

Fourth Quarter FY 2026 Financial Report

Note: Figures are unaudited and are subject to final adjustments.

Category	Current Year (in thousands)				Prior Yr. (in thousands)		
	FY26 Adp.	FY26 Amd.	Actual 6/30/26	% Amd.	FY25 Amd.	Actual 6/30/25	% Amd.
Revenue							
Property Taxes	51,610	51,610	51,044	99%	49,060	48,671	99%
From Other Gov't.	37,755	38,081	40,992	108%	37,209	39,461	106%
Fines/Forfeitures	2,234	2,698	2,727	101%	2,722	3,528	130%
Use of Money/Property	2,131	2,131	2,358	111%	2,179	3,744	172%
Charges for Services	8,967	9,259	10,485	113%	8,182	9,421	115%
Licenses/Permits	5,069	5,069	4,297	85%	4,790	4,011	84%
Other Revenue	9,322	11,742	11,191	95%	8,140	15,095	185%
Total Revenue (\$)	117,088	120,590	123,092	102%	112,283	123,931	110%
Expenditures							
Personnel	70,298	70,591	70,590	100%	66,079	65,572	99%
Operating	18,405	20,516	19,015	93%	23,847	21,442	90%
Capital Outlay	4,546	6,368	5,004	79%	14,522	12,021	83%
Other	7,827	10,860	9,871	91%	5,228	5,533	106%
CIP Transfer	9,800	14,600	14,600	100%	12,974	12,974	100%
Transfers Out	5,063	5,913	5,913	100%	6,461	6,461	100%
Total Expenditures (\$)	115,940	128,848	124,994	97%	129,110	124,002	96%

General Fund Summary

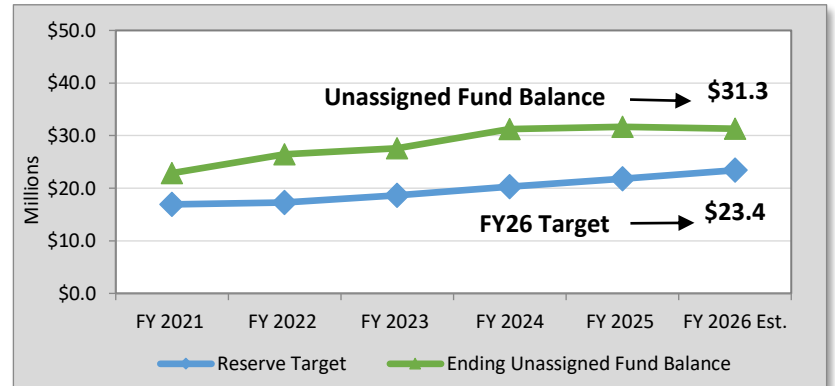
The FY26 General Fund revenues exceeded the amended budget by two percent, while expenditures ended the year three percent under the amended budget. Significant variances by revenue and expenditure category are discussed on page 2.

The unassigned fund balance discussed below keeps the city in a good position to weather economic uncertainties and address capital funding needs. Staff will provide recommendations on potential uses for unassigned fund balance above the required reserve level during the upcoming FY28 budget process.

General Fund Unassigned Fund Balance

The FY26 estimated ending unassigned fund balance equals \$31.3 million, which is \$6.3 million above the FY27 target of \$25 million. This amount factors in the \$3 million assigned for purchase orders that rolled from FY26 to FY27.

Unassigned fund balance above the reserve target can be used for one-time needs. Staff recommends the Mayor and Council consider this reserve balance in the context of needs presented in the FY28 through FY32 CIP budget.



General Fund Contingency Status

Per the City's Financial Management Policies, contingency funds are available for unanticipated, unbudgeted expenditures of a non-recurring nature and/or unexpected cost increases.

General Fund Contingency Usage through 4Q	Amount
Adopted FY26 General Fund Contingency	350,000
Badging system at Fleet Services Building	(31,800)
Additional funds for Housing Needs Assessment	(15,000)
Economic Development Strategic Plan	(94,375)
Furniture for relocated CPDS staff	(15,500)
Legal fees associated with executive separation	(38,673)
Justice, Equity, Diversity, and Inclusion Strategic Plan	(17,200)
Additional funds for Wayfinding project	(32,350)
FY26 Contingency Remaining (\$)	105,102

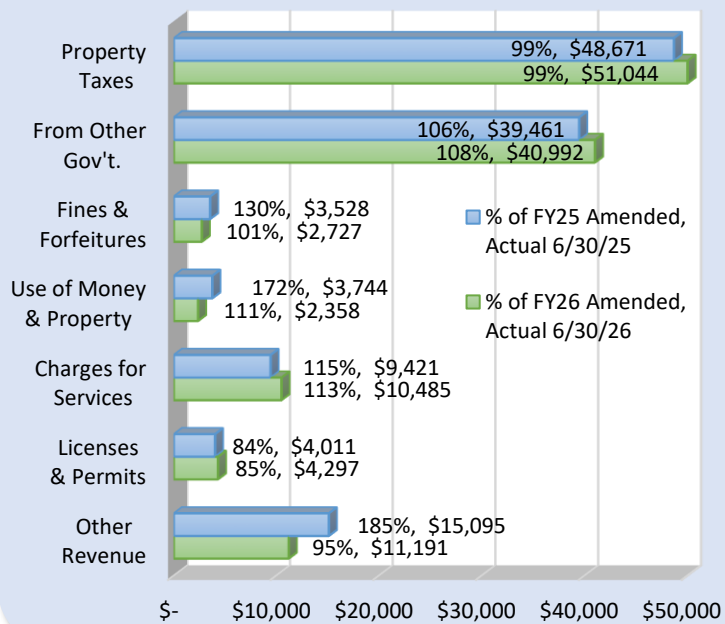
Unspent Personnel Funds

Unspent funds related to vacant General Fund positions are tracked and reported quarterly, along with any uses of these funds outside of routine personnel adjustments. Historically, in addition to vacancy-related costs, these funds have been used for weather-related needs such as snow removal.

Unspent Personnel Funds	4Q Only	YTD FY26
Gross unspent funds from vacancies	679,678	2,662,824
Vacancy-related (costs)/savings	(1,011,920)	(2,071,833)
Net Unspent Funds	(332,242)	590,991
Uses of Net Unspent Funds		
Holiday Bonus	-	(44,325)
Procurement Temp Employee	-	(34,000)
Snow & Ice Removal	-	(982,286)
Net Unspent Funds Remaining (\$)*	(332,242)	(469,620)

*FY26 unspent personnel funds ended with a negative balance due to high overtime usage and significant snow and ice removal costs. This balance was covered by other General Fund savings.

General Fund Revenues (in thousands)



General Fund Revenues by Category

Property Taxes totaled \$51 million, or 99% of the amended budget.

Revenue **From Other Governments** totaled \$41 million, or 108% of the amended budget. The largest revenue source in this category is income tax, which totaled \$24.7 million, a \$2.2 million increase over FY25, and \$3.5 million or 16.5% higher than the amended FY26 budget.

Revenue from **Fines & Forfeitures** totaled \$2.7 million, 101% of the amended budget. This is about \$0.8 million lower than FY25 revenues, due to lower redlight camera citations, though still greater than the FY26 amended budget.

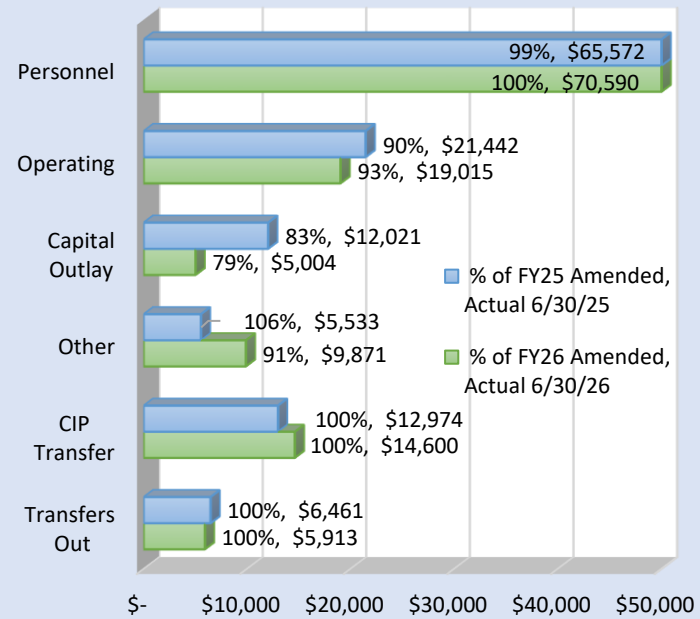
Use of Money & Property revenue totaled \$2.4 million, or 111% of the amended budget. This was still \$1.4 million lower than FY25 mainly due to a decrease in investment earnings and a one-time cable revenue adjustment that was received in FY25.

Charges for Services revenue totaled \$10.5 million, or 113% of the amended budget, due to higher than expected recreation program and membership revenues, admissions fees at the newly renovated outdoor recreation pool at the Rockville Swim and Fitness Center, public works permits and fees due to the timing of development projects, and police community support revenue for the hire of off-duty officers by a local retailer, with related overtime expenditures.

Licenses & Permits revenue totaled \$4.3 million, or 85% of the amended budget, primarily due to lower than expected building permits and rental license revenues.

Other Revenue totaled \$11.2 million, or 95% of the amended budget. This category includes \$3.9 million in revenue related to the recording of leases, subscription-based IT arrangements (SBITAs), and financed purchases, which is \$4.3 million less than in FY25, the first year SBITAs were recorded.

General Fund Expenditures (in thousands)



General Fund Expenditures by Category

Personnel spending totaled \$70.6 million, or 100% of the total amended budget.

Operating expenditures totaled \$19 million, or 93% of the amended budget. This category includes \$2.2 million in funding for goods and services ordered but not received in FY26; that funding will be rolled to FY27 on the November budget amendment. Software subscriptions, which were included in this category in FY25, were moved to the Other category for FY26, resulting in a decrease in this category and an increase in the Other category compared to FY25.

Capital Outlay expenditures totaled \$5 million, or 79% of the amended budget. This category includes \$0.8 million in funding for equipment ordered but not received in FY26; that funding will be rolled to FY27 on the November budget amendment.

Other expenditures totaled \$9.9 million, or 91% of the amended budget. This category includes the city's community services and enrichment grants, contribution to REDI, lease agreements, and, in FY26, software subscriptions. Software subscriptions moved to this category from the Operating category for FY26, resulting in an increase in Other and decrease in Operating compared to FY25.

The **CIP Transfer** totaled \$14.6 million for FY26.

The **Transfers Out** category totaled \$5.9 million for FY26. This category includes transfers to the Parking, Debt Service, Refuse (for RHE refuse bills), and Special Activities funds.

WATER FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY26	FY26	Actual	%	FY25	Actual	%
	Adp.	Amd.	6/30/26	Amd.	Amd.	6/30/25	Amd.
Total Revenue (\$)	15,711	15,711	16,560	105%	14,453	14,906	103%
<i>Expenses</i>							
Personnel	4,874	4,982	5,315	107%	4,689	4,601	98%
Operating	3,635	4,668	4,187	90%	3,890	3,390	87%
Capital Outlay ¹	854	1,404	724	52%	1,054	479	45%
Admin/Other/Interest	6,952	7,732	7,608	98%	7,081	6,904	98%
Total Expenses (\$)	16,315	18,785	17,833	95%	16,714	15,375	92%

Water Fund personnel spending was over budget due to overtime costs associated with water main breaks and a backlog of meter replacements. Operating spending appears under budget due to the transfer of contingency funding from this category to support overtime needs in the personnel category, as well as the payment timing for consulting work related to the cross connection control program.

The capital outlay budget includes funding to address a water meter backlog and planned Water Treatment Plant equipment replacement. The timing of spending in this category varies from year to year based on lead times.

A large portion of Water Fund spending occurs in the multi-year CIP.

SEWER FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY26	FY26	Actual	%	FY25	Actual	%
	Adp.	Amd.	6/30/26	Amd.	Amd.	6/30/25	Amd.
Total Revenue (\$)	15,982	15,982	17,113	107%	15,573	16,269	104%
<i>Expenses</i>							
Personnel	2,352	2,352	2,241	95%	2,363	2,080	88%
Operating	5,258	5,798	5,626	97%	5,762	5,525	96%
Capital Outlay ¹	56	225	194	86%	758	614	81%
Admin/Other/Interest	7,871	8,117	8,104	100%	7,943	7,935	100%
Total Expenses (\$)	15,536	16,491	16,164	98%	16,826	16,154	96%

Sewer Fund personnel spending was under budget in FY26 due to savings from vacant positions. The capital outlay budget included funds for equipment ordered but not received in FY26; that funding will be rolled to FY27 on the November budget amendment. A large portion of Sewer Fund spending occurs in the CIP and goes toward the city's capital contribution to the Blue Plains Wastewater Treatment Facility.

REFUSE FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY26	FY26	Actual	%	FY25	Actual	%
	Adp.	Amd.	6/30/26	Amd.	Amd.	6/30/25	Amd.
Total Revenue (\$)	8,131	8,131	8,358	103%	7,626	7,903	104%
<i>Expenses</i>							
Personnel	3,990	3,990	3,891	98%	3,847	3,309	86%
Operating	2,275	2,275	2,018	89%	2,424	2,081	86%
Capital Outlay ¹	460	1,485	1,245	84%	991	2	0%
Admin/Other/Interest	2,034	2,034	2,030	100%	1,843	1,945	106%
Total Expenses (\$)	8,759	9,783	9,184	94%	9,105	7,337	81%

Refuse fund operating costs were under budget primarily due to lower than budgeted processing and dump fees as well as unused contingency funding.

The capital outlay budget includes funds for refuse vehicles with long lead times, some of which were not received in FY26; that funding will be rolled to FY27 on the November budget amendment.

¹Capital outlay purchases with useful lives of more than five years are capitalized and depreciated or amortized in accordance with Generally Accepted Accounting Principles (GAAP). The City's financial statements reflect this adjustment, whereas this report shows the actual expense. As a result, the prior year actuals shown on this report in enterprise funds will differ from the financial statements in the amount of the cost of any capitalized assets or leases.

SWM FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY26	FY26	Actual	%	FY25	Actual	%
	Adp.	Amd.	6/30/26	Amd.	Amd.	6/30/25	Amd.
Total Revenue (\$)	7,296	7,296	7,455	102%	7,319	7,119	97%
<i>Expenses</i>							
Personnel	3,383	3,383	3,152	93%	3,173	2,984	94%
Operating	1,269	1,287	1,052	82%	1,283	1,068	83%
Capital Outlay ¹	309	477	171	36%	150	16	11%
Admin/Other/Interest	2,664	2,881	2,555	89%	2,811	2,567	91%
Total Expenses (\$)	7,626	8,028	6,930	86%	7,417	6,635	89%

SWM Fund personnel spending was under budget in FY26 due to savings from vacant positions. Operating costs were under budget due to the timing of projects and payments. The capital outlay and other budgets include funds for goods and services ordered but not received in FY26; that funding will be rolled to FY27 on the November budget amendment. A large portion of SWM Fund spending occurs in the multi-year CIP.

PARKING FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY26	FY26	Actual	%	FY25	Actual	%
	Adp.	Amd.	6/30/26	Amd.	Amd.	6/30/25	Amd.
Total Revenue (\$)	2,927	2,927	3,196	109%	2,792	2,928	105%
<i>Expenses</i>							
Personnel	350	350	365	104%	334	303	91%
Operating	98	129	90	70%	144	124	86%
Capital Outlay ¹	0	0	0	0%	0	0	0%
Admin/Other/Interest	1,646	1,646	1,584	96%	1,624	1,671	103%
Total Expenses (\$)	2,094	2,125	2,038	96%	2,102	2,098	100%

The General Fund transfer to the Parking Fund totaled \$1.3 million for FY26, compared to \$1.2 million in FY25. Parking Fund revenue from fines and violations increased 35% compared to FY25.

Operating costs appear under budget due to utilizing contingency funding for personnel needs.

Capital Improvements Program (CIP) Transfers, All Funds

The City's Financial Management Policies allow the City Manager to approve transfers of unspent project appropriations between capital projects within the same fund. These transfers will always net to zero, as any change in total appropriation by fund must be approved by the Mayor and Council through an appropriations ordinance. Any transfers between projects during the reporting period are shown below.

4Q CIP Transfers	Amount (\$)	Fund	Reason for Transfer
There were no CIP transfers in 4Q FY26.	-		

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