



Second Quarter Financial Report Fiscal Year 2021-22

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Overview

This financial report provides an overview of the City's financial position through the second quarter of the fiscal year (FY) 2021-22 (July 1, 2021 through December 31, 2021) for:

- (1) the General Fund;
- (2) the major enterprise operating funds; and
- (3) revenues in other selected funds.

Considerations

Through the second quarter of FY2021-22, the City continued to feel the impacts of the COVID-19 pandemic, including supply chain issues causing delays in receiving equipment/supplies/materials, challenges in filling vacant positions because of increased attrition and reduced levels of applicants, continued reduced attendance to city programs/services (e.g., Parks, Recreation and Libraries, Adventure Club, Transit), and increasing cost of equipment/fuel/supplies/materials.

As detailed in this report, the City's major tax revenues, i.e. sales tax and hotel tax, have recovered from the impacts of the pandemic; however the pandemic continues to affect revenue and expenses of some City programs, including Adventure Clubs, transit and recreation programs, through the second quarter of FY2021-22.

Federal Stimulus: In March 2021, the City was allocated \$17.6 million in American Rescue Plan Funds to bolster the City's response to the COVID-19 pandemic and its economic impacts. The City received its first half of this funding or \$8.8 million during FY2020-21. The second half is expected in May 2022, in the fourth quarter of FY2021-22. Staff will begin bringing the City Council recommendations on spending these funds in the next couple of months.

General Fund: The City ended FY2020-21 with positive results totaling \$28.5 million due to conservative budgeting of sales and property tax revenues, vacant positions, and pandemic-related cost controls. The City Council appropriated \$5.4 million of this funding on January 12, 2022, for street resurfacing (\$4.4 million), a contribution toward the replacement of a Tractor Drawn Aerial Fire Truck (\$700,000), and replenishment of the General Fund contingency (\$300,000). On May 18, 2022, the City Council is considering a recommendation to appropriate \$9 million to fund equipment replacement (\$2.26 million), facility rehabilitation (\$2 million), vehicle replacement (\$375,000), the Police Department's Real Time Crime Center (\$240,000), a transfer to the Youth Development Fund (\$3.5 million), and a transfer to the Unemployment Insurance Fund (\$634,000). Also, on May 18, staff will recommend updating the City's

financial policies, including adopting a new Development Services Stabilization Reserve Fund Policy and an appropriation to transfer \$2 million of the FY2020-21 surplus to this new reserve fund. Staff plan to bring the City Council recommendations to spend the remaining \$12.1 million as part of the proposed FY2022-23 budget.

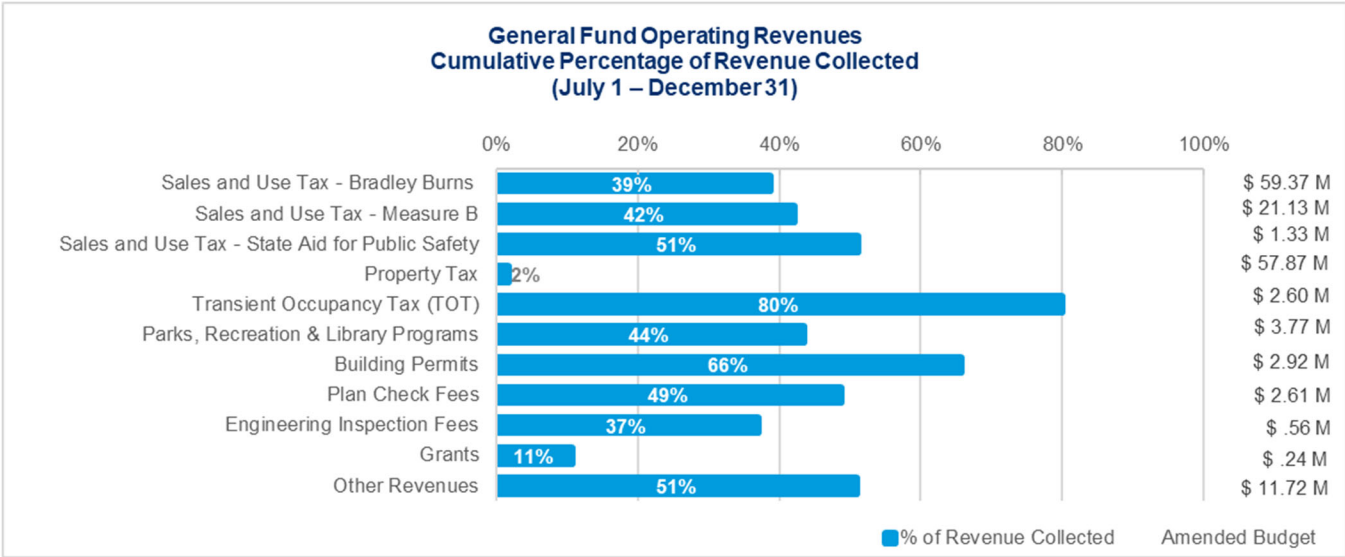
In addition, the following factors should be taken into consideration when analyzing second-quarter data:

- Property tax revenue is received in mid-January and mid-May.
- Sales tax revenue is derived from taxable sales through October 2021.
- Some costs are incurred upfront (for example, some contracts like annual memberships), with variances smoothing out over the fiscal year.

General Fund: Operating Revenues

The following table includes cumulative General Fund operating revenue through the second quarter and a revenue budget to actual comparison for FY2021-22.

Revenue Type	Budget to Cumulative Revenue Comparison (July 1 – December 31)			
	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget
Sales and Use Tax - Bradley Burns	\$ 59,371,253	\$ 23,020,619	\$ (36,350,634)	39%
Sales and Use Tax - Measure B	21,127,000	8,899,027	(12,227,973)	42%
Sales and Use Tax - State Aid for Public Safety	1,327,300	677,552	(649,748)	51%
Property Tax	57,867,840	973,194	(56,894,646)	2%
Transient Occupancy Tax (TOT)	2,600,000	2,081,091	(518,909)	80%
Parks, Recreation & Library Programs	3,765,768	1,639,445	(2,126,323)	44%
Building Permits	2,920,836	1,919,697	(1,001,139)	66%
Plan Check Fees	2,606,322	1,268,207	(1,338,115)	49%
Engineering Inspection Fees	558,000	206,957	(351,043)	37%
Grants	239,535	25,858	(213,677)	11%
Other Revenues	11,720,750	5,979,374	(5,741,376)	51%
Total	\$164,104,604	\$46,691,020	\$ (117,413,584)	28%

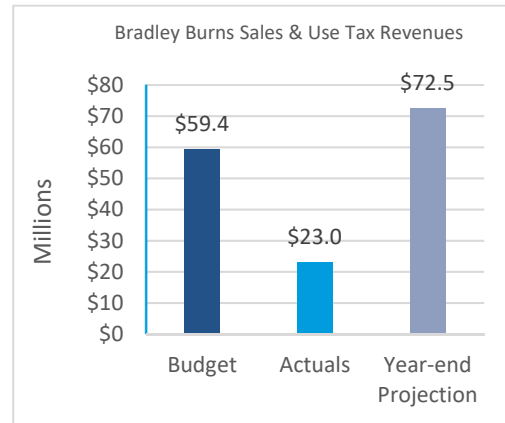
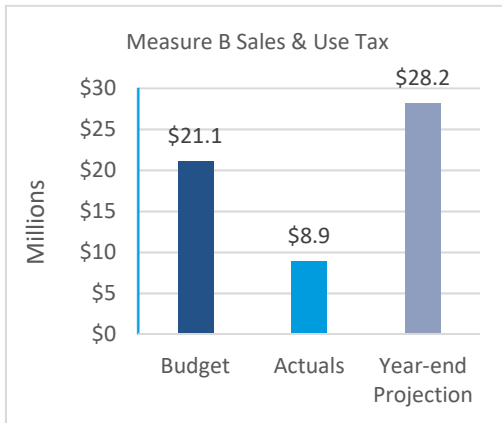


General Fund operating revenues are at 28 percent of the budget through the second quarter of the current fiscal year primarily due to the timing associated with receiving some of the more significant tax revenue sources. For instance, property tax is the second largest General Fund revenue source, but most of this funding is received in the third and fourth quarters of the fiscal year. The following is an explanation of the notable variances:

- Bradley Burns and Measure B Sales Tax** – The City's Bradley Burns and Measure B Sales Tax revenues through the second quarter are 39 percent and 42 percent of the budget. Sales tax revenue received by the City through the second quarter is derived from taxable sales through October 2021. Based on the City's sales tax consultant's latest sales tax analysis and forecast, these revenues are trending higher than anticipated due to strong economic activity in the general retail, food products, transportation, and construction sectors. The consultant provides a year-end forecast that includes conservative, most likely, and optimistic scenarios (see chart below). The consultant's most likely forecast indicates that revenues may end at \$72.5 million (Bradley Burns) and \$28.2 million (Measure B), or \$13.1 million and \$7.1 million above adopted budget estimates, respectively.

Revenue Type	Amended Budget	Conservative	Most-Likely	Optimistic
Sales and Use Tax - Bradley Burns	59,371,253	\$67,055,800	\$72,492,740	\$77,929,700
Sales and Use Tax - Measure B	21,127,000	\$25,354,800	\$28,171,982	\$32,540,500
Total	\$80,498,253	\$92,410,600	\$100,664,722	\$110,470,200

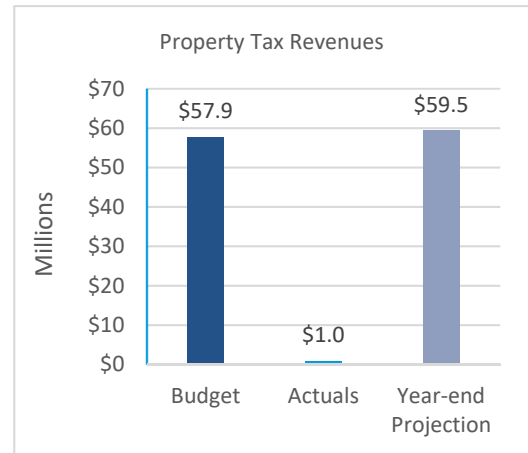
The provided graphs show Bradley Burns and Measure B Sales and Use Tax revenues as compared to budget and the projected year-end results.



Additional Sales Tax Information: The City's sales tax consultant has prepared a detailed sales tax report and business activity. This report provides a list of the top 25 sales tax remitters, a summary of cash receipts, and sales tax data by economic category. This report is attached to the end of this report.

- **Secured, Unsecured and Supplemental Property Tax -**

Property tax revenues are at two percent of revenues, or \$998,000, as of the end of the second quarter. The low level of revenue received to date is because the City receives most of this funding in the third and fourth quarters of the fiscal year. As of April 2022, the City has received \$33 million in property tax revenues. Based on the information provided by the County Assessor and the City's property tax consultant, staff anticipates that this revenue stream will exceed year-end estimates by approximately \$1.6 million.



- **Transient Occupancy Tax (TOT) -** The City's TOT revenues, also known as the hotel tax, are tracking higher than anticipated. Through the end of the second quarter, revenues are at 80% of estimates, at \$2.08 million compared to the budget target amount of \$2.6 million. As of April 2022, TOT revenues exceeded budget estimates at approximately \$3 million. Staff budgeted a conservative amount of TOT in FY2021-22 due to the economic uncertainty of the pandemic last spring when the current year budget was developed. If current trends continue, TOT revenues could end the year above \$4 million.

- **Parks, Recreation & Library (PR&L) Programs -** Parks, Recreation & Libraries (PRL) program revenues are at 44 percent of the budget through the second quarter. FY2021-22 has been a

rebuilding year, with COVID-19 pandemic impacts affecting the first and second quarters. PRL expects to see less impact in the third and fourth quarters. Programs and events are back, sports teams are on the fields, and parks and trails are as busy as usual. The PRL Department anticipates offsetting any revenue shortfall with expenditure savings from materials, services, supplies, and vacancies.

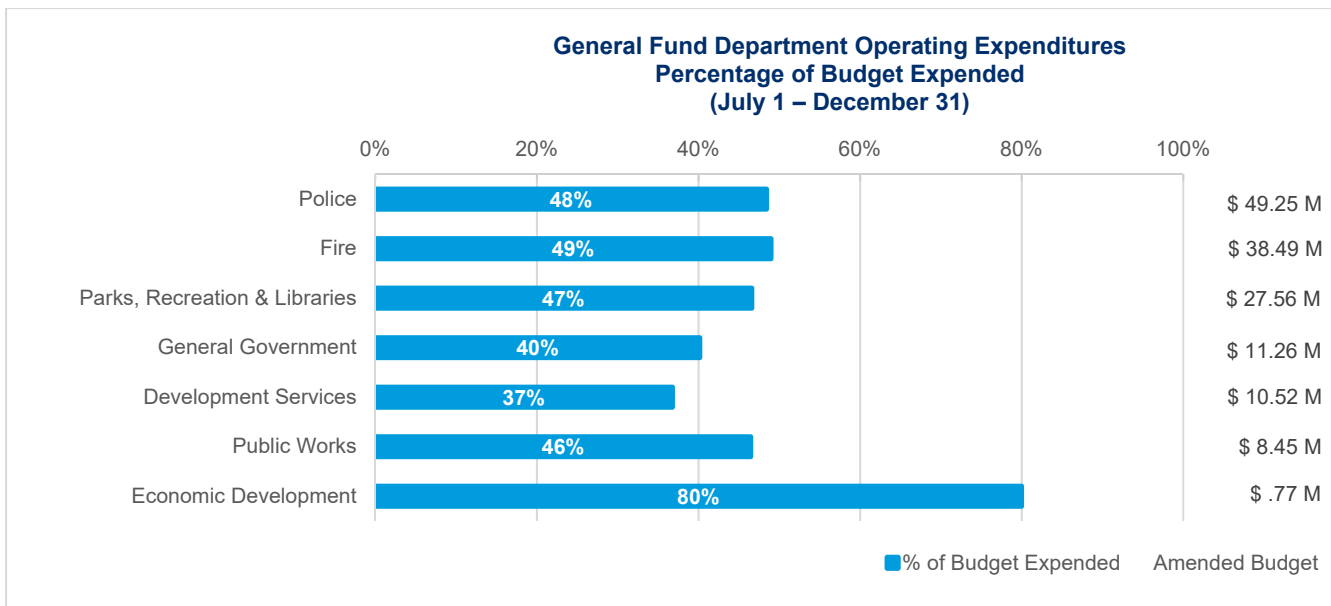
- **Building Permits, Plan Check Fees, Engineering Inspection Fees** - Building permit revenues are trending higher than budget due to sustained increases in the City's development activity. Building plan check revenues are on budget as of the second quarter. Inspection fees are trending slightly lower than budget but are offset by a corresponding increase in secondary labor cost recovery due to workload shifting toward more full-cost projects. Staff anticipates that overall revenues in this category will exceed budget by the end of the fiscal year.
- **Grants** - Grant revenues through the second quarter are at 11 percent of budget due to the timing of the claims.
- **Other Revenues** - Other revenues include reimbursements from the State, development reimbursement activity, property transfer tax, business license tax, rental payments, animal licensing, passport and LiveScan background, permit, franchise, and other fees. As of the end of the second quarter, revenues in this category are at 51 percent of budget estimates.

General Fund: Operating Expenditures

The following table includes cumulative second quarter expenditure comparisons for General Fund departments for FY2021-22.

Department	Budget to Cumulative Expenditure Comparison (July 1 – December 31)			
	Amended Budget	Cumulative Expenditures	Balance Remaining	% of Budget
Police	\$ 49,250,606	\$ 23,843,800	\$ 25,406,806	48%
Fire	38,486,667	18,839,633	19,647,034	49%
Parks, Recreation & Libraries	27,559,790	12,840,059	14,719,731	47%
General Government*	11,261,944	4,521,695	6,740,249	40%
Development Services	10,517,471	3,865,801	6,651,670	37%
Public Works	8,449,707	3,924,768	4,524,939	46%
Economic Development/Housing	769,809	615,557	154,252	80%
Total	\$ 146,295,994	\$ 68,451,313	\$ 77,844,682	47%

⁽¹⁾ General Government includes the following departments: City Council, City Manager's Office, City Attorney's Office, City Clerk, Finance, Public Affairs and Communications, and Human Resources.



General Fund expenditures are tracking on target compared to the budget at 47 percent through the first six months of the fiscal year. The slightly lower spending rate (47 percent versus 50 percent of the year elapsed) is primarily due to cost savings from vacancies in the Parks, Recreation and Libraries, Development Services, Public Works, and other General Fund departments and reduced spending levels in the first part of the fiscal year due to the pandemic.

The expenditure budget consumption for the Police and Fire Departments is on target at 48 percent and 49 percent, respectively. PRL expenditures are at 47 percent of the budget due to cost controls in materials, services, supplies, and temporary and full-time position vacancies. As mentioned earlier in this report, these savings will offset anticipated revenue shortages.

The Economic Development Department is tracking at 80 percent of the budget through the second quarter primarily due to leave payoffs, membership payments paid at the beginning of the fiscal year, and the timing associated with posting reimbursements for labor costs in the housing division. The Housing Division is budgeted in the General Fund and is reimbursed from several different housing-related funds (i.e., Housing Authority Housing Choice Voucher and Community Development Block Grant). Staff will process the necessary reimbursements to fully reimburse the General Fund by the end of the fiscal year. Funding for leave payoffs resulting from retirement is budgeted centrally in the General Fund. These funds will be moved to the Economic Development, as needed, at the end of the year to ensure the Department does not exceed its budget.

Enterprise Funds: Operating Revenues and Expenditures

Revenues

Operating revenues in the Electric Fund are tracking higher than budget due to increased retail sales attributable to multiple factors such as new development, hydroelectric surcharge, approved rate increases, warmer than

	Budget to Cumulative Revenue Comparison (July 1 – December 31)			
	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget
Electric Operations	\$ 157,814,466	\$ 96,943,991	\$ (60,870,475)	61%
Water Operations	38,914,237	20,826,414	(18,087,823)	54%
Wastewater Operations	48,668,113	23,060,535	(25,607,578)	47%
Waste Services Operations	34,202,968	19,277,092	(14,925,876)	56%
Transit	7,034,718	200,432	(6,834,286)	3%
Transportation	1,925,389	6,083	(1,919,306)	0%
Youth Development	7,080,654	2,642,939	(4,437,715)	37%

average temperatures, and stronger than expected customer usage. Water and Waste Services revenues are higher than anticipated by four and six percent, respectively, due to increased residential consumption and new development. Wastewater revenues are tracking low due to the timing of expense reimbursements from regional partners expected to be collected during the third and fourth quarters.

Transit operating revenues continue experiencing the effects of reduced services and losses in passenger fares due to low ridership resulting from COVID-19 through the second quarter of FY2021-22. The Coronavirus Response and Relief Supplemental Appropriations Act of 2021 and the American Rescue Plan Act of 2021 will continue to support Roseville Transit operations during the fiscal year. The larger budget to actual variances in the Transit and Transportation enterprise funds is due to the timing associated with their primary funding streams. The majority of their revenue is realized in the last two quarters of the fiscal year.

Revenues in the Youth Development are at 37 percent of the budget through the second quarter of the fiscal year. While enrollment continues to rebound, some factors such as guidelines established for childcare services that require attendance limitations due to cohort restrictions by licensing, parents continuing to work from home, and temporary part-time staff shortages continue contributing to the reduced revenues. Staff are exploring potential resources available to offset the financial impacts, including federal stimulus funding, and will continue to keep the City Council apprised of the available options.

Expenditures

	Budget to Cumulative Expenditure Comparison (July 1 – December 31)			
	Amended Budget	Cumulative Expenditures	Balance Remaining	% of Budget
Electric Operations	\$ 133,286,409	\$ 64,828,531	\$ 68,457,878	49%
Water Operations	34,799,296	14,284,593	20,514,703	41%
Wastewater Operations	48,210,395	19,823,676	28,386,719	41%
Waste Services Operations	34,243,597	14,847,443	19,396,154	43%
Transit	7,086,554	2,879,680	4,206,874	41%
Transportation	1,945,843	629,194	1,316,649	32%
Youth Development	8,104,298	2,991,029	5,113,269	37%

Operating expenditures for the Electric fund are on budget through the second quarter. Spending in the Environmental Utilities is tracking lower than budget due to COVID-related

limitations on operational plans, including travel and training, as well as vacant positions. Transit and Transportation expenditures are lower than anticipated due to vacancies and operational adjustments related to transit ridership reductions reflected in reduced contracts and fuel costs.

Youth Development Fund expenditures are at 37% of budget through the second quarter due to the measures taken to reduce operational costs to mitigate the impact of decreased enrollment. The Youth Development Fund's FY2021-22 budget indicated an expected shortfall. While a shortfall is still expected, it is projected to be less than budget. Staff will address this anticipated year-end deficit with support from American Rescue Plan Act funds in the proposed FY2022-23 budget.

Other Revenue

The table presented shows revenues in the Fire Facilities, Public Facilities, and the Strategic Improvement Funds

	Budget to Cumulative Revenue Comparison (July 1 – December 31)				
	FY2020-21 Actual	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget
Fire Facilities	\$ 1,242,056	\$ 1,549,601	\$ 1,094,436	\$ (455,165)	71%
Public Facilities	3,285,974	3,583,637	2,853,280	(730,357)	80%
Strategic Improvement	2,687,357	4,602,041	3,644,545	(957,496)	79%

through the second quarter of FY2020-21 and FY2021-22. The revenue estimates for these three funds are generally based on a multi-year trend analysis of forecasted single-family, multi-family, commercial development, and prior-year revenue collections. The sustained increase in development activity throughout the City during the first and second quarters of FY2021-22 has caused revenues in the Fire Facilities, Public Facilities, and Strategic Improvement Funds to exceed budget estimates, with 21 percent, 30 percent, and 29 percent, respectively above budget target. After the approval of the FY2021-22 budget, the revenue estimate in the Strategic Improvement Fund was increased by \$2.5 million to \$4.6 million via transfers for the use of 243.4 acres of vacant land by the Environmental Utilities Department for future operational requirements.



Quarterly Report on Sales Tax and Business Activity

Top 25 Sales Tax Remitters

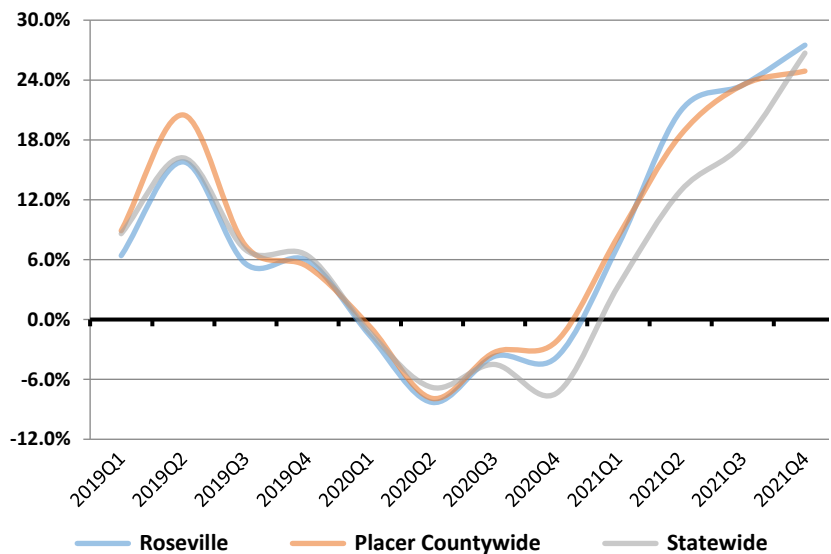
- ARCO AM/PM MINI MARTS
- AUTONATION CHRYSLER DODGE JEEP RAM ROSEVILLE
- AUTONATION HONDA
- BMW OF ROSEVILLE
- CARMAX AUTO SUPERSTORES
- CHEVRON SERVICE STATIONS
- COSTCO WHOLESALE
- FUTURE FORD
- FUTURE NISSAN
- GMC RELIABLE
- HOME DEPOT
- JOHN L SULLIVAN CHEVROLET
- JOHN L. SULLIVAN'S ROSEVILLE KIA
- LEXUS OF ROSEVILLE
- LOWE'S HOME CENTERS
- MACY'S DEPARTMENT STORE
- MCKESSON MEDICAL -SURGICAL
- NIELLO ACURA
- NORDSTROM DEPARTMENT STORE
- ROSEVILLE HYUNDAI
- ROSEVILLE TOYOTA & SCION
- SAM'S CLUB
- TARGET STORES
- VANDERBEEK MOTORS
- WAL MART STORES

4th Quarter 2021 in Review

California sales tax cash receipts increased by 25.5% from the same quarter last year. In this jurisdiction sales tax cash receipts increased by 18.5% from the same quarter last year due to a increase of \$295,959,000 in Taxable Sales.

Cash Receipts	Quarter	Annual
Roseville	18.5%	27.5%
Placer Countywide Pool	-2.7%	12.9%
Placer Countywide	12.4%	24.9%
Sacramento Valley Region	22.9%	25.4%
Statewide	25.5%	26.7%

Annualized Percent Change in Sales Tax Cash Receipts



Business Activity

General Retail (e.g., dept. stores, misc. retail)	22.0%	33.6%
Food Products (e.g., markets and restaurants)	23.5%	24.4%
Transportation (e.g., new & used autos, gas stations)	3.3%	25.4%
Construction (e.g., retail & wholesale construction)	7.2%	12.0%
Business To Business (e.g., IT, industrial equip. etc.)	-11.7%	1.9%
TOTAL LOCAL BUSINESS ACTIVITY	9.9%	23.6%
COUNTYWIDE POOL ACTIVITY	2.6%	15.3%

Roseville		California	
Quarter	Annual	Quarter	Annual
22.0%	33.6%	21.4%	26.9%
23.5%	24.4%	26.1%	17.6%
3.3%	25.4%	13.0%	18.0%
7.2%	12.0%	-2.7%	3.0%
-11.7%	1.9%	1.8%	3.0%
9.9%	23.6%	14.1%	15.5%
2.6%	15.3%	3.4%	9.0%

City of Roseville



News

- Economic Activity:** Real Gross Domestic Product (GDP) grew at a seasonally adjusted annualized rate of 7.0% in the fourth quarter of 2021. Real GDP in Q4 2021 surpassed its Q4 2019 pre-pandemic peak by 6.4%. U.S. inflation accelerated to 7.0% in December of 2021, while California's inflation, accelerated from 5.6% in October of 2021 to 6.5% year-over-year in December of 2021. (BEA, February Finance Bulletin)
- Employment:** The U.S. unemployment rate averaged 5.4% in 2021. California's unemployment rate decreased to 6.5% in December of 2021, bringing the 2021 average unemployment rate to 7.7%. (February Finance Bulletin)
- Personal Income:** U.S. personal income increased by 7.2% for the fourth quarter of 2021, compared to same quarter previous year. (BEA)

Roseville

Annual Per Capita Sales Tax

Adjusted for Inflation

(Constant 2017 \$)

