



Third Quarter Report Fiscal Year 2021-22

Third Quarter Report Fiscal Year 2021-22



Overview

This financial report provides an overview of the City's financial position through the third quarter of the fiscal year (FY) 2021-22 (July 1, 2021 through March 31, 2022) for:

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

Considerations

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

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 continued to affect the revenue and expenses of some City programs, including Adventure Clubs, transit and recreation programs, through the third quarter of FY2021-22.

General Fund:

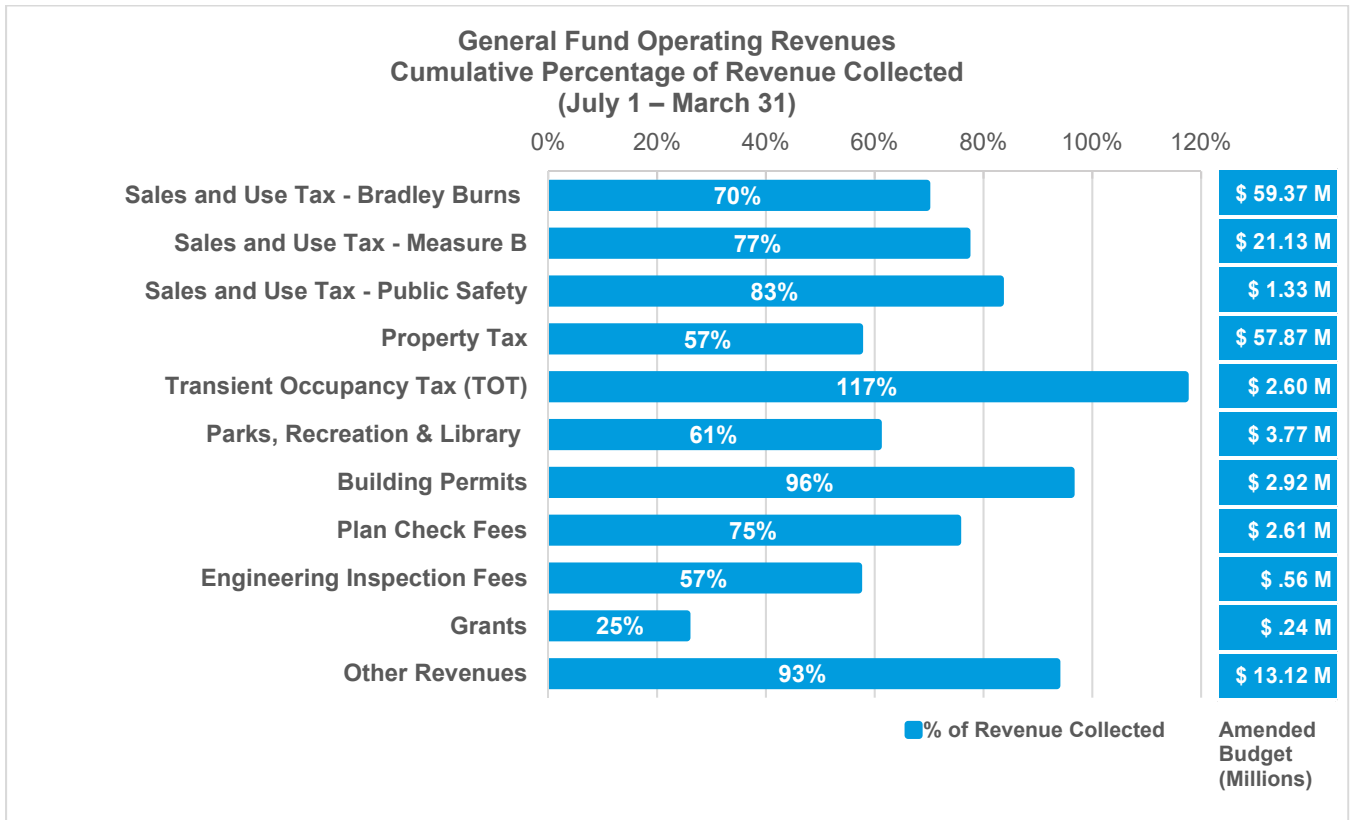
The following factors should be taken into consideration when analyzing third-quarter data:

- More than half of property tax revenue was received in mid-January, but the rest will be received in mid-May.
- Sales tax revenue is derived from taxable sales through January 2022.
- Some costs are incurred early in the fiscal year (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 third quarter and a revenue budget to actual comparison for FY2021-22.

| Revenue Type | Budget to Cumulative Revenue Comparison (July 1 – March 31) | | | |
|---|--|-----------------------|------------------------|-------------|
| | Amended Budget | Cumulative Revenues | Balance Remaining | % of Budget |
| Sales and Use Tax - Bradley Burns | \$ 59,371,253 | \$ 41,298,176 | \$ (18,073,077) | 70% |
| Sales and Use Tax - Measure B | 21,127,000 | 16,253,207 | (4,873,793) | 77% |
| Sales and Use Tax - State Aid for Public Safety | 1,327,300 | 1,102,619 | (224,681) | 83% |
| Property Tax | 57,867,840 | 33,098,484 | (24,769,356) | 57% |
| Transient Occupancy Tax (TOT) | 2,600,000 | 3,043,830 | 443,830 | 117% |
| Parks, Recreation & Library Programs | 3,765,768 | 2,283,947 | (1,481,821) | 61% |
| Building Permits | 2,920,836 | 2,806,604 | (114,232) | 96% |
| Plan Check Fees | 2,606,322 | 1,960,940 | (645,382) | 75% |
| Engineering Inspection Fees | 558,000 | 318,166 | (239,834) | 57% |
| Grants | 239,535 | 60,985 | (178,550) | 25% |
| Other Revenues | 13,118,564 | 12,260,709 | (857,855) | 93% |
| Total | \$ 165,502,418 | \$ 114,487,667 | \$ (51,014,751) | 69% |



General Fund operating revenues collected through the third quarter are at 69 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 two installments. The second installment is received during the fourth quarter of the fiscal year. The following is an explanation of the notable variances:

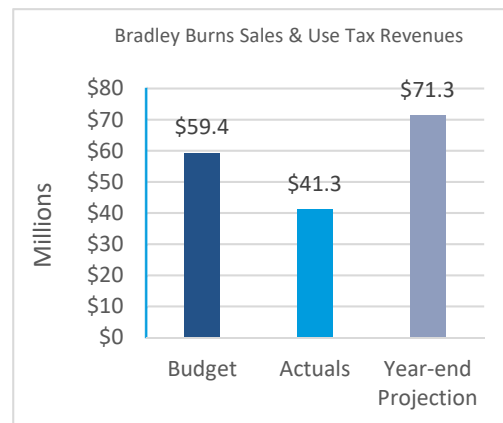
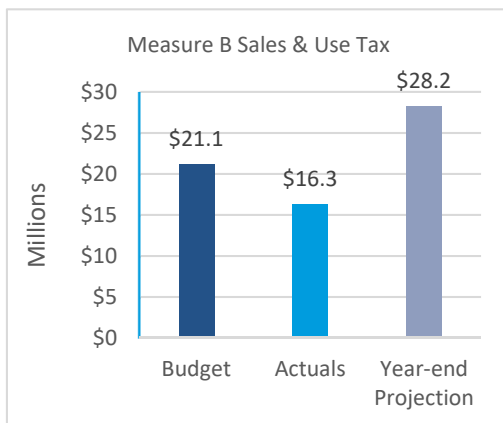
- **Bradley Burns and Measure B Sales Tax** – The City's Bradley Burns and Measure B Sales Tax revenues through the third quarter are 70 percent and 77 percent of the budget. Sales tax revenue received by the City through the third quarter is derived from taxable sales through January 2022.

To date, the City has received Bradley Burns and Measure B Sales Tax distributions from taxable sales through the end of May. These amounts total \$65,074,858 in Bradley Burns Sales Tax and \$25,845,866 in Measure B Sales Tax.

Based on the City's sales tax consultant's latest sales tax analysis and forecast, these revenues will exceed the revenue budget due to inflation and 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 \$71.3 million (Bradley Burns) and \$28.2 million (Measure B), or \$11.9 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 | \$ 66,110,500 | \$ 71,316,619 | \$ 76,522,700 |
| Sales and Use Tax - Measure B | 21,127,000 | 25,602,400 | 28,258,770 | 30,915,100 |
| Total | \$80,498,253 | \$ 91,712,900 | \$ 99,575,389 | \$107,437,800 |

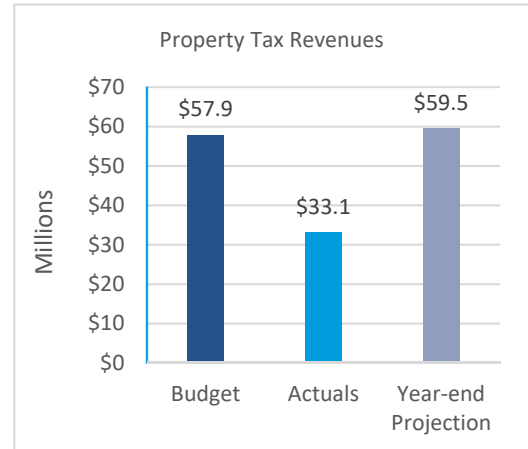
The provided graphs show Bradley Burns and Measure B Sales and Use Tax revenues as compared to budget and the projected year-end results.



Additional Sales Tax Information: The City's sales tax consultant has prepared a detailed sales tax report and business activity. 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 revenues are at 57 percent of revenues, or \$33.1 million, as of the end of the third quarter. The City collects most of the second installment of property taxes during the fourth quarter of the fiscal year. As of June 2022, the City has received \$57.7 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 will end the year at \$59.5 million or approximately \$1.6 million above estimates.



- **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 third quarter, revenues are at 117% of estimates, at \$3 million compared to the budget target amount of \$2.6 million. Hotel tax collected through May 2022 exceeded budget estimates at approximately \$4 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. The City's TOT consultant projects that the City will end the year at \$4.17 million or approximately \$1.6 million above estimates.

- **Parks, Recreation & Library (PR&L) Programs - Parks, Recreation & Libraries (PRL) program**

revenues are 61 percent of the budget through the third quarter. FY2021-22 has been a rebuilding year, with COVID-19 pandemic impacts affecting the first and second quarters. Although revenue continued to be low through the third quarter compared to budget, PRL expects improvement during the fourth quarter. Programs and events are back, sports teams are on the fields, and parks and trails are as busy. The PR&L 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 third quarter. Inspection fees are trending lower than budget at 57 percent 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.

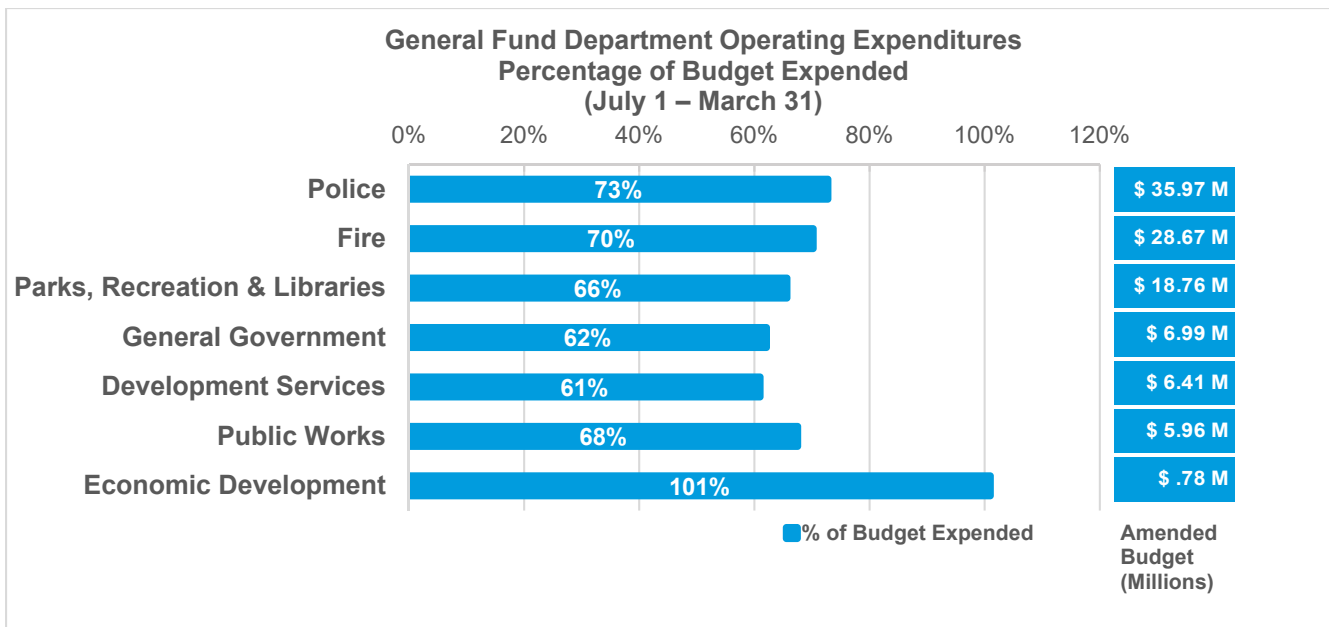
- **Grants** - Grant revenues through the third quarter are at 25 percent of budget due to the timing of the claims.
- **Other Revenues** - Other revenues include reimbursements from the State, development reimbursement activity, property transfer tax, business license tax, rental payments, animal licensing, passport processing, permit, franchise, and other fees. As of the end of the third quarter, revenues in this category are at 93 percent of budget estimates.

General Fund: Operating Expenditures

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

| Department | Budget to Cumulative Expenditure Comparison (July 1 – March 31) | | | |
|--------------------------------|--|-------------------------|----------------------|-------------|
| | Amended Budget | Cumulative Expenditures | Balance Remaining | % of Budget |
| Police | \$ 49,440,606 | \$ 35,967,133 | \$ 13,473,473 | 73% |
| Fire | 40,847,185 | 28,674,675 | 12,172,510 | 70% |
| Parks, Recreation & Libraries | 28,579,790 | 18,760,568 | 9,819,222 | 66% |
| General Government* | 11,261,944 | 6,991,634 | 4,270,310 | 62% |
| Development Services | 10,517,471 | 6,411,292 | 4,106,179 | 61% |
| Public Works | 8,824,707 | 5,957,737 | 2,866,970 | 68% |
| Economic Development & Housing | 769,809 | 777,292 | (7,483) | 101% |
| Total | \$ 150,241,512 | \$ 103,540,331 | \$ 46,701,181 | 69% |

⁽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 below target compared to the budget at 69 percent through the third quarter of the fiscal year. The slightly lower spending rate (69 percent versus 75 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.

The expenditure budget consumption for the Police Department is on target at 73 percent. The Fire Department is trending 5 percent lower than budget due to equipment, maintenance, and facility rehabilitation expenditures anticipated to occur in the fourth quarter. Both public safety departments are expected to remain within budget for the remainder of the fiscal year.

Parks, Recreation & Libraries expenditures are 66 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 lower spending rate in the Public Works Department is primarily due to reduced seasonal operations in the winter months and substantial vacancies experienced through the end of the third quarter. Expenditures in the fourth quarter are expected to increase once positions are filled. Staff anticipates that the Public Works Department will end the year under budget.

Development Services expenditures are at 61 percent of the budget through the third quarter due to a decreased need for various office supplies and equipment and reduced training and travel costs as continued effects of the pandemic. Staff anticipates that overall expenditures will increase slightly in the

fourth quarter as office attendance and training return to in-person settings; however, overall department expenditures are expected to end the fiscal year under budget.

The Economic Development Department has exceeded its budget through the third 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 reimbursed from several 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. As needed, these funds will be moved to Economic Development 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 11 percent higher than budget due to increased retail sales attributable to multiple factors such as new development, hydroelectric surcharge, approved rate increases, warmer than average

| | Budget to Cumulative Revenue Comparison (July 1 – March 31) | | | |
|----------------------------------|--|---------------------|-------------------|-------------|
| | Amended Budget | Cumulative Revenues | Balance Remaining | % of Budget |
| Electric Operations | \$ 157,844,817 | \$ 136,273,497 | \$ (21,571,320) | 86% |
| Water Operations | 38,914,237 | 29,168,908 | (9,745,329) | 75% |
| Wastewater Operations | 48,668,113 | 34,641,694 | (14,026,419) | 71% |
| Waste Services Operations | 34,202,968 | 29,299,259 | (4,903,709) | 86% |
| Transit | 7,034,718 | 462,986 | (6,571,732) | 7% |
| Transportation | 1,925,389 | 25,751 | (1,899,638) | 1% |
| Youth Development | 7,080,654 | 4,341,997 | (2,738,657) | 61% |

temperatures, and stronger than expected customer usage. Water Operations revenues are on target through the third quarter at 75 percent. Wastewater revenues are tracking low by 4 percent due to the timing of expense reimbursements from regional partners, which are primarily collected during the third and fourth quarters. Waste Services revenues are higher than anticipated at 86 percent due to increased residential consumption and new development.

The larger budget to actual variances in the Transit and Transportation enterprise funds is due to the timing associated with their primary funding streams. This year the majority of their revenue will be realized in the last two months of the fiscal year.

Transit operating revenues continue to experience the effects of reduced services and losses in passenger fares due to low ridership resulting from COVID-19 through the third quarter of FY2021-22. Although demand for commuter services has slowly increased over the past year, a 35 percent reduction in commuter service remains since most State government employees, who constitute the bulk of commuter passengers,

continue to telework at least two to three days per week. The American Rescue Plan Act (ARPA) of 2021 will continue to support Roseville Transit operations during the remainder of the fiscal year. Transportation revenues are expected to be on budget through the end of the fourth quarter, once Local Transportation Funds are recognized at year-end.

Revenues in the Youth Development fund are 61 percent of the budget through the third quarter of the fiscal year. While enrollment continues to rebound, some factors such as requirements established for childcare services to limit attendance due to cohort restrictions by licensing, parents continuing to work from home, and temporary part-time staff shortages continue contributing to the reduced revenues. The revenue shortfall through year-end will be covered by controlling expenditures, and support from ARPA funding.

| | Budget to Cumulative Expenditure Comparison (July 1 – March 31) | | | |
|----------------------------------|--|-------------------------|-------------------|-------------|
| | Amended Budget | Cumulative Expenditures | Balance Remaining | % of Budget |
| Electric Operations | \$ 136,025,613 | \$ 94,256,466 | \$ 41,769,147 | 69% |
| Water Operations | 34,867,532 | 21,300,931 | 13,566,601 | 61% |
| Wastewater Operations | 48,370,406 | 30,203,659 | 18,166,747 | 62% |
| Waste Services Operations | 34,390,350 | 22,147,309 | 12,243,041 | 64% |
| Transit | 7,086,554 | 4,485,420 | 2,601,134 | 63% |
| Transportation | 1,945,843 | 1,153,259 | 792,584 | 59% |
| Youth Development | 8,104,298 | 4,473,110 | 3,631,188 | 55% |

Expenditures

Operating expenditures for the Electric fund are trending lower than budget through the third quarter at 69 percent due to vacancies and rebate programs savings resulting from fewer commercial energy efficiency projects and lower

residential energy efficiency program participation. Spending in the Environmental Utilities is tracking lower than budget due to vacant positions and COVID-related limitations on operational plans, including travel and training. Transit and Transportation expenditures are lower than anticipated due to vacancies, operational adjustments related to transit ridership reductions reflected in reduced contracts and fuel costs, and timing of spending.

Youth Development Fund expenditures are at 55% of budget through the third 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 Strategic Improvement Funds through the third quarter of FY2020-

| | Budget to Cumulative Revenue Comparison (July 1 – March 31) | | | | |
|------------------------------|--|-------------------|------------------------|----------------------|----------------|
| | FY2020-21 Actual | Amended Budget | Cumulative Revenues | Balance Remaining | % of Budget |
| Fire Facilities | \$ 1,864,130 | \$ 1,549,601 | \$ 1,734,291 | \$ 184,690 | 112% |
| Public Facilities | 4,848,709 | 3,583,637 | 4,303,696 | 720,059 | 120% |
| Strategic Improvement | 3,331,323 | 4,602,041 | 4,261,667 | (340,374) | 93% |

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 three-quarters of FY2021-22 has caused revenues in the Fire Facilities, Public Facilities, and Strategic Improvement Funds to exceed budget estimates, with 37 percent, 45 percent, and 18 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

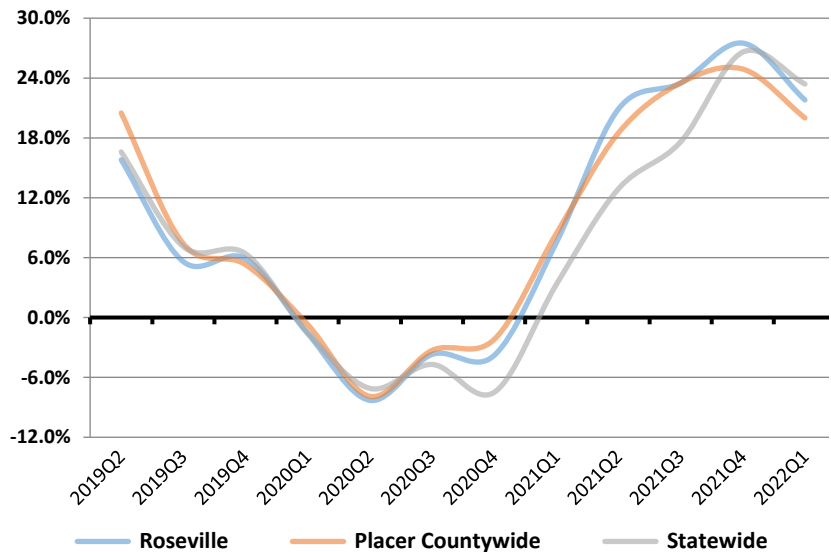
- ARCO AM/PM MINI MARTS
- AUTONATION CHRYSLER DODGE JEEP RAM ROSEVILLE
- AUTONATION HONDA
- BEST BUY STORES
- BMW OF ROSEVILLE
- CARMAX AUTO SUPERSTORES
- CHEVRON SERVICE STATIONS
- COSTCO WHOLESALE
- FUTURE FORD
- FUTURE NISSAN
- GMC RELIABLE
- HOME DEPOT
- JOHN L SULLIVAN CHEVROLET
- LEXUS OF ROSEVILLE
- 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

1st Quarter 2022 in Review

California sales tax cash receipts increased by 19% from the same quarter last year. In this jurisdiction sales tax cash receipts increased by 11.6% from the same quarter last year due to a increase of \$172,737,000 in Taxable Sales.

| Cash Receipts | Quarter | Annual |
|---------------------------------|--------------|--------------|
| Roseville | 11.6% | 21.8% |
| Placer Countywide Pool | -1.5% | 3.8% |
| Placer Countywide | 13.7% | 20.0% |
| Sacramento Valley Region | 15.9% | 20.9% |
| Statewide | 19.0% | 23.4% |

Annualized Percent Change in Sales Tax Cash Receipts



Business Activity

| | Roseville | | Sacramento Valley | | California | |
|---|--------------|--------------|-------------------|--------------|--------------|--------------|
| | Quarter | Annual | Quarter | Annual | Quarter | Annual |
| General Retail (e.g., dept. stores, misc. retail) | 14.5% | 32.0% | 7.3% | 36.0% | 6.8% | 25.5% |
| Food Products (e.g., markets and restaurants) | 20.8% | 28.9% | 16.7% | 24.6% | 19.5% | 29.4% |
| Transportation (e.g., new & used autos, gas stations) | 7.7% | 20.2% | 11.2% | 19.4% | 15.5% | 20.3% |
| Construction (e.g., retail & wholesale construction) | 12.6% | 11.3% | 18.5% | 17.4% | 3.0% | 3.1% |
| Business To Business (e.g., IT, industrial equip. etc.) | 1.3% | 2.8% | 18.7% | 14.0% | 5.8% | 6.4% |
| TOTAL LOCAL BUSINESS ACTIVITY | 11.0% | 22.0% | 12.8% | 23.4% | 10.7% | 18.7% |
| COUNTYWIDE POOL ACTIVITY | -3.4% | 5.3% | 9.7% | 2.0% | 14.7% | 6.1% |



News

- Economic Activity:** Real Gross Domestic Product (GDP) decreased at an annual rate of 1.6% in the first quarter of 2022, according to the "third" estimate released by the Bureau of economic Analysis. U.S. inflation accelerated to 7.9% in February of 2022, while California's inflation, accelerated from 7.5% in January of 2022 to 8.3% year-over-year in March of 2022. (BEA, BLS, March Finance Bulletin)
- Employment:** The U.S. unemployment rate fell from 3.8% in February 2022 to 3.6% in March 2022. California's unemployment rate decreased from 5.3% in February 2022 to 4.9% in March 2022. (April Finance Bulletin)
- Personal Income:** U.S. personal income decreased by 3.0% for the first quarter of 2022, compared to same quarter previous year. (BEA)

Roseville

Annual Per Capita Sales Tax

Adjusted for Inflation
(Constant 2018 \$)

