

March 7, 2025

Honorable Mayor and Rockville City Council Members, and the Rockville Community:

I am pleased to present the Fiscal Year (FY) 2026 Proposed Operating Budget and Capital Improvements Program (CIP). The budget applies resources in an effective and responsible manner consistent with the policy direction set forth by the Mayor and Council and represents the thoughtful work of dozens of people across all departments. This budget prioritizes the Mayor and Council's focus areas: public safety, economic development, and housing – and places an emphasis on strategic initiatives that will greatly benefit the Rockville community. In all, this budget represents Rockville's response to the current economic conditions and takes into consideration all methods possible to balance cost to residents and quality services.

The FY 2026 proposed operating budget totals \$174.9 million across 10 funds, a 3.9 percent increase over the current fiscal year. Approximately 67 percent of the city's spending occurs in the tax-supported General Fund. The General Fund budget, which is balanced with current resources, equals \$116.6 million, an increase of 6.9 percent over FY 2025. The property tax rates of \$0.292 for real property and \$0.805 for personal property are proposed to remain the same, while noteworthy increases in assessed values will provide significant revenue growth for tax-supported functions. On average, the taxable assessed property values increased by 5.7 percent. For a property owner with a current assessed value of approximately \$700,000 this equates to a property tax increase of \$120 per year, or \$10 per month. Utility rates and user fees are proposed to increase between 2 percent and 6 percent, on average – with some fees and charges being held flat.

While there is revenue growth expected in FY 2026, it remains imperative that the city continue to allocate resources strategically, in alignment with Mayor and Council priorities, and in a manner that will be the most impactful to the Rockville community.

Public Safety

The proposed budget includes investments in public safety, including approximately \$10 million in new appropriations that support Vision Zero and the Pedestrian Master Plan, the introduction of a two-year CCTV modernization initiative, the addition of 2.0 FTE civilian positions in the Rockville City Police Department (RCPD), support for increased officer recruitment incentive programs, funding for the Gun Buyback event, and more than \$1.5 million which will promote the safety and quality of the city's drinking water and the Water Treatment Plant. The proposed budget also recommends a \$250,000 allocation of General Fund reserves to provide a new emergency response vehicle for the Rockville Volunteer Fire Department.

Economic Development

The proposed budget includes a \$1.6 million allocation to Rockville Economic Development, Inc. (REDI) and incorporates the addition of 5.0 FTE positions that support the timely and efficient processing of plan reviews, permits, and inspections within the city, including the reinstatement of expedited building permit review processes. The budget also reserves \$650,000 in General Fund capacity for the prospective Shady

Grove Metro annexation and anticipates several significant milestones which will support economic growth, including but not limited to, the rewritten zoning ordinance. These initiatives will lend themselves to strategic development and redevelopment which will enhance the quality of life, and opportunities for Rockville residents and businesses.

Housing

The proposed budget includes a new \$250,000 General Fund transfer to the Housing Opportunities Fund sub-account, and recommends a \$750,000 allocation of General Fund reserves to the Housing Opportunities Fund sub-account to promote the preservation and addition of affordable units, launch the employee homeownership assistance program, and begin the development of a homeownership downpayment assistance program for the Rockville community. An additional 2.0 FTE positions are proposed within the budget to assist in expanded programmatic efforts to better serve the housing needs of the Rockville community.

Capital Projects Initiatives

The proposed FY 2026 CIP includes new appropriations of \$33.8 million and supports 65 capital projects. The commitment to maintaining and enhancing city infrastructure is reflected in the budget, and there are some notable projects underway which include the construction of the Senior Center Entrance (TA24), and completion of the Maintenance and Emergency Operations Facility (GD19), Lincoln Park Community Center Improvements (RA22), and F. Scott Fitzgerald Theatre ADA Improvements (RA20) along with the ongoing maintenance and improvement of the city's paths, roadways, sidewalks, stormwater facilities, and water and sewer infrastructure. The budget includes six new capital projects which focus on the preservation and improvement of city facilities, efficient and effective transportation, water quality and regulatory compliance, and technology advancements.

Although the city's financial outlook is positive, we, along with many other jurisdictions in the Washington DC metro area, remain cautious about changes that might result from the new federal administration. Staff will continue to monitor the local environment and adjust for any factors that might impact the city's key resources like property tax, income tax, hotel tax, or grant funding.

The development of the budget is a complex and time-consuming endeavor. I would like to thank the city's department directors, appointed officials, and their staff for working as a team to prepare this year's budget. I also wish to express my appreciation to the Finance Department staff members, who strive to ensure that all financial and budget information is transparent, understandable, and readily accessible to the public. I am particularly grateful for the leadership and guidance provided by the city's Mayor and Council. We hope this budget document offers you the information needed to make the key decisions that will impact Rockville residents and the city government throughout the next year and into the future. On behalf of our dedicated city staff, we look forward to the many exciting and challenging opportunities that await us in FY 2026.

Very Respectfully,



Jeff Mihelich ICMA-CM
City Manager