



Fiscal Year 2023-24
First Quarter Report
General Fund Revenues



Fiscal Year 2023-24 – First Quarter Report

General Fund Revenues

Overview

This financial report provides an overview of the City's General Fund revenues for the first quarter of the fiscal year (FY) 2023-24 (July 1, 2023, through September 30, 2023). General Fund expenditures, major enterprise operating funds revenues and expenditures, and revenues in other selected funds will be included beginning with the second quarter report.

General Fund operating revenues collected through the first quarter are seven percent of the budget. This result is expected and in line with prior years due to the timing of receiving some of the more significant tax revenue sources. The table and graph included in this report show cumulative General Fund operating revenue through the first quarter and a revenue budget to actual comparison. Following the table and graph are additional details on each of the City's major revenue streams.

The following factors should be taken into consideration when analyzing this information:

Sales and Use Tax is the largest General Fund revenue source. The City only receives one month of sales tax revenue in the first quarter of each fiscal year due to the California Department of Tax and Fee Administration (CDTFA) processing timelines. First-quarter revenues are derived from taxable sales through July 2023, received in September.

Property Tax is the second largest General Fund revenue source, but most of this tax is received from Placer County in the third (mid-January) and fourth (mid-May) quarters. This distribution schedule is why no significant property tax revenues appear in the following table and graph.

Transient Occupancy Tax (or hotel tax) for the first quarter is derived from payments received through August; therefore, the following charts only reflect two months of TOT revenues.

Other Revenues, including reimbursements from the State, property transfer tax, business license tax, and other fees, are tracking eight percent lower than estimates through the end of the first quarter.

Year-End Forecast

General fund revenues through the first quarter of FY2023-24 are trending to end the year slightly under budget estimates. Sales tax (Bradley Burns and Measure B) revenue growth rates have decreased compared to the growth the City experienced in the years coming out of the pandemic, influenced by the impacts of inflation and shifting consumer spending habits to areas constrained during the pandemic. Sales

tax revenues are expected to finish the fiscal year at 4 percent, or \$4.5 million, below estimates. This year-end forecast represents a 2 percent decline, or \$1.6 million, from the sales tax revenue received in FY2022-23.

Recent estimates from the County indicate that property tax revenues will exceed estimates by \$1.2 million. The City's hotel tax, is expected to meet the budget target through the end of the fiscal year. Development activity in the City continued its upward trend from prior years through the first quarter of FY2023-24. Staff expects this trend to persist through the second quarter, slowing down in the latter half of the fiscal year. Building permits, plan check fees, and engineering inspection fees are expected to be on or above budget. Recreation program revenues are expected to meet targets through the end of the fiscal year.

Staff will continue to monitor General Fund revenues closely. Revenues in other categories may exceed projections, potentially offsetting the anticipated sales tax shortfall. If additional revenues are not realized, staff anticipates that there will be sufficient General Fund expenditure savings (labor and materials, services and supplies) available to address the anticipated revenue shortfall. As precautionary measures, staff have delayed transferring the \$4.6 million additional discretionary payment (ADP) to CalPERS until later in the fiscal year, and plan to recommend holding a portion of the one-time FY2022-23 General Fund surplus in case sales tax revenue continues to decline, or if inadequate expenditure savings are available. Overall, this multifaceted approach aims to ensure positive year-end results for the City, barring any significant unforeseen revenue or expenditure impacts.

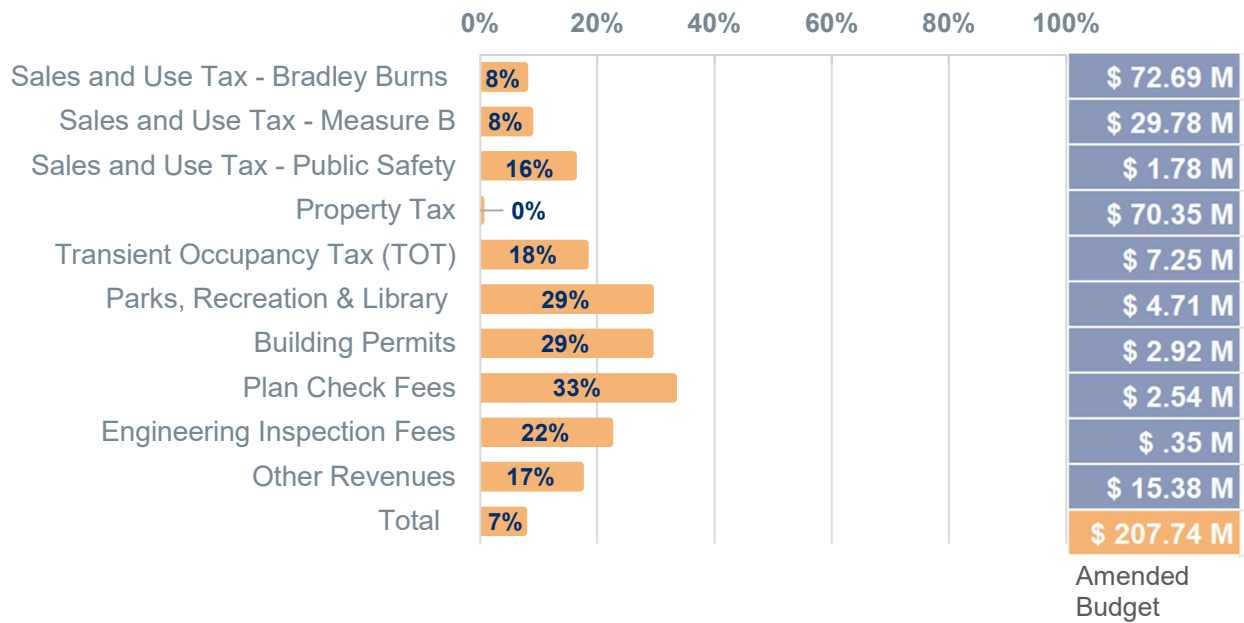
General Fund: Operating Revenues

The following table includes cumulative General Fund operating revenue through the first quarter and a revenue budget to actual comparison for FY2023-24.

BUDGET TO CUMULATIVE REVENUE COMPARISON (July 1 – September 30)

Revenue Type	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget
Sales and Use Tax - Bradley Burns	\$ 72,688,000	\$ 5,494,300	\$ (67,193,700)	8%
Sales and Use Tax - Measure B	29,775,000	2,515,271	(27,259,729)	8%
Sales and Use Tax - State Aid for Public Safety	1,777,000	282,305	(1,494,695)	16%
Property Tax	70,347,000	22,093	(70,324,907)	0%
Transient Occupancy Tax (TOT)	7,250,000	1,299,192	(5,950,808)	18%
Parks, Recreation & Library Programs	4,710,632	1,368,428	(3,342,204)	29%
Building Permits	2,920,836	846,148	(2,074,688)	29%
Plan Check Fees	2,536,300	835,675	(1,700,625)	33%
Engineering Inspection Fees	353,196	78,060	(275,136)	22%
Other Revenues	15,379,701	2,630,206	(12,749,495)	17%
TOTAL	\$ 207,737,665	\$ 15,371,678	\$ (192,365,987)	7%

Cumulative Percentage of Revenue Collected



General Fund operating revenues collected through the first quarter are seven percent of the budget 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 first quarter amount to eight percent of the budget. Sales tax revenue received by the City during this period is derived from taxable sales through July 2023. To date, the City has received Bradley Burns and Measure B Sales Tax distributions from taxable sales through the end of November, totaling \$27,785,331 in Bradley Burns Sales Tax and \$11,642,369 in Measure B Sales Tax.

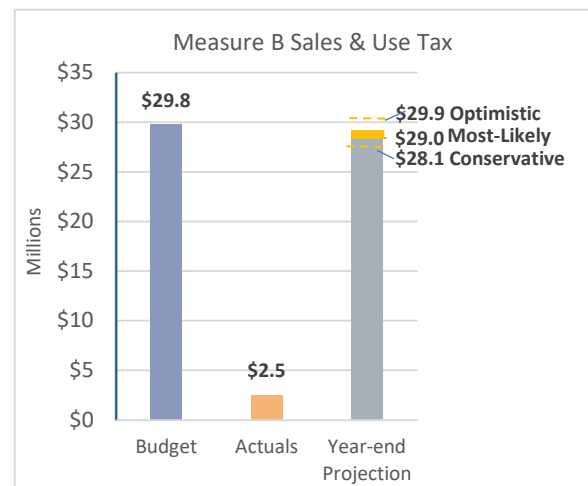
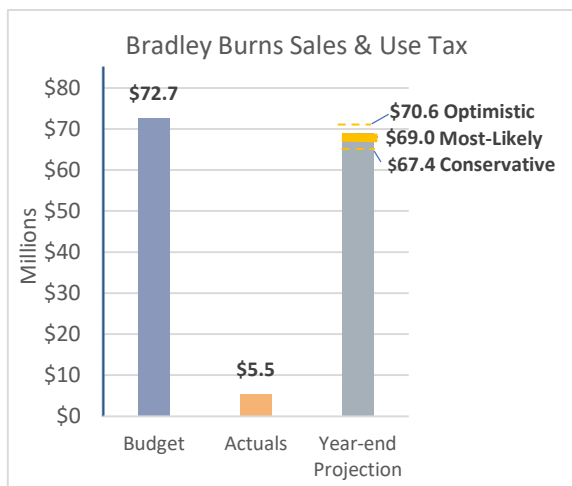
The latest analysis and forecast by the City's sales tax consultant indicate a decline in sales tax revenues compared to the previous fiscal year. The decrease is mainly due to the continuing impact of higher interest rates and a shift in consumer spending towards service-related purchases that are not taxable. The consultant's more conservative growth forecast is influenced by several factors, including broader economic risks such as geopolitical instability, severe weather events, housing costs, oil price shocks, and instability in commercial real estate markets in major urban centers. These factors may have adverse effects on markets, supply chains, and consumer confidence.

The consultant provides a year-end forecast that includes conservative, most-likely, and optimistic scenarios (see chart below). The most-likely forecast indicates that revenues may end at \$68.9 million (Bradley Burns) and \$29 million (Measure B), which is \$4.5 million under budget estimates.

Revenue Type	Conservative	Most-Likely	Optimistic
Sales and Use Tax - Bradley Burns	\$ 67,305,000	\$ 68,961,000	\$ 70,616,000
Sales and Use Tax - Measure B	28,122,000	29,012,000	29,902,000
TOTAL	\$ 95,427,000	\$ 97,973,000	\$ 100,518,000

Budget Versus Updated Forecast	Amended Budget	Most-Likely	Variance
Sales and Use Tax - Bradley Burns	\$ 72,688,000	\$ 68,961,000	\$ (3,727,000)
Sales and Use Tax - Measure B	29,775,000	29,012,000	(763,000)
TOTAL	\$ 102,463,000	\$ 97,973,000	\$ (4,490,000)

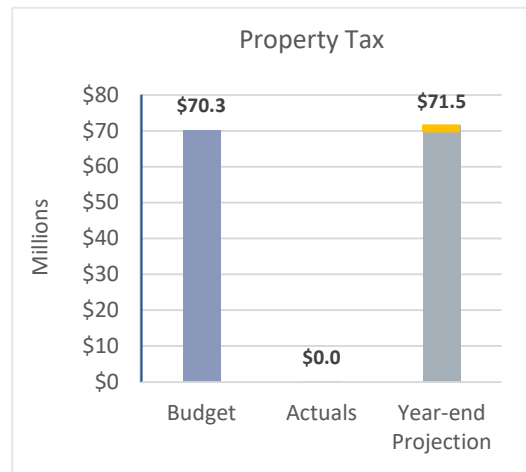
The graphs provided below show Bradley Burns and Measure B Sales and Use Tax revenues for the month of July as compared to budget and the projected year-end results.



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

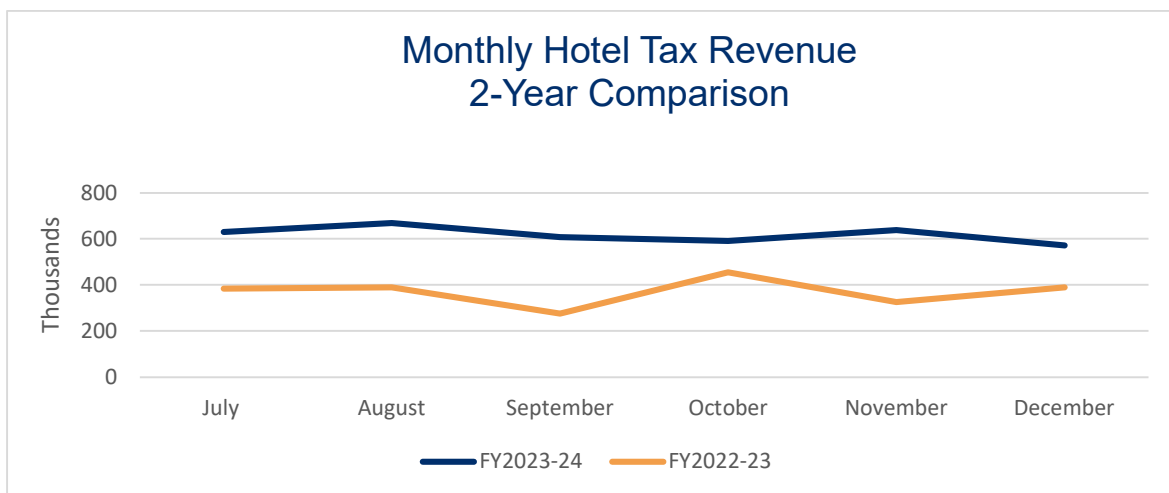
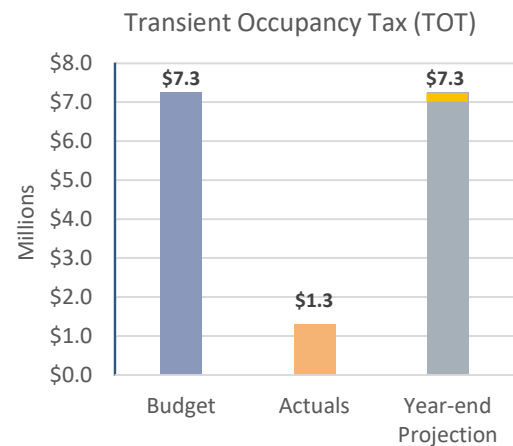
Secured, Unsecured, and Supplemental Property Tax

Property tax revenue for FY2023-24 is based on the assessed valuation as of January 1, 2023. The City receives most of this funding in the third and fourth quarters of the fiscal year. Based on the information provided by the County Auditor-Controller's Office, staff anticipates property tax collections of \$71.5 million, exceeding budget estimates by approximately \$1.2 million.



Transient Occupancy Tax (TOT)

The City's transient occupancy tax (TOT) revenues, also known as the hotel tax, are tracking on budget through the end of the first quarter. TOT collected through December 2023 totals \$3.7 million, 51 percent of budget estimates. On November 8, 2022, Roseville voters approved Measure C, increasing the City's TOT rate from six percent to 10 percent, effective January 1, 2023. The graph below presents monthly TOT revenues from July through December for FY2023-24 compared to hotel tax revenue received in FY2022-23 under the prior tax rate.



Parks, Recreation & Library (PRL) Programs

Parks, Recreation & Libraries program revenues are above 25 percent for the first quarter at 29 percent, because PRL revenues fluctuate throughout the year due to the seasonality of programming. Based on the current results, staff anticipates PRL is on track to meet its FY2023-24 revenue goals.

Building Permits, Plan Check Fees, Engineering Inspection Fees

Building permit and plan check fee revenues ended the first quarter slightly above budget due to sustained increases in the City's development activity. Staff anticipates that revenues will remain higher than budget through the second quarter of the fiscal year, with a slowdown in development during the winter season and the second half of the year. While engineering inspection fee revenues are down through the first quarter, staff anticipates revenue will increase in the second quarter.

Other Revenues

Other revenues include reimbursements from the State, development reimbursement activity, property transfer tax, business license tax, rental payments animal licensing, passport processing, permit franchise, and other fees. As of the end of the first quarter, revenues in this category are 17 percent of budget estimates. This rate of collection is in line with expectations.

City of Roseville



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
 ECHOPARK AUTOMOTIVE
 FUTURE FORD
 FUTURE NISSAN
 GMC RELIABLE
 HOME DEPOT
 LEXUS OF ROSEVILLE
 MACY'S DEPARTMENT STORE
 MCKESSON MEDICAL -SURGICAL
 NIELLO ACURA
 NORDSTROM DEPARTMENT STORE
 ROSEVILLE CHEVROLET
 ROSEVILLE HYUNDAI
 ROSEVILLE KIA
 ROSEVILLE TOYOTA & SCION
 SAM'S CLUB
 TARGET STORES
 VANDERBEEK MOTORS
 WAL MART STORES

Business Activity

General Retail (e.g., dept. stores, misc. retail)
 Food Products (e.g., markets and restaurants)
 Transportation (e.g., new & used autos, gas stations)
 Construction (e.g., retail & wholesale construction)
 Business To Business (e.g., IT, industrial equip. etc.)

TOTAL LOCAL BUSINESS ACTIVITY

COUNTYWIDE POOL ACTIVITY

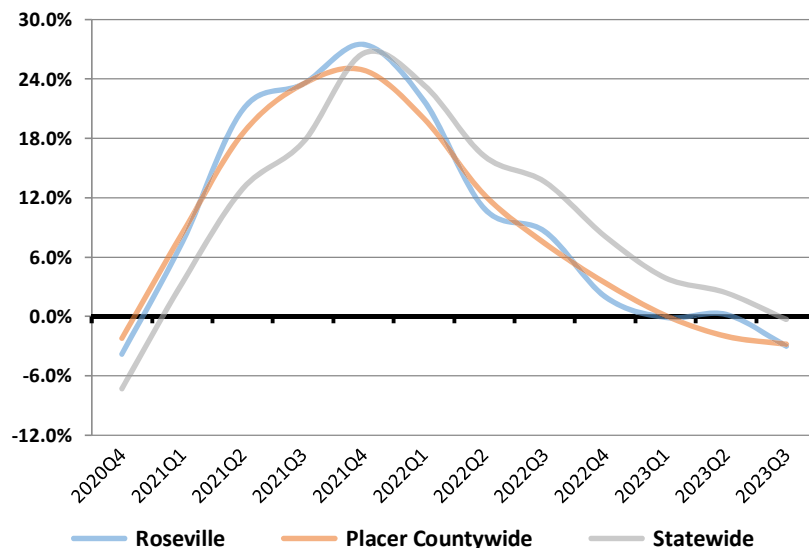
3rd Quarter 2023 in Review

California sales tax cash receipts decreased by 3.2% from the same quarter last year. In this jurisdiction sales tax cash receipts decreased by 6.2% from the same quarter last year due to a decrease of \$115,352,000 in Taxable Sales.

Cash Receipts

	Quarter	Annual
Roseville	-6.2%	-3.0%
Placer Countywide Pool	-6.9%	-7.1%
Placer Countywide	-1.4%	-2.8%
Sacramento Valley Region	-1.6%	-1.8%
Statewide	-3.2%	-0.3%

Annualized Percent Change in Sales Tax Cash Receipts



Roseville		California	
Quarter	Annual	Quarter	Annual
-3.9%	-2.1%	-0.3%	0.6%
4.0%	5.6%	-2.0%	2.7%
0.0%	-3.3%	-7.3%	-3.8%
-3.2%	-6.3%	-4.9%	-4.3%
-1.2%	3.5%	-9.6%	-4.2%
-1.0%	-1.1%	-4.4%	-1.3%
-11.4%	-7.2%	-8.0%	-4.1%

City of Roseville



News

- Economic Activity:** Real Gross Domestic Product (GDP) increased at an annual rate of 3.0% in the third quarter of 2023. U.S. inflation decreased to 3.6% in October of 2023 compared to 7.7% the same month a year ago. California's headline inflation decreased to 3.6% year over year as of August of 2023, down from 7.5% in August of 2022. (DIR, BEA, BLS, October Finance Bulletin)
- Employment:** The U.S. unemployment rate increased slightly to 3.8% in September of 2023. California's unemployment rate decreased to 4.7% in September of 2023, 0.3 percentage point higher than March of 2023 rate of 4.4%. (BLS, October Finance Bulletin)
- Personal Income:** U.S. personal income increased by 4.8% for the third quarter of 2023, compared to same quarter previous year. Compensation of employees increased by 5.4% while personal current taxes decreased by 11.4% from the previous period, resulting in a net gain of 7.6% in disposable income. The increase of disposable income generated a 33.1% increase in US personal savings for the third quarter of 2023, compared to same quarter previous year. (BEA)

Roseville

Annual Per Capita Sales Tax

Adjusted for Inflation
(Constant 2019 \$)

