



Fiscal Year 2022-23 Third Quarter Report

Third Quarter Report Fiscal Year 2022-23



Overview

This report provides an overview of the City's financial position through the third quarter of fiscal year (FY) 2022-23 (July 1, 2022 through March 31, 2023) for:

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

Considerations

General Fund revenues through the third quarter of FY2022-23 are trending to end the year modestly above estimates. Sales tax (Bradley Burns and Measure B) revenue growth has slowed compared to prior years, and the combined revenue is forecasted to end the year 2.6 percent, or \$2.6 million, under budget estimates. This shortfall will be offset by greater than anticipated revenues in other categories. Based on the most recent information from the County Assessor and Auditor-Controller, property tax revenues will end the year above the budget estimate by \$3.1 million. With the passage of Measure C in November 2022 and its implementation in January 2023, the City's transient occupancy tax (TOT), also known as hotel tax, will exceed estimates by approximately \$1.5 million. Building permits, plan check fees, and engineering inspection fees will end the year above the budget target, and recreation program revenues have returned to pre-pandemic levels.

General Fund operating revenues, collected through the third quarter, are 61 percent of the budget estimate. This collection rate is expected and is in line with prior years due to the timing associated with 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 third 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 seven months of sales tax revenues by the end of the third quarter of each fiscal year due to the California Department of Tax and Fee Administration (CDTFA) processing timelines. Third quarter revenues are derived from taxable sales through January 2023, received in July through March.
- **Property Tax** is the second largest General Fund revenue source, but most of this tax is received from the County Assessor and Auditor-Controller in the third (mid-January) and fourth (mid-May) quarters. This

distribution schedule is why property tax revenue is tracking low at 57 percent in the following table and graph.

- **Transient Occupancy Tax (TOT)**, also known as hotel tax, is derived from payments received by the City through March for hotel stays through February; therefore, the following charts only reflect two months of TOT revenues collected after the Measure C increase was effective.

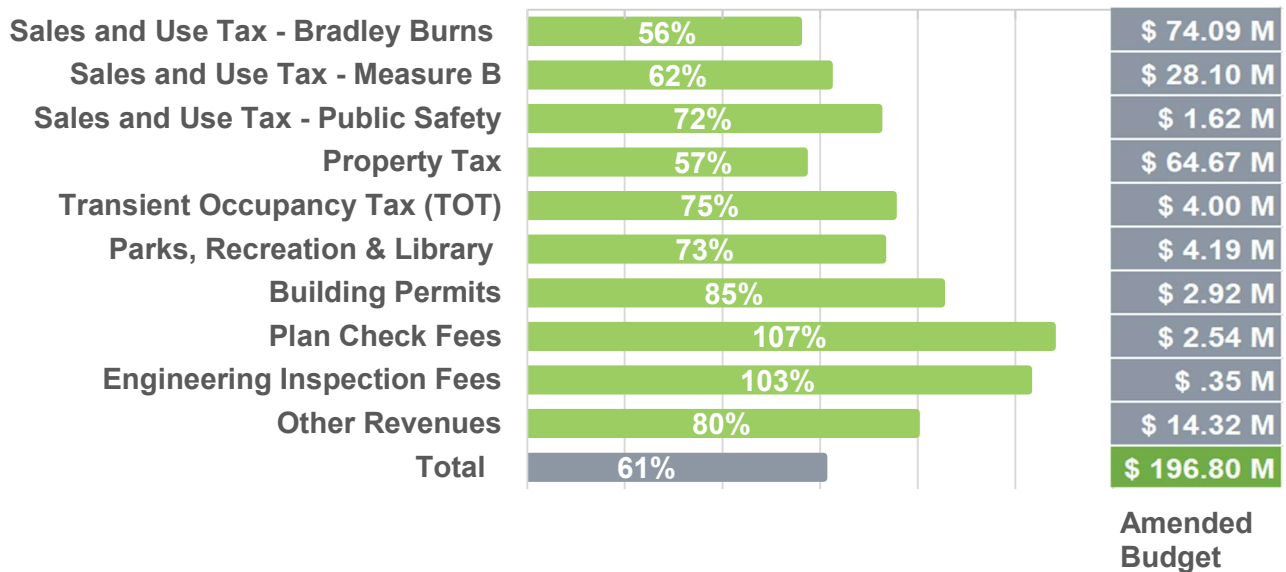
General Fund operating expenditures through the third quarter are 71 percent of the budget. Salary savings realized as the result of vacant positions and continued supply chain delays contributed to the lower spending rate compared to the percentage of the year elapsed (75 percent). All General Fund Departments are anticipated to end the year on or below budget.

General Fund: Budget to Cumulative Revenue Comparison

Revenue Type	Budget to Cumulative Revenue Comparison (July 1 – March 31)			
	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget Collected
Sales and Use Tax - Bradley Burns	\$ 74,091,000	\$ 41,140,243	\$ (32,950,757)	56%
Sales and Use Tax - Measure B	28,100,000	17,381,503	(10,718,497)	62%
Sales and Use Tax - State Aid for Public Safety	1,622,000	1,167,887	(454,113)	72%
Property Tax	64,659,000	36,689,357	(27,984,643)	57%
Transient Occupancy Tax (TOT)	4,000,000	2,997,010	(1,002,990)	75%
Parks, Recreation & Library Programs	4,188,040	3,048,590	(1,139,450)	73%
Building Permits	2,920,836	2,477,414	(443,422)	85%
Plan Check Fees	2,537,000	2,726,800	189,800	107%
Engineering Inspection Fees	353,196	362,506	9,310	103%
Other Revenues	14,331,957	11,401,388	(2,915,569)	80%
Total	\$ 196,803,029	\$ 119,392,698	\$(77,410,331)	61%

**General Fund Operating Revenues
Cumulative Percentage of Revenue Collected
(July 1 – March 31)**

0% 20% 40% 60% 80% 100% 120%



Bradley Burns and Measure B Sales Tax

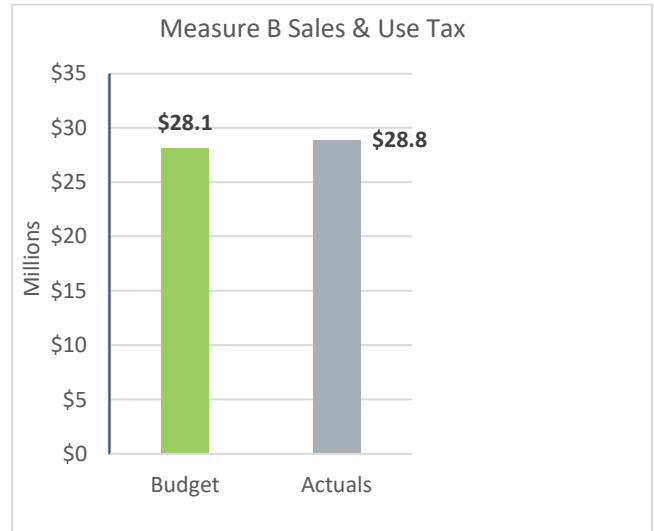
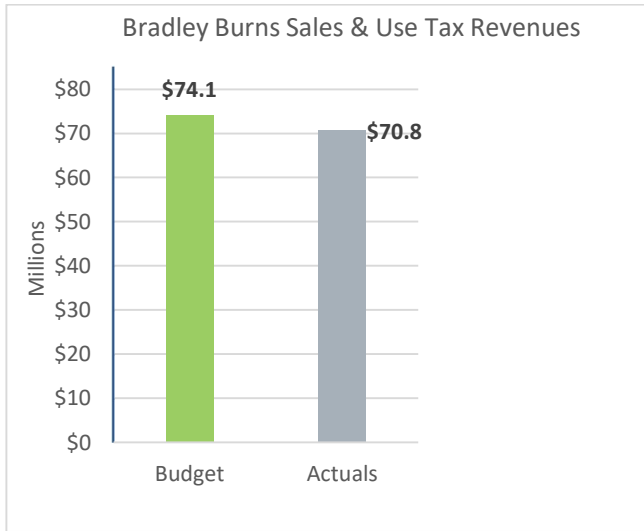
The City's Bradley Burns and Measure B sales and use tax revenues collected through the third quarter are 56 percent and 62 percent of the budget estimates, respectively. Sales tax revenue received through the third quarter is derived from taxable sales through January 2023.

To date, the City has received Bradley Burns and Measure B sales tax distributions from taxable sales through June. These amounts total \$70,753,558 in Bradley Burns sales tax and \$28,827,172 in Measure B sales tax.

The latest sales tax data indicate more slowing in sales and use tax growth than anticipated. The slower growth is related to a change in consumer behavior from taxable goods to other areas that were constrained during the pandemic such as services and travel as well as uncertainties around inflation, interest rates, and the potential for a slowdown or recession.

Fortunately, when developing the FY2022-23 budget, staff projected that sales and use tax would end the year between the City sales tax consultant's conservative and most-likely estimates; therefore, the variance from budget is only 2.6 percent, or \$2.6 million, under estimates.

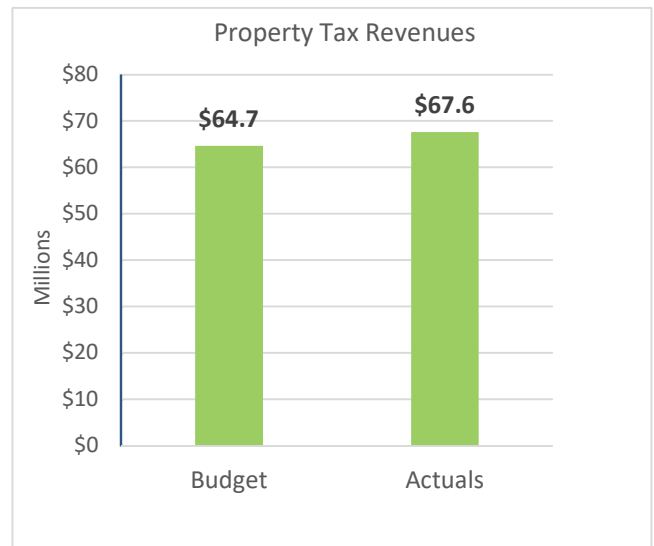
The graphs below show Bradley Burns and Measure B Sales and Use Tax revenues budget compared to actuals through June.



Additional Sales Tax Information: The City's sales tax consultant prepares a report on sales tax and business activity each quarter. The report lists 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.

Secured, Unsecured, and Supplemental Property Tax

Property tax revenue for FY2022-23 is based on the assessed valuation as of January 1, 2022. The City receives most of this funding in the third and fourth quarters of the fiscal year. Based on the information provided by the Auditor-Controller, the City's property tax revenue for FY23 will be \$67.6 million, exceeding budget estimates by approximately \$3 million.

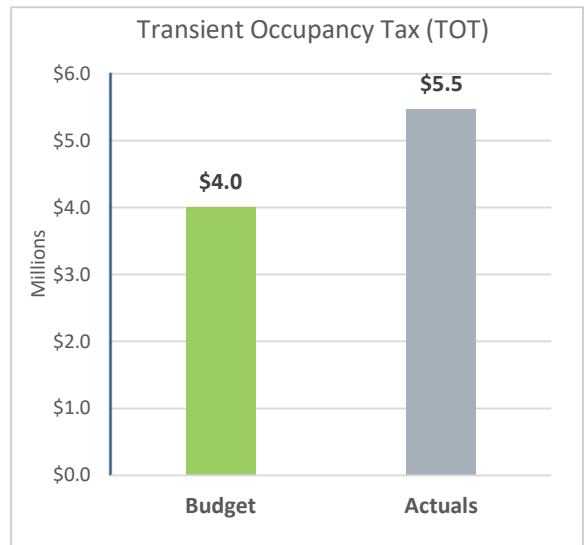


Property Tax budget compared to actuals through June 2023

Transient Occupancy Tax (TOT)

Through the end of the third quarter, TOT (or “hotel tax”) revenues are at 75 percent of estimates (\$3 million for the months of July through February). TOT collected through June 2023 totals \$5.5 million, 37 percent higher than budget estimates.

On November 8, 2022, Roseville voters approved Measure C to increase the City’s TOT rate from 6 percent to 10 percent. The 10 percent tax rate went into effect on January 1, 2023. Based on the final TOT revenue of nearly \$4.5 million in FY2021-22, the higher rate would have generated an additional \$2.9 million of tax revenue for the General Fund last year.



Parks, Recreation & Library (PRL) Programs

Parks, Recreation & Libraries (PRL) program revenues are 73 percent of the budget for the third quarter. These 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 FY2022-23 revenue goals.

Building Permits, Plan Check Fees, Engineering Inspection Fees

Building permit, plan check, and engineering inspection fees are higher than budget through the third quarter due to sustained increases in the City's development activity. Staff anticipates that revenues will remain higher than budgeted, especially in the final months of the fiscal year since development activity remained strong.

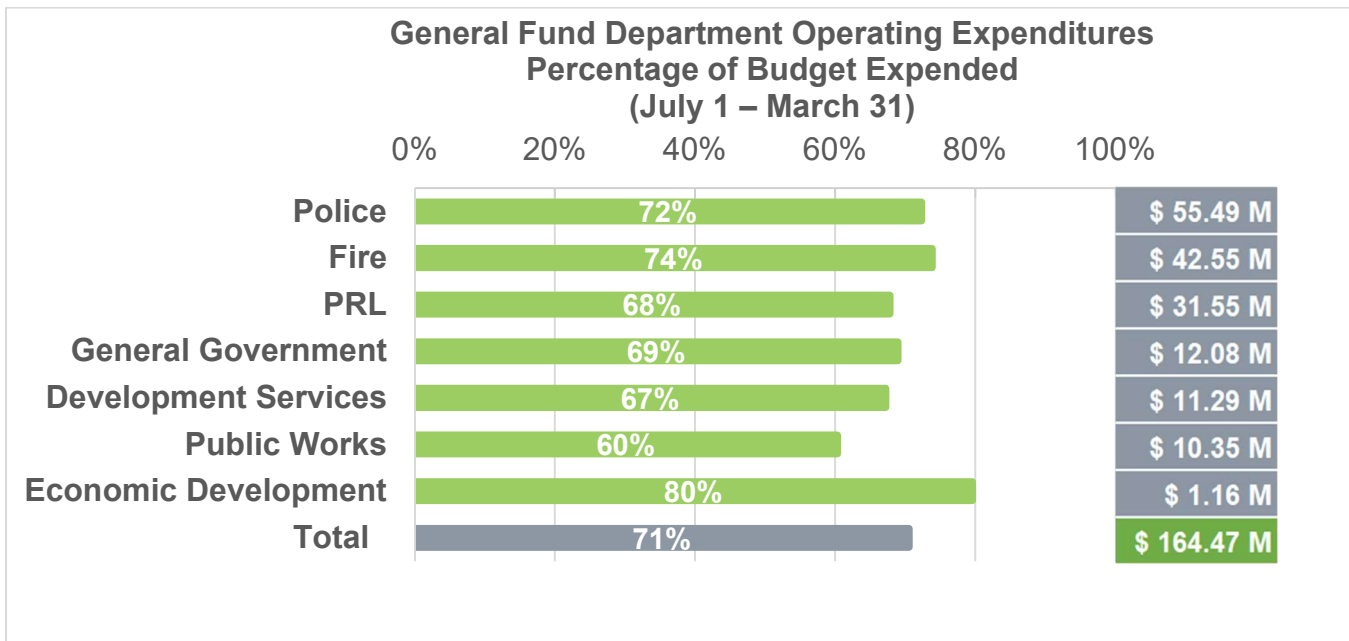
Other Revenues

Other revenues include reimbursements from the State and developers; property transfer tax; business license tax; rental payments; and animal licensing, passport processing, permit, franchise, and other fees. As of the end of the third quarter, revenues in this category are tracking higher than target at 80 percent of budget estimates due to seasonality and timing of revenue collection. Staff anticipates these revenues will end the fiscal year on or above the budget target.

General Fund: Operating Expenditures

Department	Budget to Cumulative Expenditure Comparison (July 1 – March 31)			
	Amended Budget	Cumulative Expenditures	Balance Remaining	% of Budget Expended
Police	\$ 55,485,587	\$ 40,117,280	\$ 15,368,307	72%
Fire	42,547,380	31,418,785	11,128,595	74%
Parks, Recreation & Libraries (PRL)	31,549,551	21,384,821	10,164,730	68%
General Government*	12,081,446	8,329,321	3,752,125	69%
Development Services	11,291,582	7,589,554	3,702,028	67%
Public Works	10,354,465	6,243,158	4,111,307	60%
Economic Development & Housing	1,158,171	921,428	236,743	80%
Total	\$ 164,468,182	\$ 116,004,347	\$ 48,463,835	71%

⁽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 estimates compared to the budget at 71 percent through the third quarter of the fiscal year. The slightly lower spending rate (71 percent versus 75 percent of the year elapsed) is primarily due to cost savings from vacant positions in Police, Fire, PRL, Development Services, Public Works, and other General Fund departments, as well as reduced spending due to the timing of expenditures and supply chain delays.

The expenditure budget consumption for the Police and Fire Departments is close to target at 72 percent and 74 percent, respectively. These departments expect to be on budget through the end of the fiscal year.

PRL expenditures are at 68 percent of the budget through the third quarter, primarily due to temporary and full-time position vacancies.

The lower-than-budget expenditure trend (67 percent of budget consumption) for Development Services is related to vacancies in the Building Inspection, Engineering, and Code Enforcement Divisions. Additionally, due to the post-pandemic office environment and training changes, Development Services is experiencing expense savings in various material and supply expenses, such as office supplies, fuel, office equipment, and training and development. Staff anticipates that expenses will increase slightly in the fourth quarter but remain under budget overall through the end of the fiscal year.

Public Works expenditures are 60 percent of the budget through the third quarter due to salary savings from temporary and full-time position vacancies, and lower-than-expected materials, services, and supplies expenses.

The Economic Development Department is tracking at 80 percent of the budget through the third quarter, primarily due to the timing associated with processing reimbursements for labor costs in the Housing Division. The Housing Division is budgeted in the General Fund and reimbursed from several housing-related funds (e.g., 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.

Enterprise Funds: Operating Revenues and Expenditures

Revenues

Operating revenues in the Electric Fund are on target through the third quarter. Electric revenues are projected to be above budget through the end of the fiscal year due to increased retail sales attributable to stronger-than-expected customer usage due to warmer-than-average temperatures.

	Budget to Cumulative Revenue Comparison (July 1 – March 31)			
	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget Collected
Electric	\$ 178,187,911	\$ 133,045,394	\$ (45,142,517)	75%
Water Operations	39,641,469	28,242,385	(11,399,084)	71%
Wastewater Operations	51,090,495	39,270,027	(11,820,468)	77%
Waste Services Operations	37,209,039	30,136,166	(7,072,873)	81%
Transit	7,546,559	940,426	(6,606,133)	12%
Transportation	1,925,345	90,715	(1,834,630)	5%
Youth Development	9,699,997	6,839,928	(2,860,069)	71%

In the Environmental Utilities Department, Water revenues are tracking under budget by 4 percent due to lower-than-expected usage during the winter months. Wastewater revenues are slightly over budget at 77 percent due to reimbursements from regional partners—this amount might be adjusted at year-end after a true-up calculation. Waste Services revenues are slightly over budget target through the third quarter due to increased residential consumption and new development.

The larger budget to actual variances in the Transit and Transportation enterprise funds are due to the timing associated with their primary funding streams – most of these revenues are realized in the last quarter of the fiscal year. Transit operating revenue losses in passenger fares due to low ridership persist during FY2022-23.

Transit operations will continue to receive support from the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 during the fiscal year to offset revenue losses.

Revenues in the Youth Development Fund are at 71 percent of the budget through the third quarter of the fiscal year. The \$6.8 million cumulative revenues include a \$1.8 million subsidy from the City’s allocation of American Rescue Plan Act (ARPA) funding. Without this subsidy, revenues in the Youth Development Fund would be tracking at 64 percent of budget. Enrollment trends continue to improve.

	Budget to Cumulative Expenditure Comparison (July 1 – March 31)			
	Amended Budget	Cumulative Expenditures	Balance Remaining	% of Budget Expended
Electric	\$ 155,122,599	\$ 109,622,542	\$ 45,500,057	71%
Water Operations	37,846,414	23,149,970	14,696,444	61%
Wastewater Operations	49,552,662	34,728,555	14,824,107	70%
Waste Services Operations	38,205,760	24,530,097	13,675,663	64%
Transit	7,823,849	4,915,296	2,908,553	63%
Transportation	1,872,281	1,099,459	772,822	59%
Youth Development	9,139,196	5,196,093	3,943,103	57%

Expenditures

Operating expenditures for the Electric Fund are under budget through the third quarter, primarily due to the timing of expenditures and lower power supply costs derived from a substantial increase in hydroelectric

energy from the Calaveras and South Feather projects.

Water, Wastewater, and Waste Services Operations expenditures are tracking lower than budget due to vacancies and savings in professional services, training, and travel. In addition, Water Operations expenditures are lower than budget due to reduced water purchase costs from lower-than-expected usage during the winter months.

Transit and Transportation expenditures are lower than anticipated due to the timing of contracted services and vehicle purchases being delayed through the end of the year. Staff anticipates ending the year slightly under budget due to vacancies and savings in materials, services, and supplies expenses.

Expenses for the Youth Development Fund are at 57 percent through the third quarter of the fiscal year. While enrollment trends are still recovering, PRL staff continues to take measures to reduce operational costs to offset any revenue shortfall.

Other Revenue

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

	Budget to Cumulative Revenue Comparison (July 1 – March 31)				
	FY2021-22 Actual	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget Collected
Fire Facilities	\$ 1,734,291	\$ 1,967,226	\$ 1,415,421	\$ (551,805)	72%
Public Facilities	4,303,696	4,629,811	5,066,052	436,241	109%
Strategic Improvement	4,261,667	2,444,423	1,744,934	(699,489)	71%

quarter of FY2021-22 and FY2022-23. The revenue estimates for these three funds are generally based on a multi-year trend analysis of forecasted single and multi-family residential units, commercial development, and prior-year revenue collections. The Public Facilities Fund is at 109 percent of the revenue target due to the

sustained increase in development activity throughout the City. Revenues for the Fire Facilities and Strategic Improvement Funds ended the third quarter close to target at 72 percent and 71 percent, respectively. Staff anticipates that revenues in these funds will end the year on or above the budget target due to the increase in development activity during the spring and summer months. Cumulative revenue in the Strategic Improvement Fund is significantly lower than the FY2021-22 actuals because the prior year's actuals included a \$2.5 million transfer from the Environmental Utilities Department for 243.4 acres of vacant land for future operational requirements.



Quarterly Report on Sales Tax and Business Activity

Top 25 Sales Tax Remitters

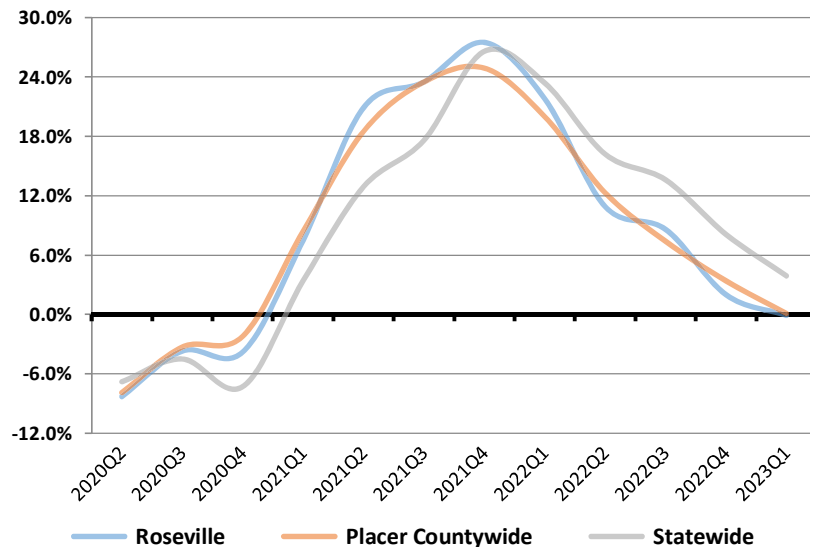
ARCO AM/PM MINI MARTS
 AUTONATION CHRYSLER DODGE JEEP RAM ROSEVILLE
 AUTONATION HONDA
 BMW OF ROSEVILLE
 CARMAX AUTO SUPERSTORES
 CHEVRON SERVICE STATIONS
 COSTCO WHOLESALE
 FUTURE FORD
 FUTURE NISSAN
 GMC RELIABLE
 HOME DEPOT
 LEXUS OF ROSEVILLE
 MACY'S DEPARTMENT STORE
 MCKESSON MEDICAL -SURGICAL
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

1st Quarter 2023 in Review

California sales tax cash receipts decreased by 0.2% from the same quarter last year. In this jurisdiction sales tax cash receipts increased by 1.8% from the same quarter last year due to a increase of \$27,411,000 in Taxable Sales.

Cash Receipts	Quarter	Annual
Roseville	1.8%	-0.1%
Placer Countywide Pool	13.7%	4.3%
Placer Countywide	-1.8%	0.1%
Sacramento Valley Region	-3.9%	0.9%
Statewide	-0.2%	3.9%

Annualized Percent Change in Sales Tax Cash Receipts



Business Activity

	Roseville		Sacramento Valley		California	
	Quarter	Annual	Quarter	Annual	Quarter	Annual
General Retail	-2.4%	4.4%	-4.6%	-0.1%	-1.1%	2.0%
Food Products	6.4%	8.7%	6.4%	8.2%	5.0%	7.6%
Transportation	-3.1%	-1.7%	-4.0%	2.4%	-4.7%	5.6%
Construction	-6.8%	0.7%	-14.4%	1.2%	-7.4%	2.1%
Business To Business	-4.5%	5.8%	3.3%	9.1%	-4.0%	4.9%
TOTAL LOCAL BUSINESS ACTIVITY	-1.9%	2.6%	-3.0%	3.3%	-2.0%	4.5%
COUNTYWIDE POOL ACTIVITY	17.8%	4.2%	1.9%	2.3%	-2.9%	0.3%



News

- Economic Activity:** Real Gross Domestic Product (GDP) increased at an annual rate of 1.6% in the first quarter of 2023. U.S. inflation decreased to 5.0% in March of 2023 compared to the same month a year ago. California's headline inflation was 5.4% year over year as of February of 2023. (DIR, BEA, BLS, April Finance Bulletin)
- Employment:** The U.S. unemployment rate decreased slightly to 3.5% in March of 2023. California's unemployment rate increased slightly to 4.4% in March of 2023, 0.3 percentage point higher than November of 2022 rate of 4.1%. (BLS, March Finance Bulletin)
- Personal Income:** U.S. personal income increased by 6.2% for the first quarter of 2023, compared to same quarter previous year. Compensation of employees increased by 6.9% while personal current taxes decreased by 6.5% from the previous period, resulting in a net gain of 8.4% in disposable income. The increase of disposable income generated a 20.6% increase in US personal savings for the first quarter of 2023, compared to same quarter previous year. (BEA)

Roseville

Annual Per Capita Sales Tax

Adjusted for Inflation
(Constant 2019 \$)

