%	2,075
2016	138,422,006	1.11%	2,057
2017	134,256,184	1.03%	1,963
2018	134,490,935	0.99%	1,955
2019	139,942,832	1.01%	1,970
2020	129,260,670	0.92%	1,790
2021	137,627,051	0.95%	2,051
2022	125,013,940	0.85%	1,741
2023	124,144,136	0.82%	1,770

Source: Per capita is calculated using population estimates provided internally by the Department of Community Planning and Development Services.

**City of Rockville, Maryland**  
 Debt Capacity Information (unaudited)  
 Direct and Overlapping Governmental Activities Debt

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
City of Rockville	\$ 20,915,500	100.00%	\$ 20,915,500
Montgomery County, Maryland	4,349,250,642	7.28%	316,625,447
Total direct and overlapping debt	\$ 4,370,166,142		\$ 337,540,947

Notes:

- The City is not restricted by legal debt limit.
- The percentage of overlapping debt applicable is estimated using taxable assessed property values, as reported by the State of Maryland Department of Assessments and Taxation. Applicable percentages are based on the portion of taxable assessed property located within the City of Rockville, compared to the taxable assessed property of Montgomery County. The City is located entirely within the County.
- Debt for Montgomery County was obtained from Montgomery County, Department of Finance.

**City of Rockville, Maryland**  
 Demographic and Economic Information (unaudited)  
 Demographic and Economic Statistics – Last Ten Fiscal Years

Fiscal Year	Personal Income (in thousands)	Per Capita Income	Population	Unemployment Rate
2014	4,745,927	74,147	64,007	4.30
2015	5,251,490	79,208	66,300	4.40
2016	5,588,457	83,038	67,300	3.70
2017	5,890,410	86,136	68,385	3.40
2018	6,069,137	88,236	68,783	3.10
2019	6,485,891	91,312	71,030	3.76
2020	6,658,654	92,225	72,200	8.20
2021	5,975,359	89,029	67,117	5.61
2022	6,838,591	95,245	71,800	4.00
2023	6,653,084	95,112	69,950	2.26

## Notes:

- Population estimates are from City of Rockville Department of Planning and Development Services for years 2014 to 2023 Census. Per capita income is obtained from Montgomery County.

**City of Rockville, Maryland**  
 Demographic and Economic Information (unaudited)  
 Principal Employers – Current Year and Nine Years Ago

Employer	Fiscal Year 2023		Percentage of Total City Employment	Fiscal Year 2014		Percentage of Total City Employment
	Employees	Rank		Employees	Rank	
Montgomery County Government	5,165	1	6.56%	4,758	1	6.34%
Montgomery County Board of Education	2,500	2	3.18%	2,500	2	3.33%
U.S. Nuclear Regulatory Commission	*	3	*	*		*
Montgomery College	2,000	4	2.54%	791	7	1.05%
Westat, Inc.	1,750	5	2.22%	2,150	3	2.87%
Northwestern Mutual Life Insurance Co.	623	6	0.79%	*		*
Lockheed Martin Information Systems	565	7	0.72%	1,500	4	2.00%
City of Rockville	501	8	0.64%	522	9	0.70%
Choice Hotels International	500	9	0.64%	430	10	0.57%
Quest Diagnostics Incorporated	500	10	0.64%	*		*
Booz Allen Hamilton	*		*	1,282	5	1.71%
Quest Software	*		*	784	8	1.05%
Kaiser Permanente	*		*	931	6	1.24%
BAE Systems	*		*	*		*
Adventist Healthcare	*		*	*		*
Total	14,104		17.92%	15,648		20.86%
Total Estimated City Employment	78,700			75,000		

Sources: Rockville Economic Development Incorporated.

\* Not applicable for the fiscal year presented.

## City of Rockville, Maryland

### Operating Information (unaudited)

#### Full-Time Equivalent City Government Employees by Function/Program – Last Ten Fiscal Years

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government										
Mayor and Council	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.5
City Manager	25.0	25.0	25.0	32.5	28.0	27.0	27.0	27.0	28.0	32.5
City Attorney	6.0	6.0	6.0	6.0	6.0	6.0	7.0	7.0	7.0	7.0
Human Resources	10.0	10.0	11.0	11.0	11.0	12.0	12.0	12.0	12.0	12.0
Finance	29.0	28.5	29.0	21.5	19.5	18.5	18.5	18.5	18.5	18.5
Information and technology	16.5	16.0	17.0	17.0	18.0	19.0	20.0	20.0	20.0	20.0
Planning and Development Services	40.6	41.0	42.0	42.0	42.0	41.0	50.0	47.0	44.0	46.0
Housing and Community Development	-	-	-	-	-	-	-	-	14.0	14.0
Public Safety	89.0	89.5	89.5	88.5	91.5	92.5	85.5	86.5	90.5	88.0
Public Works	45.5	46.0	46.0	46.0	46.0	47.0	47.5	47.5	43.5	48.5
Recreation and parks	139.9	138.5	136.7	136.7	138.1	139.1	137.1	135.3	126.3	129.5
Water	39.0	38.6	37.6	37.6	36.7	36.0	36.0	36.0	36.0	37.0
Sewer	17.9	17.9	17.9	17.9	18.6	18.5	17.9	17.9	17.9	17.9
Refuse collection	35.8	34.8	32.8	32.8	33.5	33.5	34.2	37.2	37.2	37.2
Parking	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Stormwater management	20.4	20.5	20.5	20.5	21.0	21.0	22.9	22.9	22.9	22.9
Total	<u>521.6</u>	<u>519.3</u>	<u>518.0</u>	<u>517.0</u>	<u>516.9</u>	<u>518.1</u>	<u>522.6</u>	<u>521.8</u>	<u>524.8</u>	<u>538.5</u>

Notes:

- Information was obtained from the Adopted Budget, for the respective years presented.
- The department of Housing and Community Development was created at the start of FY 2021; FTEs were moved after budget adoption.

**City of Rockville, Maryland**  
**Operating Information (unaudited)**  
**Capital Asset Statistics by Function/Program – Last Ten Fiscal Years**

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police										
Vehicles	71	71	71	71	71	71	71	72	72	72
Refuse collection										
Collection trucks	17	17	17	17	17	17	17	17	17	17
Other public works										
Streets (miles)	156.00	155.37	155.37	156.05	156.43	156.87	156.87	156.87	156.87	156.87
Street lights	3,069	3,071	3,071	3,170	3,170	3,170	3,171	3,171	3,171	3,171
Sidewalks (miles)	256.87	257.79	258.01	258.74	259.14	259.99	260.46	260.98	260.98	260.98
Recreation and Parks										
Acreage	1,062	1,062	1,105	1,074	1,089	1,089	1,058	1,058	1,058	1,064
Playgrounds	50	50	50	50	50	50	48	48	48	47
Athletic Courts	96	96	96	95	95	95	128	132	132	132
Community centers	6	6	6	6	6	6	6	6	6	6
Water										
Water mains (miles)	175.10	174.00	174.33	174.33	173.59	174.14	174.35	175.62	175.62	175.62
Fire hydrants	1,384	1,403	1,403	1,407	1,420	1,425	1,429	1,452	1,455	1,456
Storage capacity (millions of gallons)	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1
Sewer										
Sanitary sewers (miles)	148.00	148.00	148.00	148.00	148.00	148.00	149.37	148.10	148.10	148.32
Storm Drains (miles)	102.31	103.00	103.00	103.00	103.00	103.00	103.00	97.93	97.93	97.04

## Note:

- In FY 2017, streetlight reporting was updated to include 99 lights that were omitted in previous years.
- In 2023, the category 'Storm Sewers' changed to 'Storm Drains' for more accurate representation of the asset.



**City of Rockville, Maryland**  
**Operating Information (unaudited)**  
**Operating Indicators by Function/Program – Last Ten Fiscal Years**

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>General Government</b>										
Building permits issued	813	861	811	815	840	857	704	944	847	671
Estimated Cost of Construction	\$ 236,735,536	\$ 94,420,016	\$ 186,501,628	\$ 167,368,076	\$ 210,679,924	\$ 281,563,786	\$ 246,413,441	\$ 73,348,802	\$ 305,608,804	\$ 120,729,981
<b>Police</b>										
Physical arrests	1,157	1,055	902	938	846	953	746	474	470	N/A *
Traffic violations	16,469	16,234	13,397	16,227	13,582	15,910	16,832	15,397	12,343	6,038
<b>Refuse collection</b>										
Refuse (Disposed) (tons per year)	9,767	11,639	9,927	9,766	9,915	9,908	10,258	11,195	10,867	10,061
Yard Waste (composted/Mulched) (tons per year)	4,694	5,309	4,402	3,677	3,788	4,196	4,209	4,255	3,233	3,605
Recyclables collected (tons per year)	5,398	5,358	5,283	4,993	4,825	4,744	4,770	4,937	4,420	4,097
<b>Recreation and Parks</b>										
Program enrollments	33,297	32,081	31,503	34,307	32,822	33,571	26,218	6,702	28,915	31,888
<b>Water</b>										
Number of Accounts	12,517	12,694	12,678	12,663	12,668	12,667	12,682	12,811	12,923	12,990
Average daily water Production (millions of gallons)	4.562	4.561	4.742	4.518	4.184	4.267	4.379	4.277	4.202	4.420
<b>Sewer</b>										
Avg. daily sewer treatment (millions of gallons)	6.069	5.948	5.797	5.628	5.595	7.240	6.453	6.391	6.420	6.690

Note:

- Information was obtained from various City departments.
- \* Montgomery County was not able to produce the data for FY2023.

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City of  
**Rockville**  
Get Into It

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

**APPENDIX B**

**Form of Legal Opinion**

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[Closing Date]

The Mayor and Council of Rockville  
Rockville, Maryland

\$16,935,000<sup>1</sup>  
The Mayor and Council of Rockville  
General Obligation Bonds, Series 2024A

Ladies and Gentlemen:

We have acted as bond counsel to The Mayor and Council of Rockville (the “City”) in connection with the issuance by the City of its \$16,935,000\* General Obligation Bonds, Series 2024A (the “Bonds”).

In connection with this opinion, we have examined (i) the Constitution of the State of Maryland (the “State”), (ii) the applicable laws of (A) the State and the City, including, without limitation, the provisions of Article VII, Section 11 of the Charter of the City of Rockville, as amended (the “Charter”), Subtitle 3 of Title 19 of the Local Government Article of the Annotated Code of Maryland, as amended (together with the Charter, the “Acts”), and Ordinance 10-24 enacted by the Issuer on August 5, 2024 (the “Ordinance”) and (B) the United States of America, including, without limitation, the Internal Revenue Code of 1986, as amended (the “Code”), and (iii) copies of proceedings and other documents relating to the Bonds as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

We have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities, and we have not independently verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

We have also assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents.

We are qualified to practice law in the State, and we do not purport to be experts on, or to express any opinion herein concerning, any law other than the law of the State and the federal law of the United States of America.

Based on the foregoing, we are of the opinion that, under current law:

1. The City is a validly existing body corporate and politic and a municipal corporation of the State (and a municipality within the meaning of the Acts), possessing authority under the laws of the State, the Acts and the Ordinance to issue the Bonds.
2. The Bonds have been duly authorized and legally issued in accordance with the Constitution and Public Laws of the State, including the Acts and the Ordinance.
3. The Bonds are valid and legally binding general obligations of the City to which its full faith and credit are pledged, payable from ad valorem taxes, unlimited as to rate and amount, which the City is empowered to levy on all real and tangible personal property in the municipality that is subject to assessment for unlimited municipal taxation by the City.

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<sup>1</sup> Preliminary, subject to change.

4. To provide for the payment of the principal of and interest on the Bonds, the City has, by the adoption of the Ordinance, covenanted to levy such ad valorem taxes in rate and amount sufficient for that purpose in each fiscal year in which provision must be made for the payment of such principal and interest.

5. Under current law, interest on the Bonds (i) is excludable from the gross income of the owners of the Bonds for purposes of federal income taxation under Section 103 of the Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

In providing the opinions set forth in this paragraph 5, we are assuming continuing compliance with the Covenants (as hereinafter defined) by the City. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The Non-Arbitrage Certificate and Tax Covenants of even date herewith executed and delivered by the City (the "Tax Certificate") contains covenants (the "Covenants") under which the City has agreed to comply with such requirements. Failure by the City to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issue of the Bonds. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes. We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in the Tax Certificate. We express no opinion concerning any effect on the excludability of interest on the Bonds from gross income for federal income tax purposes under Section 103 of the Code of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm.

6. Under existing law of the State, the principal of and interest on the Bonds are exempt from State and local taxes in the State; however, the law of the State does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the principal of or interest on the Bonds.

The rights of any owner of the Bonds and the enforceability of Bonds may be subject to (a) any applicable bankruptcy, insolvency (including, without limitation, laws relating to preferences and fraudulent transfers or conveyances), reorganization, moratorium and other similar laws affecting creditors' rights generally, (b) the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and (c) the valid exercise of constitutional powers of the United States of America and of the sovereign police and taxing powers of the State or other governmental units having jurisdiction.

Our services as Bond Counsel to the City have been limited to rendering the foregoing opinions based on our review of such legal proceedings and other documents as we deem necessary to approve the validity of the Bonds and tax-exempt status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of any offering material or information, including the Official Statement relating to the Bonds, that may have been relied upon by any owner of the Bonds in making a decision to purchase the Bonds.

This assumes no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,



**APPENDIX C**

**Notice of Sale**

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**NOTICE OF SALE**

**\$16,935,000\***

**The Mayor and Council of Rockville (Maryland)  
General Obligation Bonds, Series 2024A**

NOTICE IS HEREBY GIVEN that the above-captioned bonds (the “Bonds”) will be offered for sale by The Mayor and Council of Rockville (the “City”) according to the following terms:

**TIME AND PLACE**

Electronic bids for the Bonds will be received by the Chief Financial Officer of the City through the PARITY® system on Wednesday, September 25, 2024, until 10:30 A.M., Eastern Time. Consideration for award of the Bonds will be by the City Manager on the same day.

**DETAILS OF THE SERIES 2024A BONDS**

The Bonds will be dated October 9, 2024, as the date of original issue, and will bear interest payable on June 1 and December 1 of each year, commencing June 1, 2025. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued pursuant to the authority of Subtitle 3 of Title 19 of the Local Government Article of the Annotated Code of Maryland, as amended, and Article VII, Section 11 of the Charter of the City of Rockville, as amended, and in accordance with an ordinance enacted by the City on August 5, 2024.

The Bonds will mature on June 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2025	\$850,000	2035	\$845,000
2026	850,000	2036	845,000
2027	850,000	2037	845,000
2028	850,000	2038	845,000
2029	850,000	2039	845,000
2030	850,000	2040	845,000
2031	850,000	2041	845,000
2032	850,000	2042	845,000
2033	845,000	2043	845,000
2034	845,000	2044	840,000

**TERM BOND OPTION**

Bidders may designate in their bid two or more consecutive serial maturities beginning no earlier than June 1, 2035 and in any year thereafter as a term bond which matures on the maturity date of the last serial maturity of the sequence. The stated maturity date for any term bond so designated may not be earlier than June 1, 2036. More than one such sequence of serial maturities may be designated as a term bond. Any term bond so designated shall be subject to mandatory redemption in each year on the principal payment date and in the entire amount of each serial maturity designated for inclusion in such term bond.

\*Preliminary, subject to change.

## **ADJUSTMENTS TO PRINCIPAL AMOUNTS AFTER DETERMINATION OF BEST BID**

The aggregate principal amount and the principal amount of each maturity of the Bonds are subject to reduction or increase by the City after the receipt of bids for their purchase. The final aggregate principal amount and maturity schedule for the Bonds will be communicated to the successful bidder by 5:00 P.M. Eastern Time on the date of sale and will not reduce or increase the aggregate principal amount of the Bonds by more than 15% of the bid by the successful bidder. The dollar amount bid for principal by the successful bidder will be adjusted to reflect any reduction or increase in the aggregate principal amount of the Bonds, but the interest rates specified by the successful bidder for all maturities will not change. The successful bidder may not withdraw its bid as a result of any changes made within these limits.

## **BOOK ENTRY SYSTEM**

The Bonds will be issued by means of a book-entry system with no physical distribution of the Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the Bond Registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The purchaser, as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

## **BOND REGISTRAR AND PAYING AGENT**

The City will act as the Bond Registrar and Paying Agent for the Bonds.

## **OPTIONAL REDEMPTION**

The Bonds maturing on or after June 1, 2035 shall be subject to redemption prior to their respective maturities at the option of the City at any time on or after June 1, 2034, either as a whole or in part, in such order of maturity and within any maturity in such amount as directed by the City, at par plus accrued interest.

## **SECURITY AND PURPOSE**

The Bonds will be general obligations of the City to which the City will pledge its full faith and credit and unlimited taxing powers. The proceeds will be used to finance water, sewer, and other capital projects and to pay the costs of issuing the Bonds.

## **SUBMISSION OF BIDS**

Electronic bids must be submitted through PARITY® for purposes of the electronic bidding process and the time as maintained by PARITY® shall constitute the official time with respect to all bids submitted to PARITY®. Each bidder shall be solely responsible for making necessary arrangements to access PARITY® for purposes of submitting its electronic bid in a timely manner and in compliance with the requirements of this Notice of Sale. None of the City, its agents, nor PARITY® shall have any duty or obligation to provide or ensure electronic access to any qualified prospective bidder, and none of the City, its agents nor PARITY® shall be responsible for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by, PARITY®. The City is using the services of PARITY® solely as a communication mechanism to conduct the electronic bidding for the Bonds and PARITY® is not an agent of the City.

The City is not bound by any advice and determination of PARITY® to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the “Bid Specifications” hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their submission of bids via PARITY® are the sole

responsibility of the bidders; and the City is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying, or withdrawing a bid for the Bonds, the prospective bidder should telephone PARITY® at (212) 849-5021 and notify the City's Financial Advisor, Davenport & Company LLC, by facsimile at (866) 932-6660 and by telephone at (410) 296-9426.

Electronic bids must be submitted for the purchase of the Bonds (all or none) via PARITY®. Bids will be communicated electronically to the City at 10:30 A.M. Eastern Time, on September 25, 2024. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via PARITY®, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds or (3) withdraw its proposed bid. Once the bids are communicated electronically via PARITY® to the City, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided.

If any provisions of this Notice of Sale conflict with information provided by PARITY®, this Notice of Sale shall control. Further information about PARITY®, including any fee charged, may be obtained from PARITY®, 1359 Broadway, 2nd Floor, New York City, New York 10018, Customer Support, (212) 849-5021.

### **BID SPECIFICATIONS**

Each bid must specify the amount bid for the Bonds, which shall be not less than 100% of par or more than 115% of par. Interest rates must be in integral multiples of 1/8 or 1/20 of 1%. Bidders may specify more than one rate of interest to be borne by the Bonds, but all Bonds maturing on the same date must bear interest at the same rate from the date of the Bonds to the date of maturity. Bidders may not specify (1) any interest rate for any Bonds which exceeds the interest rate stated in such bid for any other Bonds by more than 3.00%, (2) any interest rate that exceeds 5.00%, or (3) a zero rate of interest. The difference between the highest and lowest interest rates may not exceed three percent (3.00%). A bid for the Bonds that specifies split or supplemental interest rates will not be considered. The City will also not consider and will reject any bid for the purchase of less than all of the Bonds. No conditional bids will be accepted.

### **GOOD FAITH DEPOSIT**

A good faith deposit (the "Deposit") is required in connection with the sale and bid for the Bonds. The Deposit may be provided in the form of a federal funds wire transfer in the amount of \$169,350 to be submitted to the City by the successful bidder not later than 3:00 P.M. Eastern Time (the "Deposit Deadline") on the date of sale. The award to the apparent successful bidder is contingent upon receipt of the Deposit, and the Bonds will not be awarded to such bidder until the City has confirmation of receipt of the Deposit. The Deposit of the successful bidder will be retained by the City to be applied in partial payment for the Bonds and no interest will be allowed or paid upon the amount thereof, but in the event the successful bidder shall fail to comply with the terms of its bid, the proceeds thereof will be retained as and for full liquidated damages.

The City shall distribute wiring instructions for the Deposit to the successful bidder upon verification of the bids submitted by the bidders and prior to the Deposit Deadline. If the Deposit is not received by the Deposit Deadline, the award of the sale of the Bonds to the successful bidder may be cancelled by the City in its discretion without any financial liability of the City to the successful bidder or any limitation whatsoever on the City's right to sell the Bonds to a different purchaser upon such terms and conditions as the City shall deem appropriate.

### **AWARD**

The Bonds will be awarded on the basis of the lowest interest cost to the City to be determined on a true interest cost (TIC) basis. The City's computation of the interest cost of each bid, in accordance with customary practice, will be controlling. Where the bids of two or more bidders result in the same lowest interest cost, the Bonds may be apportioned between such bidders, but if this shall not be acceptable, the City shall have the right to award all of the Bonds to one bidder. The City Manager's judgment shall be final and binding upon all bidders with respect to the form and adequacy of any bid received and as to its conformity to the terms of this Notice of Sale. Any award of the Bonds may be made as late as 4:00 P.M. Eastern Time on the sale date. All bids shall remain firm until an award is made. No bid can be withdrawn or amended after the time set for receiving bids unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

The City will reserve the right to: (i) waive non-substantive informalities of any bid or of matters relating to the receipt of bids and award of the Bonds, (ii) reject all bids without cause, and (iii) reject any bid which the City determines to have failed to comply with the terms herein.

### **ESTABLISHMENT OF ISSUE PRICE**

The successful bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A-1 or Exhibit A-2, as applicable, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the City and Bond Counsel. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City’s Financial Advisor identified herein and any notice or report to be provided to the City may be provided to the City’s Financial Advisor.

The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “competitive sale requirements”) because:

- (1) the City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

By submitting a bid, each bidder (i) confirms that its bid is a firm offer for the purchase of the Bonds identified in this Notice of Sale, on the terms set forth in its bid and this Notice of Sale, except as permitted by this Notice of Sale and (ii) represents that it has an established industry reputation for underwriting new issuances of municipal bonds.

In the event that the competitive sale requirements are not satisfied, the City shall so advise the successful bidder. The City may determine to treat (i) the first price at which 10% of a maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The successful bidder shall advise the City if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The City shall promptly advise the successful bidder, at or before the time of award of the Bonds, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of the Bonds shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule. Bids will not be subject to cancellation in the event that the City determines to apply the hold-the-offering-price rule to any maturity of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.

By submitting a bid, the successful bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The successful bidder shall promptly advise the City when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds, the successful bidder agrees to promptly report to the City the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the closing has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold.

The City acknowledges that, in making the representation set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the successful bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) “public” means any person other than an underwriter or a related party,
- (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date that the Bonds are awarded by the City to the successful bidder.

### **CUSIP NUMBERS; EXPENSES OF SUCCESSFUL BIDDER**

CUSIP numbers for the Bonds will be applied for by the Financial Advisor, but the City will assume no obligation for the assignment or printing of such numbers on the Bonds or for the correctness of such numbers, and neither the failure to print such numbers on any of the Bonds nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the Bonds.

All charges of DTC and all other expenses of the successful bidder will be the responsibility of the successful bidder for the Bonds.

### **SETTLEMENT**

The Bonds will be delivered on or about October 9, 2024 without cost to the Purchaser through DTC in New York, New York. Delivery will be subject to receipt by the purchaser of an approving legal opinion of McGuireWoods LLP of Baltimore, Maryland, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Bonds shall be made in federal, or equivalent, funds which shall be received at the offices of the City or its designee. Except as compliance with the terms of payment for the Bonds shall have been made impossible by action of the City, or its agents, the purchaser shall be liable to the City for any loss suffered by the City by reason of the purchaser’s non-compliance with said terms for payment.

### **PRELIMINARY OFFICIAL STATEMENT; OFFICIAL STATEMENT**

The City has deemed the Preliminary Official Statement dated September 17, 2024 to be final as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission, except for the omission of certain information permitted to be omitted by said Rule. The City agrees to deliver to the successful bidder for its receipt no later than seven business days after the date of sale of the Bonds an Official Statement, which is expected to be substantially in the form of the Preliminary Official Statement. If so requested by the successful bidder for the Bonds at or before the close of business on the date of the sale, the City will include in the Official Statement such pricing and other information with respect to the terms of the reoffering of the Bonds of such issue by the successful bidder therefor, if any, as may be specified and furnished in writing by such bidder (the “Reoffering Information”). If no such information is specified and furnished by the successful bidder, the Official Statement will include the interest rate or rates on the Bonds resulting from the bid of such successful bidder. The successful bidder shall be responsible to the City and its officials for such Reoffering Information furnished by such bidder, and for all decisions made by such bidder with respect to the use or omission of the Reoffering Information in any reoffering of the Bonds. The successful bidder will also be furnished, without cost, with an electronic copy and a reasonable number of hard copies (not to exceed 25) of the Official Statement (and any amendments or supplements thereto).

### **CONTINUING DISCLOSURE**

The City has made certain covenants for the benefit of the holders from time to time of the Bonds to provide certain continuing disclosure, in order to assist bidders for the Bonds in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission. Such covenants are described in the Preliminary Official Statement dated September 17, 2024.



## **RIGHT TO CHANGE NOTICE OF SALE AND POSTPONE OFFERING**

The City reserves the right to change the Notice of Sale and to postpone, from time to time, the date established for the receipt of bids. In the event of a postponement, the new date and time of sale will be announced via BiDCOMP/Parity@/www.i-dealprospectus.com or TM3 News Service at least 24 hours prior to the time bids are to be submitted. On any such alternative sale date, bidders may submit electronic bids for the purchase of the Bonds in conformity with the provision of this Notice of Sale, except for any changes to this Notice of Sale, the change of the date of sale and the changes described in the next sentence. If the date fixed for receipt of bids is postponed, the expected date of delivery of the Bonds also may be postponed. Such changes, if any, will be announced via BiDCOMP/Parity@/www.i-dealprospectus.com or TM3 News Service at the time any alternative sale date is announced.

**THE MAYOR AND COUNCIL OF ROCKVILLE**

By: Chief Financial Officer

\$ \_\_\_\_\_  
The Mayor and Council of Rockville  
General Obligation Bonds, Series 2024A

**ISSUE PRICE CERTIFICATE**  
**(Qualified Competitive Bid)**

The undersigned, on behalf of [NAME OF PURCHASER] (the “Purchaser”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

1. ***Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Purchaser are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Bonds used by the Purchaser in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Purchaser to purchase the Bonds.

(b) The Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Purchaser constituted a firm offer to purchase the Bonds.

2. ***Defined Terms.***

(a) *Issuer* means The Mayor and Council of Rockville.

(b) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this Certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is \_\_\_\_\_, 2024.

(e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Non-Arbitrage Certificate and Tax Covenants and with respect to compliance with the federal income tax rules affecting the Bonds, and by McGuireWoods LLP, as bond counsel to the Issuer, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[NAME OF PURCHASER], as Purchaser

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Dated: \_\_\_\_\_, 2024

SCHEDULE A  
Expected Offering Prices of the Bonds

SCHEDULE B  
Copy of Bid

\$ \_\_\_\_\_  
The Mayor and Council of Rockville  
General Obligation Bonds, Series 2024A

**ISSUE PRICE CERTIFICATE**  
**(Nonqualified Competitive Bid)**

The undersigned, on behalf of [NAME OF PURCHASER] (the “Purchaser”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. ***Sale of the 10% Maturities.*** As of the date of this Certificate, for each Maturity of the 10% Maturities Bonds, the first price at which a Substantial Amount of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Undersold Maturities.***

(a) Each Underwriter offered the Undersold Maturities to the Public for purchase at the respective initial offering prices listed in Schedule B (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this Certificate as Schedule C.

(b) As set forth in the Notice of Sale and bid award, each Underwriter has agreed in writing that, (i) for each Maturity of the Undersold Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Offering Period for such Maturity, nor would it permit a related party to do so (the “hold-the-price rule”) and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-price rule. Pursuant to such agreement, no Underwriter has offered nor sold any Maturity of the Undersold Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Offering Period.

3. ***Defined Terms.***

(a) ***10% Maturities*** means those Maturities of the Bonds shown in Schedule A hereto as the “10% Maturities.”

(b) ***Issuer*** means The Mayor and Council of Rockville.

(c) ***Maturity*** means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(d) ***Offering Period*** means, with respect to an Undersold Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (\_\_\_\_\_, 2024), or (ii) the date on which the Purchaser has sold a Substantial Amount of such Undersold Maturity to the Public at a price that is no higher than the Initial Offering Price for such Undersold Maturity.

(e) ***Public*** means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this Certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(f) ***Sale Date*** means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is \_\_\_\_\_, 2024.

(g) ***Substantial Amount*** means ten percent (10%).

(h) *Undersold Maturities* means those Maturities of the Bonds shown in Schedule B hereto as the “Undersold Maturities.”

(i) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Non-Arbitrage Certificate and Tax Covenants and with respect to compliance with the federal income tax rules affecting the Bonds, and by McGuireWoods LLP, as bond counsel to the Issuer, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the Issuer from time to time relating to the Bonds.

[NAME OF PURCHASER], as Purchaser

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Dated: \_\_\_\_\_, 2024

SCHEDULE A  
Sale Prices of the 10% Maturities

**SCHEDULE B**  
**Initial Offering Prices of the Undersold Maturities**



SCHEDULE C  
Pricing Wire

**APPENDIX D**

**Form of the Continuing Disclosure Agreement**

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## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Agreement”) dated as of \_\_\_\_\_, 2024, is executed and delivered by The Mayor and Council of Rockville (the “Issuer”) in connection with the issuance and sale of the Issuer’s \$\_\_\_\_\_ General Obligation Bonds, Series 2024A (the “Bonds”). Capitalized terms used in this Agreement shall have the respective meanings specified above or in Article IV hereof.

### ARTICLE I

#### The Undertaking

**Section 1.1. Purpose.** This Agreement is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

**Section 1.2. Annual Financial Information.** (a) The Issuer shall provide Annual Financial Information with respect to each Fiscal Year of the Issuer, commencing with Fiscal Year ending June 30, 2025, by no later than 275 days after the end of the respective Fiscal Year, to EMMA.

(b) The Issuer shall provide, in a timely manner not in excess of ten business days after the occurrence of the event, notice of any failure of the Issuer to provide the Annual Financial Information by the date specified in subsection (a) above to EMMA.

**Section 1.3. Audited Financial Statements.** If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof because not available, the Issuer shall provide Audited Financial Statements, when and if available, to EMMA.

**Section 1.4. Notice Events.** (a) If a Notice Event occurs, the Issuer shall provide, in a timely manner not in excess of ten business days after the occurrence of the event, notice of such Notice Event to EMMA.

(b) Any such notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) Each Notice Event notice relating to the Bonds shall include the CUSIP numbers of the Bonds to which such Notice Event notice relates or, if the Notice Event notice relates to all bond issues of the Issuer including the Bonds, such Notice Event notice need only include the CUSIP number of the Issuer.

**Section 1.5. Additional Disclosure Obligations.** The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer and that, under some circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the Issuer under such laws.

**Section 1.6. Additional Information.** Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event hereunder, in addition to that which is required by this Agreement. If the Issuer chooses to include any information in any Annual Financial Information or Notice Event notice in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

**Section 1.7. Previous Non-Compliance.** The Issuer represents that, except as disclosed in the Official Statement, in the previous five years it has not failed to comply in all material respects with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

## ARTICLE II

### Operating Rules

**Section 2.1. Reference to Other Filed Documents.** It shall be sufficient for purposes of Section 1.2 hereof if the Issuer provides Annual Financial Information (but not Notice Event notices) by specific reference to documents (i) available to the public on the MSRB Internet Web site or (ii) filed with the SEC.

**Section 2.2. Submission of Information.** Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

**Section 2.3. Notice Events.** Each notice of a Notice Event hereunder shall be captioned "Notice Event" and shall prominently state the title, date and CUSIP numbers of the Bonds.

**Section 2.4 Filing with Certain Dissemination Agents or Conduits.** The Issuer may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Issuer under this Agreement, and revoke or modify any such designation.

**Section 2.5. Transmission of Information and Notices.** Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

**Section 2.6. Fiscal Year.** (a) The Issuer's current Fiscal Year begins July 1 and ends on June 30, and the Issuer shall promptly notify MSRB of each change in its Fiscal Year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any Fiscal Year longer than 12 calendar months.

## ARTICLE III

### Effective Date, Termination, Amendment and Enforcement

**Section 3.1. Effective Date; Termination.** (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The Issuer's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that the Issuer (1) receives an opinion of Counsel to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to MSRB.

**Section 3.2. Amendment.** (a) This Agreement may be amended by the Issuer, without the consent of the holders of the Bonds if all of the following conditions are satisfied: (1) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments to or interpretations of the Rule, as well as any change in circumstances, (2) the Issuer shall have received an opinion of Counsel to the same effect as set forth in clause (1) above, and (3) the Issuer shall have received an opinion of Counsel or a determination by a person, in each case unaffiliated with the Issuer, to the effect that the amendment does not materially impair the interests of the holders of the Bonds.

(b) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided

thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

**Section 3.3**     **Benefit; Third-Party Beneficiaries; Enforcement.** (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and subsection (b) of this Section.

(b)     The obligations of the Issuer to comply with the provisions of this Agreement shall be enforceable by any holder of outstanding Bonds. The holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Issuer's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c)     Any failure by the Issuer to perform in accordance with this Agreement shall not constitute a default with respect to the Bonds.

(d)     This Agreement shall be construed and interpreted in accordance with the laws of the State of Maryland, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State of Maryland; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

## **ARTICLE IV**

### **Definitions**

**Section 4.1.**     **Definitions.** The following terms used in this Agreement shall have the following respective meanings:

(1)     "Annual Financial Information" means, collectively:

A.     (i)     Audited Financial Statements, if available, or Unaudited Financial Statements for the immediately preceding Fiscal Year; and

(ii)    the Issuer's Annual Comprehensive Financial Report, if any is prepared, for the immediately preceding Fiscal Year, and if not prepared, such annual financial information as the Issuer is advised by disclosure counsel or bond counsel would satisfy the definition of "annual financial information" in the Rule; and

B.     the following information provided in the Official Statement prepared and delivered by the Issuer with respect to the Bonds: the Tables listed immediately below utilizing the same accounting standards as were used in preparing such information for the Official Statement and updated as of a date no earlier than the last day of the immediately preceding fiscal year.

- Historical Summary of Bonded Indebtedness (Table 12)
- Five Year Debt Statistics (Table 13)
- General Obligation Debt Outstanding by Issue (Table 14)
- General Obligation Debt Schedule of Annual Maturities (Table 15)
- General Obligation Debt Issuer Net Requirement Analysis (Table 16)
- Overlapping Debt (Table 18)
- Fiscal Year 2023, 2024, and 2025 General Fund Budgets (Table 19)
- General Fund Statement of Revenues and Expenditures and Changes in the General Fund (Table 20)
- Assessed Value of All Taxable Property by Class (Table 21)

- Property Tax Levies and Collections (Table 22)
- Property Tax Rates Overlapping Governments (Table 23)
- Principal Taxpayers (Table 24)

C. the information regarding amendments to this Agreement required pursuant to Sections 3.2(c) and (d) of this Agreement.

Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in Section 4.1(1) hereof of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) “Audited Financial Statements” means the annual basic financial statements, if any, of the Issuer, audited by such auditor as selected by the Issuer. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Section 3.2(a) hereof, the Issuer may from time to time, if required by federal or Maryland legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific federal or Maryland law or regulation describing such accounting principles, or other description thereof.

(3) “Counsel” means nationally recognized bond counsel or counsel expert in federal securities laws.

(4) “EMMA” means the Electronic Municipal Market Access System described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

(5) “Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule. If the definition of “financial obligation” in the Rule is amended, the same amendment shall be deemed to be made to the definition of “Financial Obligation” in this Agreement, without further action by the Issuer.

(6) “GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(7) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

(8) “Notice Event” means any of the following events with respect to the Bonds, whether relating to the Issuer or otherwise:

- (i) principal and interest payment delinquencies,
- (ii) non-payment related defaults, if material,
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties,
- (iv) unscheduled draws on credit enhancements, if any, reflecting financial difficulties,

(v) substitution of credit or liquidity providers, if any, or their failure to perform,

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Bonds,

(vii) modifications to rights of Bond holders, if material,

(viii) bond calls, if material, and tender offers,

(ix) defeasances,

(x) release, substitution or sale of property securing repayment of any of the Bonds, if material,

(xi) rating changes,

(xii) bankruptcy, insolvency, receivership or similar event of the Issuer,

(xiii) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material,

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material,

(xv) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect Bond holders, if material, and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

(9) “Official Statement” means the Official Statement dated \_\_\_\_\_, 2024, of the Issuer relating to the Bonds.

(10) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(11) “SEC” means the United States Securities and Exchange Commission.

(12) “Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.

(13) “Underwriters” means the original underwriter(s) of any of the Bonds required to comply with the Rule in connection with the offering or sale of the Bonds.

THE MAYOR AND COUNCIL OF ROCKVILLE

By: \_\_\_\_\_  
Mayor