City of Marco Island

August 3, 2026

To: City Council

From: Marcia Saulo, Finance Director

Re: Financial Update through June 30, 2026

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**Overview**

The City's finances remain stable and reflect generally positive trends across major funds. The General Fund benefited from strong property tax collections and controlled expenses, the Building Services Fund continues to face revenue headwinds, and the Water & Sewer Fund continues to demonstrate strong revenue performance and is experiencing increased plant operation costs.

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**General Fund**

Strong ad valorem revenue with controlled personnel and operating costs are offset by lower than planned interest revenue.

**Revenue:**
General Fund operating revenue totals **$29.9 million;** within **12%** of the full year budget**.** The largest driver of the year-to-date performance is ad valorem tax revenue which is within 1% of its full year budget. Excluding ad valorem, year to date all other revenue realized is **$7.4 million** leaving **35% ($4 million)** of its full-year budget yet to be realized in Q4. Interest revenue continues to be a risk to the FY26 financial results with 51% of the full year budget remaining. (The budget did not account for the rate reductions that occurred in late 2025.)

**Expense:**
Expenses total **$22.4 million**, within **32%** of the full year budget. Most departments are running at or slightly below expected spending levels.

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**Building Services Fund**

Revenue environment continues to be the primary issue tempered by expense running below planned levels.

Revenue totals **$2.4 million** with **40%** of the budget remaining to be realized in Q4. Permit fee revenue is weaker than planned. Expenses at **$2.3 million** are running below the expected levels on a year-to-date basis largely because of lower compensation costs.

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**Water & Sewer Fund**

Operating revenue realization to date is strong. Plant operating expenditures are impacted by higher electricity and sludge hauling costs.

**Revenue:**
Operating revenues total **$32.1 million** and are within **9%** of the full year budget**.** Water, irrigation, sewer, and effluent revenues are collectively on pace to meet budget. New water meter installations are on schedule. While there is an anticipated increase in revenue from the new meters, impact to revenue will not be realized until later in fiscal year 2026.

**Expense:**
Operating expenditures total **$29.5 million** and are within **31%** of budget which is slightly below the expected spend level for the first nine months of the year. However, the year-to-date actual results for the water plants are running ahead of the anticipated budget level at this point in the year. The costs of running the plants are impacted by increased electricity charges and higher than budgeted sludge hauling for the North Plant.

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**Outlook**

Overall, the City is in a stable financial position. The General Fund remains strong, with revenue trends supporting continued budget adherence. The Building Services Fund requires ongoing monitoring due to soft permit activity, and the Water & Sewer Fund continues to maintain healthy revenue realization while executing major capital and infrastructure initiatives and managing the increased costs of operating the plants.

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