

## Second Quarter FY 2026 Financial Report

Category	Current Year (in thousands)				Prior Yr. (in thousands)		
	FY26 Adp.	FY26 Amd.	Actual 12/31/25	% Amd.	Actual 6/30/25	Actual 12/31/24	% Act.
<b>Revenue</b>							
Property Taxes	51,610	51,610	36,651	71%	48,671	35,226	72%
From Other Gov't.	37,755	38,081	18,954	50%	39,461	17,798	45%
Fines/Forfeitures	2,234	2,234	1,401	63%	3,528	1,367	39%
Use of Money/Property	2,131	2,131	1,017	48%	3,744	1,441	38%
Charges for Services	8,967	9,167	5,706	62%	9,421	5,254	56%
Licenses/Permits	5,069	5,069	966	19%	4,011	1,499	37%
Other Revenue	9,322	9,342	3,526	38%	15,095	3,195	21%
<b>Total Revenue (\$)</b>	<b>117,088</b>	<b>117,633</b>	<b>68,221</b>	<b>58%</b>	<b>123,931</b>	<b>65,778</b>	<b>53%</b>
<b>Expenditures</b>							
Personnel	70,298	70,498	35,871	51%	65,572	34,303	52%
Operating	18,405	19,775	7,845	40%	21,442	9,219	43%
Capital Outlay	4,546	6,368	1,437	23%	12,021	1,385	12%
Other	7,827	8,233	3,944	48%	5,533	1,882	34%
CIP Transfer	9,800	10,600	5,300	50%	12,974	4,830	37%
Transfers Out	5,063	5,913	2,769	47%	6,461	2,777	43%
<b>Total Expenditures (\$)</b>	<b>115,940</b>	<b>121,388</b>	<b>57,166</b>	<b>47%</b>	<b>124,002</b>	<b>54,395</b>	<b>44%</b>

GENERAL FUND

### General Fund Summary

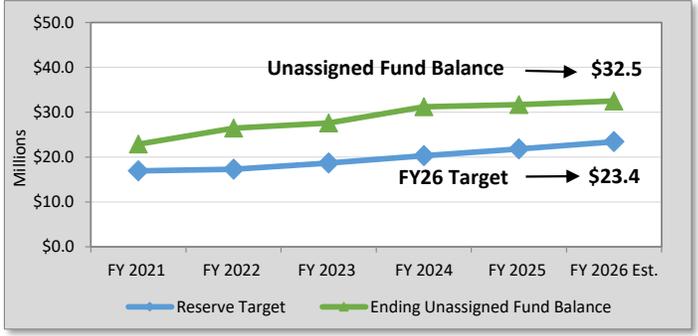
The FY26 amended budget in this report reflects adjustments included on the August and November budget amendments. March budget amendment adjustments will be shown on the 3Q report.

The city experienced a significant snow and ice event in 3Q and will exceed the current budget for snow and ice removal. Since these expenses occurred in the 3Q they are not reflected in this report, but staff will address the additional funding need through the use of available unspent personnel funds, as well as contingency and/or other citywide savings if needed.

### General Fund Unassigned Fund Balance

The FY26 estimated ending unassigned fund balance equals \$32.5 million, which is \$9.1 million above the FY26 target. Staff recommends utilizing \$4 million of this balance to increase the General Fund transfer to the CIP on the May amendment to support the FY27-FY31 Proposed CIP.

In accordance with the city's Financial Management Policies, the Mayor and Council may appropriate unassigned reserves in excess of the reserve target for one-time projects and capital needs.



### 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.

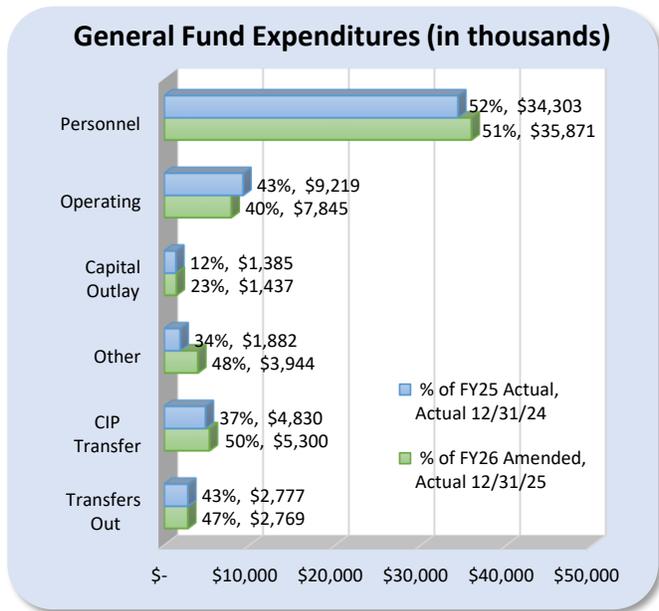
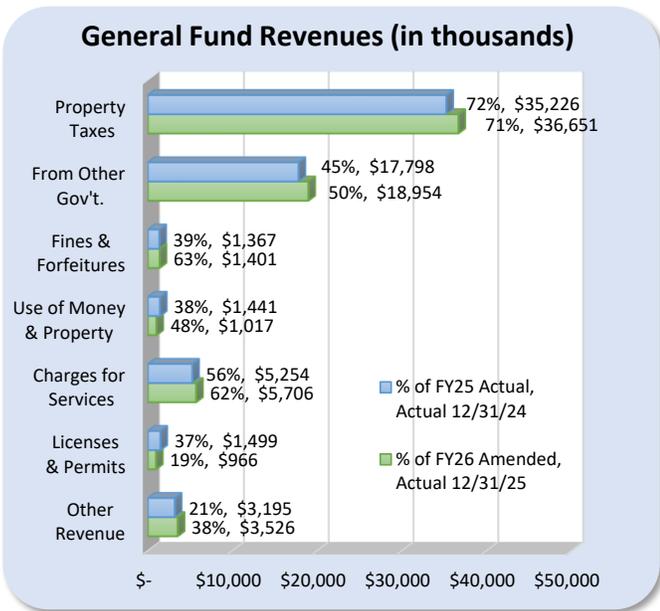
General Fund Contingency Usage through 2Q	Amount
Adopted FY26 General Fund Contingency	350,000
Badging system at Fleet Services Building	(31,800)
Additional funds for Housing Needs Assessment	(15,000)
Economic Development Strategic Plan	(80,000)
<b>FY26 Contingency Remaining (\$)*</b>	<b>223,200</b>

\*In addition to the uses listed above, as of 02/05/26, \$15,500 has been utilized for furniture for CPDS staff from the Police Station to City Hall bringing the remaining contingency balance to \$207,700.

### 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	2Q Only	YTD FY26
Gross unspent funds from vacancies	764,090	1,205,828
Vacancy-related (costs)/savings	(512,217)	(879,392)
<b>Net Unspent Funds</b>	<b>251,873</b>	<b>326,436</b>
<i>Uses of Net Unspent Funds</i>		
Holiday Bonus	(44,325)	(44,325)
<b>Net Unspent Funds Remaining (\$)</b>	<b>207,548</b>	<b>282,111</b>



**General Fund Revenues by Category**

**Property Taxes** totaled \$36.7 million, or 71% of budget, similar to FY25. The majority of property tax revenue is received in 2Q.

Revenue **From Other Governments** totaled \$19 million, an increase over FY25. The largest revenue source in this category is income tax, which totaled \$8.5 million compared to \$7.6 million for FY25. Staff will continue to monitor this revenue and may recommend an adjustment on the May amendment.

Revenue from **Fines & Forfeitures** totaled \$1.4 million, slightly higher than 2Q FY25. The main revenue source in this category is redlight camera citations, which are currently higher than budgeted estimates. Staff will likely recommend an adjustment to this revenue source on the May amendment.

**Use of Money & Property** revenue totaled \$1 million, lower than 2Q FY25 due to a decrease in investment earnings, the timing of cable franchise fee revenue receipts, and a one-time cable revenue adjustment that was received in early FY25.

**Charges for Services** revenue totaled \$5.7 million, 6% ahead of 2Q FY25, due primarily to recreation program and membership revenues as well as admissions fees at the newly renovated outdoor recreation pool at the Rockville Swim and Fitness Center.

**Licenses & Permits** revenue totaled slightly under \$1 million, primarily due to lower building permit revenues, which vary based on project timing. The other major revenue source in this category comes from rental licenses, which tend to be received later in the fiscal year.

**Other Revenue** totaled \$3.5 million. The majority of revenue in this category comes from administrative transfers from other funds.

**General Fund Expenditures by Category**

**Personnel** spending totaled \$35.9 million, or 51% of the total personnel budget. Spending to date includes the city's annual pension contribution payment.

**Operating** expenditures totaled \$7.8 million, or 40% of budget. 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 for 2Q FY26. Several adjustments are included in this category for the March budget amendment to account for various one-time needs.

**Capital Outlay** expenditures totaled \$1.4 million, or 23% of budget. This funding covers one-time equipment purchases including vehicle replacements, and varies from year to year based on needs and replacement schedules.

**Other** expenditures totaled \$3.9 million, or 48% of budget. This category includes the city's community services and enrichment grants and 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.

The **CIP Transfer** totaled \$5.3 million for 2Q. This transfer is expended quarterly based on the amended budget.

The **Transfers Out** category totaled \$2.8 million for 2Q. This category includes transfers to the Parking, Debt Service, Refuse (for RHE refuse bills), and Special Activities funds. These transfers are expended quarterly based on the amended budget.

**WATER FUND**

	Current Year (in thousands)				Prior Year (in thousands)		
	FY26	FY26	Actual	%	Actual	Actual	%
	Adp.	Amd.	12/31/25	Amd.	6/30/25	12/31/24	Act.
<b>Total Revenue (\$)</b>	<b>15,711</b>	<b>15,711</b>	<b>6,128</b>	<b>39%</b>	<b>14,906</b>	<b>5,862</b>	<b>39%</b>
<i>Expenses</i>							
Personnel	4,874	4,982	2,630	53%	4,601	2,422	53%
Operating <sup>1</sup>	3,635	4,061	1,536	38%	3,390	1,413	42%
Capital Outlay <sup>1</sup>	854	1,390	522	38%	479	363	76%
Admin/Other/Interest	6,952	6,953	1,514	22%	6,904	1,303	19%
<b>Total Expenses (\$)</b>	<b>16,315</b>	<b>17,386</b>	<b>6,202</b>	<b>36%</b>	<b>15,375</b>	<b>5,501</b>	<b>36%</b>

The majority of Water Fund revenue comes from user charges collected throughout the year. 2Q FY26 revenues are generally in line with 2Q FY25, in terms of percentage of the annual budget.

Operating spending is higher than in 2Q FY25 mainly due to a higher volume of water main break repairs. The March budget amendment recommends an adjustment to account for these increased costs.

Capital outlay spending is higher than in 2Q FY25 due to spending to work through a water meter backlog and planned Water Treatment Plant equipment replacement. These costs vary from year to year based on needs and replacement schedules.

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	%	Actual	Actual	%
	Adp.	Amd.	12/31/25	Amd.	6/30/25	12/31/24	Act.
<b>Total Revenue (\$)</b>	<b>15,982</b>	<b>15,982</b>	<b>5,934</b>	<b>37%</b>	<b>16,269</b>	<b>5,867</b>	<b>36%</b>
<i>Expenses</i>							
Personnel	2,352	2,352	1,112	47%	2,080	1,158	56%
Operating <sup>1</sup>	5,258	5,333	2,509	47%	5,525	2,543	46%
Capital Outlay <sup>1</sup>	56	211	28	13%	614	213	35%
Admin/Other/Interest	7,871	7,872	977	12%	7,935	936	12%
<b>Total Expenses (\$)</b>	<b>15,536</b>	<b>15,767</b>	<b>4,626</b>	<b>29%</b>	<b>16,154</b>	<b>4,850</b>	<b>30%</b>

The majority of Sewer Fund revenue comes from user charges collected throughout the year. 2Q FY26 revenues are generally in line with 2Q FY25, in terms of percentage of the annual budget.

Capital outlay costs are significantly lower compared to 2Q FY25 due to the vehicle replacement schedule and lower spending on equipment.

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	%	Actual	Actual	%
	Adp.	Amd.	12/31/25	Amd.	6/30/25	12/31/24	Act.
<b>Total Revenue (\$)</b>	<b>8,131</b>	<b>8,131</b>	<b>4,733</b>	<b>58%</b>	<b>7,903</b>	<b>4,477</b>	<b>57%</b>
<i>Expenses</i>							
Personnel	3,990	3,990	1,974	49%	3,309	1,853	56%
Operating <sup>1</sup>	2,275	2,275	830	37%	2,081	911	44%
Capital Outlay <sup>1</sup>	460	1,450	989	68%	2	2	93%
Admin/Other/Interest	2,034	2,034	754	37%	1,945	688	35%
<b>Total Expenses (\$)</b>	<b>8,759</b>	<b>9,748</b>	<b>4,547</b>	<b>47%</b>	<b>7,337</b>	<b>3,453</b>	<b>47%</b>

The majority of refuse revenue is received during 2Q, as it is collected through property tax bills.

Operating costs appear lower than FY25 due to the timing of projects and payments.

Capital outlay costs are significantly higher compared to FY25 due to the vehicles that were ordered in FY25 but were not received until FY26. The funding for these vehicles is included in the FY26 amended budget.

<sup>1</sup>Capital outlay purchases and operating leases 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	%	Actual	Actual	%
	Adp.	Amd.	12/31/25	Amd.	6/30/25	12/31/24	Act.
<b>Total Revenue (\$)</b>	<b>7,296</b>	<b>7,296</b>	<b>4,927</b>	<b>68%</b>	<b>7,119</b>	<b>4,715</b>	<b>66%</b>
<i>Expenses</i>							
Personnel	3,383	3,383	1,605	47%	2,984	1,604	54%
Operating <sup>1</sup>	1,269	1,287	338	26%	1,068	423	40%
Capital Outlay <sup>1</sup>	309	431	8	2%	16	2	12%
Admin/Other/Interest	2,664	2,881	585	20%	2,567	572	22%
<b>Total Expenses (\$)</b>	<b>7,626</b>	<b>7,982</b>	<b>2,536</b>	<b>32%</b>	<b>6,635</b>	<b>2,601</b>	<b>39%</b>

The majority of the city's SWM fee revenue is received during 2Q, as it is collected through property tax bills. Revenue from permitting activity increased compared to 2Q FY25 based on the timing and size of development projects.

Operating costs appear low compared to FY25 due to the timing of projects and payments.

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	%	Actual	Actual	%
	Adp.	Amd.	12/31/25	Amd.	6/30/25	12/31/24	Act.
<b>Total Revenue (\$)</b>	<b>2,927</b>	<b>2,927</b>	<b>1,251</b>	<b>43%</b>	<b>2,928</b>	<b>954</b>	<b>33%</b>
<i>Expenses</i>							
Personnel	350	350	184	53%	303	141	47%
Operating <sup>1</sup>	98	98	52	53%	124	52	42%
Capital Outlay <sup>1</sup>	0	0	0	0%	0	0	0%
Admin/Other/Int.	1,646	1,646	335	20%	1,671	321	19%
<b>Total Expenses (\$)</b>	<b>2,094</b>	<b>2,094</b>	<b>571</b>	<b>27%</b>	<b>2,098</b>	<b>514</b>	<b>24%</b>

The General Fund transfer to the Parking Fund totaled \$637,500 for 2Q, compared to \$590,000 in FY25.

Revenue from parking meter violations and other fines increased by \$248,816 compared to 2Q FY25 due to low parking enforcement staffing levels in early FY25.

Personnel spending appears high compared to FY25 due to the lower staffing levels in FY25.

### 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.

2Q CIP Transfers	Amount (\$)	Fund	Reason for Transfer
There were no CIP transfers in 2Q FY26.	-		

<sup>1</sup>Capital outlay purchases and operating leases 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.