City of Marco Island

May 18, 2026

To: City Council

From: Carol McDermott, Finance Director

Re: FY 26 Mid-Year Financial Update as of March 31, 2026

Overview

The City's financial performance at mid-year reflects stable operations and generally positive trends across major funds. The General Fund is benefiting from strong property tax collections and controlled expenses, the Building Services Fund continues to face revenue headwinds, and the Water & Sewer Fund is operating with a solid margin supported by consistent utility revenues.

General Fund

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

Revenue:
General Fund revenue totals **$25.8 million**, or **75% of budget**, which is **$615,000 above** the prior year. Property taxes increased by **$1.8 million** due to taxable value growth and a millage rate increase. Other revenues total **$4.7 million**, which is **$1.1 million below** last year, driven by weaker interest income (**~$400,000 under** budget and prior year) following Federal Reserve rate cuts in late 2025 and the absence of FY25 one-time revenue sources such as the **$126,000** police vehicle auction.

Expense:
Expenses total **$15.1 million**, or **44% of budget**, and are **$600,000 higher** than last year. Most departments are within expected spending levels. Variances include higher Executive Department costs due to a separation agreement and lower Finance Department spending due to vacancies filled in Q3. Fire and IT are operating slightly above FY25 levels following contract changes and staffing adjustments.

Building Services Fund

Revenue environment is a primary issue tempered by expense running below planned levels

Revenue totals **$1.5 million** (**37% of budget**), which is **$246,000 lower** than last year, primarily due to reduced permit fee activity. Expenses total **$1.6 million** (**40% of budget**) and remain **$53,000 below** last year, largely because of lower compensation costs. The fund is operating at a **mid-year deficit**, and revenue performance continues to be the key area of concern.

Water & Sewer Fund

Operating revenue and expenses are aligned at mid-year with a positive operating margin of $3.9 million

Revenue:
Operating revenues total **$29.8 million** (**36% of budget**), up **$1.5 million (5%)** from last year. Water, irrigation, sewer, and effluent revenues are collectively tracking at approximately **54% of budget**, consistent with FY25. The Advanced Water Meter program may increase revenue later in the year. Other revenues exceed FY26 mid-year targets but are lower than FY25 due to the absence of a **$206,000** one-time reimbursement for an emergency water main repair on N. Collier.

Expense:
Operating expenditures total **$26 million** (**31% of budget**), slightly above FY25 due to meter project costs. Water plants are within expected levels, and the sewer plant is slightly below target. Debt service and renewal and replacement spending are elevated due to the meter program. Capital spending totals **$3.4 million** (**20% of budget**), down **$2.6 million** from last year following project completion. Chemical and sludge hauling costs are above the mid-year target but have historically closed the year under budget.

Outlook

Overall, the City is in a stable mid-year 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 a healthy operating margin while executing major capital and infrastructure initiatives. Staff will update projections as additional data becomes available through the second half of FY26.

Next Steps

Staff will continue budget monitoring to provide updates as additional data becomes available through the second half of FY26 and assess trends for FY27 planning.

City of Marco Island
For the Six Months Ended March 31, 2025 and 2026

General Fund

	FY 2025				Target 50%	FY 2026				Target 50%	Variance to Prior Year	
	Original Budget	Budget Adjustments	Revised Budget	Year to Date Actual	% Rec'd/Used (1)	Original Budget	Budget Adjustments	Revised Budget	Year to Date Actual	% Rec'd/Used (1)	$	%
Revenue												
Taxes												
Ad valorem	$ 20,364,133		$ 20,364,133	$ 19,369,933	95%	$ 22,645,800		22,645,800	$ 21,146,166	93%	$ 1,776,234	9%
Fuel tax	1,150,000		1,150,000	563,908	49%	1,150,000		1,150,000	547,873	48%	(16,035)	(3%)
Insurance premiums	294,585		294,585	-	0%	618,808		618,808	-	0%	-	
Communication services	360,000		360,000	175,560	49%	360,000		360,000	168,899	47%	(6,661)	(4%)
Local business tax	25,000		25,000	9,959	40%	25,000		25,000	10,553	42%	594	6%
	22,193,718	-	22,193,718	20,119,359	91%	24,799,608	-	24,799,608	21,873,490	88%	1,754,132	9%
Licenses and permits												
Beach vendor permits	20,000		20,000	17,000	85%	30,000		30,000	15,500	52%	(1,500)	(9%)
Franchise fees- gas	35,000		35,000	25,888	74%	40,000		40,000	23,397	58%	(2,492)	(10%)
Other permits	-		-	75		-		-	610		535	nm
	55,000	-	55,000	42,963	78%	70,000	-	70,000	39,507	56%	(3,457)	(8%)
Intergovernmental												
Payment in lieu of taxes	110,000		110,000	5,925	5%	110,000		110,000	11,981	11%	6,055	102%
County/Local	43,000		43,000	-	0%	43,000		43,000	-	0%	-	
State shared revenue	890,000		890,000	362,539	41%	890,000		890,000	366,863	41%	4,325	1%
1/2 cent sales tax	3,000,000		3,000,000	1,294,578	43%	3,000,000		3,000,000	1,267,894	42%	(26,684)	(2%)
	4,043,000	-	4,043,000	1,663,042	41%	4,043,000	-	4,043,000	1,646,738	41%	(16,304)	(1%)
Charges for services												
Culture and recreation	339,500		339,500	263,064	77%	342,500		342,500	261,563	76%	(1,501)	(1%)
Estoppel fees	30,000		30,000	9,488	32%	25,000		25,000	11,538	46%	2,050	22%
Land use fees	225,000		225,000	111,007	49%	225,000		225,000	123,031	55%	12,024	11%
Public safety (police and fire fees)	635,000		635,000	370,069	58%	865,000		865,000	299,907	35%	(70,162)	(19%)
Other charges for services	500		500	1,655	nm	2,000		2,000	2,587	129%	932	56%
	1,230,000	-	1,230,000	755,282	61%	1,459,500	-	1,459,500	698,625	48%	(56,656)	(8%)
Fines and forfeits												
Judgments and fines	15,000		15,000	4,779	32%	15,000		15,000	5,840	39%	1,061	22%
Violations of local ordinances	180,000		180,000	107,575	60%	180,000		180,000	99,312	55%	(8,264)	(8%)
Other judgements, fines, and forfeits	1,000		1,000	415	42%	1,000		1,000	566	57%	151	36%
	196,000	-	196,000	112,769	58%	196,000	-	196,000	105,718	54%	(7,051)	(6%)
Miscellaneous revenue												
Interest and other earnings	1,500,000		1,500,000	1,009,107	67%	1,800,000		1,800,000	595,129	33%	(413,978)	(41%)
Administrative charge - building and utility	1,405,081		1,405,081	702,777	50%	1,492,736		1,492,736	746,368	50%	43,592	6%
Other miscellaneous revenue	100,000		100,000	168,782	nm	150,000		150,000	54,807	37%	(113,975)	(68%)
Contributions from private sources	20,000	4,795	24,795	9,795	40%	20,000	9,000	29,000	10,600	37%	805	8%
Rent	63,000		63,000	62,776	100%	73,000		73,000	49,628	68%	(13,148)	(21%)
	3,088,081	4,795	3,092,876	1,953,236	63%	3,535,736	9,000	3,544,736	1,456,533	41%	(496,703)	(25%)
Total operating revenue	**30,805,799**	**4,795**	**30,810,594**	**24,646,650**	**80%**	**34,103,844**	**9,000**	**34,112,844**	**25,820,611**	**76%**	**1,173,961**	**5%**
Other revenue												
Transfers	1,117,500		1,117,500	558,750	50%				-		(558,750)	(100%)
Use of unassigned funds			-				212,909	212,909	-		-	
Total other revenue	**1,117,500**	**-**	**1,117,500**	**558,750**	**50%**	**-**	**212,909**	**212,909**	**-**		**(558,750)**	**(100%)**
Total revenue	**31,923,299**	**4,795**	**31,928,094**	**25,205,400**	**79%**	**34,103,844**	**221,909**	**34,325,753**	**25,820,611**	**75%**	**615,211**	**2%**
				5,835,468				11,679,953	4,674,445	40%	(1,161,023)	**(20%)**
Expense												
General government												
Legislative	105,283		105,283	41,961	40%	102,348	-	102,348	43,820	43%	1,859	4%
Executive	1,254,421	(206,480)	1,047,941	520,063	50%	1,054,781	39,500	1,094,281	605,564	55%	85,501	16%
Finance	897,150		897,150	449,971	50%	963,505	1,375	964,880	400,710	42%	(49,261)	(11%)
Legal	420,000		420,000	148,274	35%	400,000	-	400,000	141,231	35%	(7,043)	(5%)
Information technology	1,103,042	69,600	1,172,642	498,773	43%	1,250,811	43,857	1,294,668	595,752	46%	96,979	19%
Growth management	865,051	126,825	991,876	374,033	38%	905,695	32,438	938,133	389,142	41%	15,109	4%
Fleet and facilities	1,913,986	2,275	1,916,261	824,693	43%	2,052,726	21,114	2,073,840	916,768	44%	92,075	11%
General government	795,258	10,055	805,313	301,697	37%	923,436	3,063	926,499	326,204	35%	24,507	8%
	7,354,191	2,275	7,356,466	3,159,465	43%	7,653,302	141,347	7,794,649	3,419,191	44%	259,726	8%
Public safety												
Police	6,893,134	1,000	6,894,134	3,135,741	45%	7,233,571	14,801	7,248,372	3,210,433	44%	74,692	2%
Fire and rescue	8,362,768		8,362,768	3,995,965	48%	9,264,539	27,742	9,292,281	4,217,715	45%	221,750	6%
Code compliance	762,478		762,478	336,256	44%	746,377	4,003	750,380	366,375	49%	30,119	9%
	16,018,380	1,000	16,019,380	7,467,962	47%	17,244,487	46,545	17,291,032	7,794,523	45%	326,561	4%
Public works	3,439,235	1,520	3,440,755	1,410,455	41%	3,733,215	26,092	3,759,307	1,499,954	40%	89,499	6%
Culture and recreation	1,265,619		1,265,619	520,380	41%	1,319,627	7,925	1,327,552	508,490	38%	(11,890)	(2%)
Total operating expenses	28,077,425	4,795	28,082,220	12,558,262	45%	29,950,631	221,909	30,172,540	13,222,158	44%	663,896	5%
Unassigned contingency			-			430,000		430,000			-	
Transfers out	3,845,874		3,845,874	1,922,938	50%	3,723,213		3,723,213	1,861,607	50%	(61,331)	(3%)
Total expense	**31,923,299**	**4,795**	**31,928,094**	**14,481,200**	**45%**	**34,103,844**	**221,909**	**34,325,753**	**15,083,765**	**44%**	**602,565**	**4%**
Excess of revenue over expenditures				**$ 10,724,200**					**$ 10,736,846**			

nm = > 150% - not meaningful
(1) % Received /Used calculated using **revised** budget

City of Marco Island
For the Six Months Ended March 31, 2025 and 2026

Building Services Fund

	FY 2025 Original Budget	FY 2025 Budget Adjustments	FY 2025 Revised Budget	FY 2025 Year to Date Actual	FY 2025 % Rec'd/Used [1] (Target 50%)	FY 2026 Budget	FY 2026 Budget Adjustments	FY 2026 Revised Budget	FY 2026 Year to Date Actual	FY 2026 % Rec'd/Used [1] (Target 50%)	Variance to Prior Year $	Variance to Prior Year %
Revenue												
Building Permits	$ 3,750,000		$ 3,750,000	$ 1,699,872	45%	$ 3,966,300		$ 3,966,300	$ 1,433,988	36%	$ (265,884)	(16%)
Convenience Fees			-	-		-		-	24,225		24,225	
Interest	10,000		10,000	49,038	nm	10,000		10,000	44,445	nm	(4,593)	(9%)
Total revenue	3,760,000	-	3,760,000	1,748,910	47%	3,976,300		3,976,300	1,502,658	38%	(246,252)	(14%)
Use of unassigned fund balance			-	-			35,366	35,366			-	
Total revenue	**3,760,000**	**-**	**3,760,000**	**1,748,910**	**47%**	**3,976,300**	**35,366**	**4,011,666**	**1,502,658**	**37%**	**(246,252)**	**(14%)**
Expense												
Compensation and benefits	2,696,961		2,696,961	1,139,983	42%	2,803,289		2,803,289	1,099,359	39%	(40,623)	(4%)
Professional and contractual services	93,000		93,000	4,787	5%	93,000	33,998	126,998	9,914	8%	5,127	107%
Communication	21,285		21,285	7,078	33%	21,328		21,328	6,091	29%	(986)	(14%)
Rental and leases	10,680		10,680	420	4%	72,180	(8,000)	64,180	422	1%	2	0%
Insurance	165,708		165,708	82,854	50%	190,000		190,000	95,000	50%	12,146	15%
Other charges	480,779		480,779	241,716	50%	505,368		505,368	239,815	47%	(1,901)	(1%)
Operating supplies	140,909		140,909	109,194	77%	177,123		177,123	120,746	68%	11,552	11%
Contingency	29,988	(13,032)	16,956	-	0%	57,452	9,368	66,820	-	0%	-	
All other, net	40,160		40,160	12,146	30%	40,160		40,160	18,519	46%	6,373	52%
Expense	3,679,470	(13,032)	3,666,438	1,598,176	44%	3,959,900	35,366	3,995,266	1,589,866	40%	(8,310)	(1%)
Transfers out CIP	80,530	13,032	93,562	53,297	57%	16,400		16,400	8,200	50%	(45,097)	(85%)
Total expense	**3,760,000**	**-**	**3,760,000**	**1,651,473**	**44%**	**3,976,300**	**35,366**	**4,011,666**	**1,598,066**	**40%**	**(53,407)**	**(3%)**
Excess/(shortfall) of revenue over expenditures				**$ 97,437**					**$ (95,408)**			

nm = > 150% - not meaningful
[1] % Received /Used calculated using **revised** budget

Water/Sewer Enterprise Fund

	FY 2025 Original Budget	FY 2025 Budget Adjustments	FY 2025 Revised Budget	FY 2025 Year to Date Actual	FY 2025 % Rec'd/Used [1] (Target 50%)	FY 2026 Budget	FY 2026 Budget Adjustments	FY 2026 Revised Budget	FY 2026 Year to Date Actual	FY 2026 % Rec'd/Used [1] (Target 50%)	Variance to Prior Year $	Variance to Prior Year %
Revenue												
Water fees	$ 21,611,500		$ 21,611,500	$ 11,878,939	55%	$ 22,129,000	$ -	$ 22,129,000	$ 11,921,918	54%	42,979	0%
Irrigation fees	1,400,000		1,400,000	808,698	58%	1,500,000	-	1,500,000	807,052	54%	(1,646)	(0%)
Sewer fees	10,610,000		10,610,000	5,899,273	56%	10,810,000	-	10,810,000	5,924,439	55%	25,166	0%
Effluent fees	1,040,000		1,040,000	421,227	41%	940,000	-	940,000	564,823	60%	143,596	34%
Convenience fees	-		-	-		-	-	-	57,642		57,642	
Interest	350,000		350,000	841,633	nm	400,000	-	400,000	876,391	nm	34,758	4%
All other	73,000		73,000	233,378	nm	73,000	-	73,000	59,409	81%	(173,969)	(75%)
Transfers	16,441,890		16,441,890	8,220,945	50%	15,735,015	-	15,735,015	9,630,569	61%	1,409,624	17%
Use of unassigned fund balance	6,765,229	31,767,163	38,532,392	-	0%	4,995,286	26,306,189	31,301,475	-	0%	-	
Total revenue	**58,291,619**	**31,767,163**	**90,058,782**	**28,304,093**	**31%**	**56,582,301**	**26,306,189**	**82,888,490**	**29,842,242**	**36%**	**1,538,150**	**5%**
Expense												
North water plant	3,939,022	-	3,939,022	1,637,211	42%	3,928,310	12,414	3,940,724	1,795,066	46%	157,855	10%
South water plant	2,879,611	-	2,879,611	1,259,658	44%	2,982,159	93,514	3,075,673	1,464,036	48%	204,378	16%
Sewer plant	3,486,227	-	3,486,227	1,162,912	33%	3,563,339	47,549	3,610,888	1,267,464	35%	104,552	9%
Collection and distribution	2,928,187	-	2,928,187	1,337,586	46%	2,935,400	17,560	2,952,960	1,526,757	52%	189,171	14%
Operation maintenance	1,783,998	-	1,783,998	894,184	50%	1,961,250	13,299	1,974,549	875,035	44%	(19,149)	(2%)
Financial services	1,027,254	-	1,027,254	462,160	45%	1,093,923	4,243	1,098,166	520,193	47%	58,033	13%
Administration	18,302,736	-	18,302,736	8,994,143	49%	17,788,919	53,054	17,841,973	8,728,999	49%	(265,145)	(3%)
Water and sewer debt	9,521,890	-	9,521,890	50,894	1%	10,221,585	-	10,221,585	2,534,846	25%	2,483,952	nm
Renewal and replacement	3,855,000	4,401,417	8,256,417	745,822	9%	3,313,430	10,888,716	14,202,146	2,540,301	18%	1,794,479	nm
Capital projects	3,065,000	27,365,747	30,430,747	6,071,954	20%	2,200,000	15,175,839	17,375,839	3,426,770	20%	(2,645,184)	(44%)
Sewer assessment districts	4,380,194	-	4,380,194	243,882	6%	4,393,986	-	4,393,986	220,161	5%	(23,721)	(10%)
Transfers	3,122,500	-	3,122,500	1,561,250	50%	2,200,000		2,200,000	1,100,000	50%	(461,250)	(30%)
Total expense	**58,291,619**	**31,767,163**	**90,058,782**	**24,421,656**	**27%**	**56,582,301**	**26,306,189**	**82,888,490**	**25,999,628**	**31%**	**1,577,972**	**6%**
Excess/(shortfall) of revenue over expenditures				**$ 3,882,436**					**$ 3,842,614**			

nm = > 150% - not meaningful
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