



Fourth Quarter Report Fiscal Year 2021-22

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Overview

This financial report provides an overview of the City’s financial position through the fourth quarter of the fiscal year (FY) 2021-22 (July 1, 2021, through June 30, 2022) for:

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

Overview

Throughout FY2021-22, the City continued to feel the impacts of the COVID-19 pandemic and its ensuing economic disruptions, 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 reduced attendance to City programs/services.

As detailed in this report, the City’s major tax revenues, including 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 Club, transit, and recreation programs.

An overview of the FY2021-22 General Fund year-end results is summarized below (rounded to the nearest thousand dollars), including the recommended appropriations.

FY2021-22 Year-End General Fund Results	Variance (\$)
Sales Tax - Bradley-Burns	\$ 11,251,000
Sales Tax - Measure B	7,201,000
Property Taxes	2,908,000
Other Revenues	7,320,000
Operating Revenues	28,680,000
Operating Expenditures	2,858,000
Total General Fund Year-End Results	\$ 31,538,000

Recommended Appropriations	Budget (\$)
Roseville Sports Complex Project	\$ 15,000,000
Transfer to General Fund Capital Reserve Fund	4,486,500
Transfer to Pension Trust Fund	4,486,500
Blue Oaks Widening Project	4,000,000
Backfill General Fund Contingency - LMAs	750,000
Police Department Mobile Data Computers	700,000
Sports Field Fencing Project	565,000
Transfer to Development Services Stabilization Reserve Fund	518,000
Maidu Soccer Field Parking Lot Project	450,000
General Plan Update Project	279,000
Multimodal Safety Improvement Project	180,000
Royer Park Playground Project	123,000
Total	\$ 31,538,000
Remaining General Fund Year-End Results	\$ -

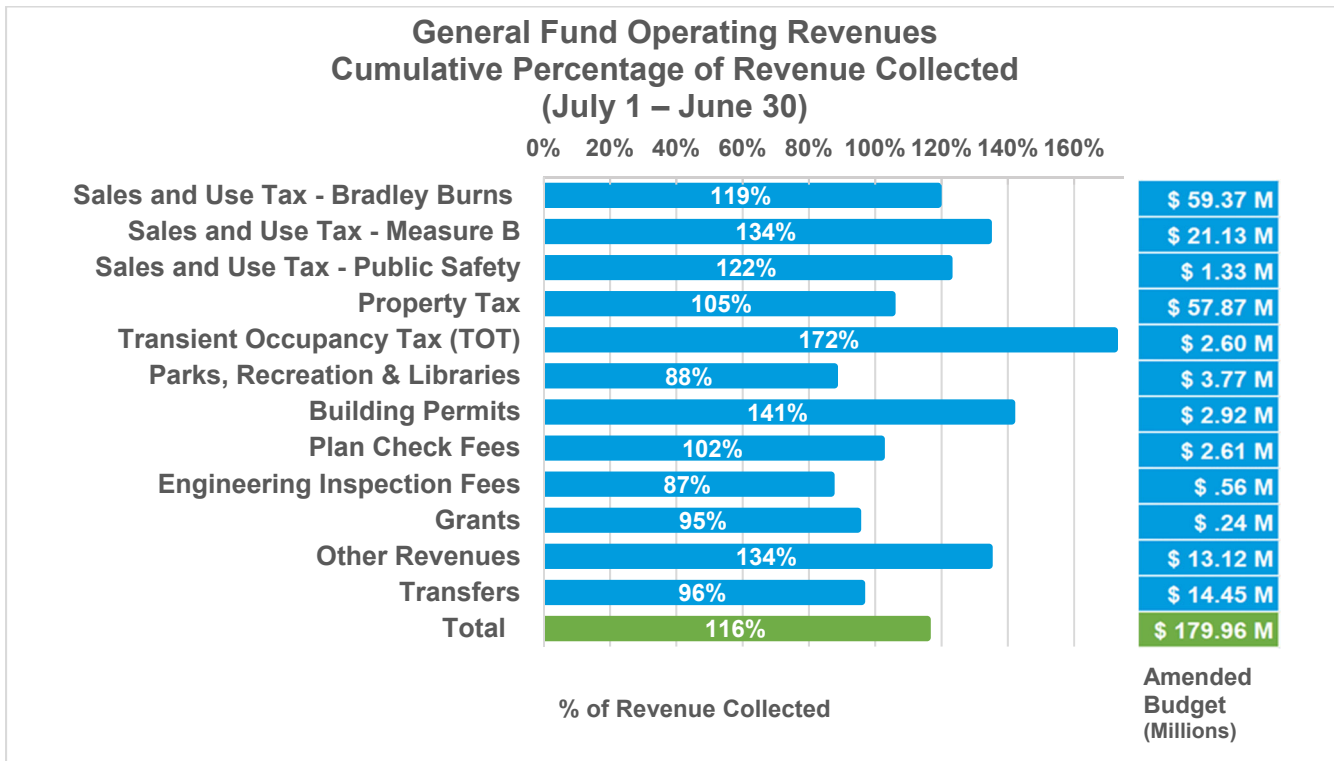
The General Fund ended FY2021-22 with a \$31.5 million surplus consisting of approximately \$28.7 million in operating revenues received over budget, \$2.9 million in expenditure savings primarily associated with materials/services/supply and salary savings from vacant positions. The primary factors contributing to the positive results are stronger than anticipated sales and property tax revenues and salary savings due to vacant positions. Savings in the Parks, Recreation & Libraries (PR&L) Department offset a \$377,000 revenue shortfall in PR&L program revenues caused by the pandemic impacting programming in the first two quarters of the fiscal year. The positive results in the other revenue category are primarily due to stronger than anticipated Hotel Tax, Transient Occupancy Tax (TOT) (\$1.9 million), Building Permit (\$1.2 million), First Responder Fee (\$1.3 million), and Property Transfer Tax (\$1.2 million) revenues.

Staff recommends appropriating the \$31.5 million General Fund surplus on initiatives aligned with the City Council Strategic Plan. In addition, the proposed initiatives align with the original intent of the Measure B Sales and Use Tax measure. Approximately \$26.5 million of the funding is recommended for specific initiatives, and the remaining \$9 million is recommended to be split between the General Fund Capital Reserve Fund and the Pension Trust Fund.

General Fund: Operating Revenues

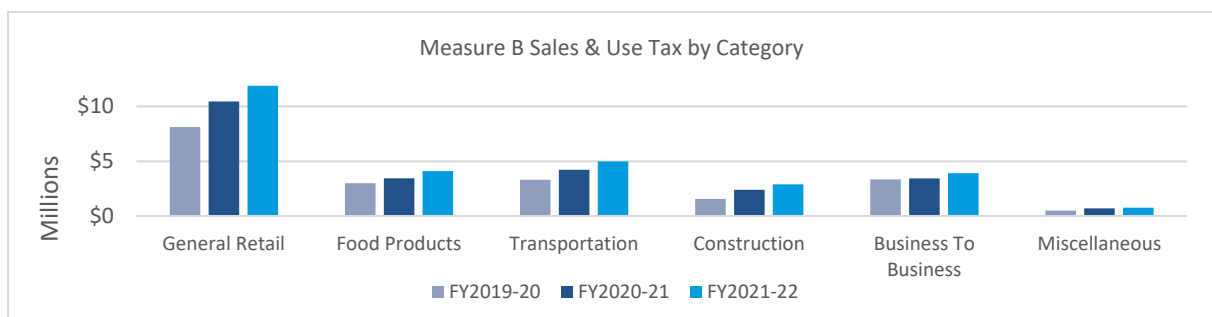
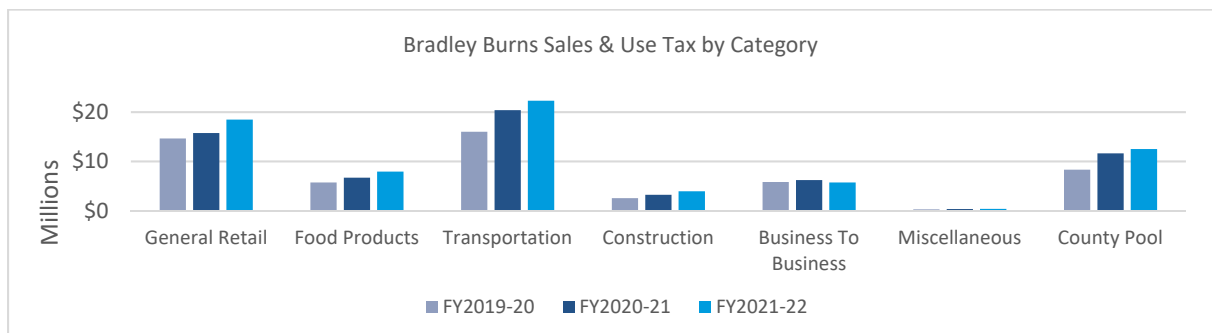
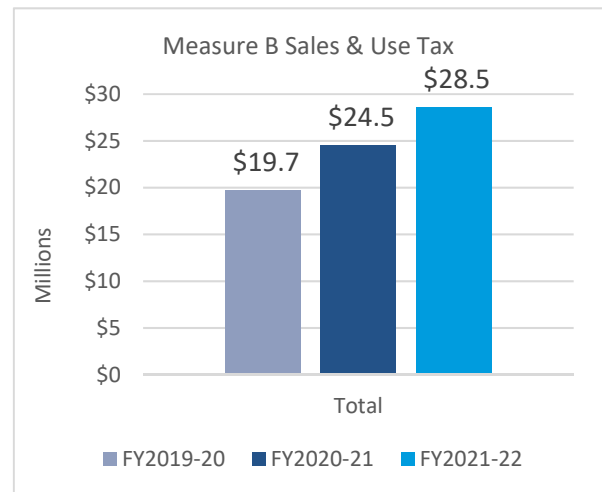
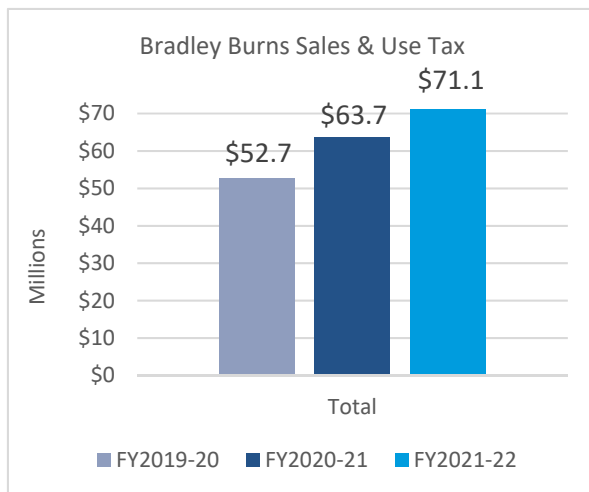
The following table includes cumulative General Fund operating revenue through the fourth quarter and a revenue budget to actual comparison for FY2021-22.

Revenue Type	Budget to Cumulative Revenue Comparison (July 1 – June 30)			
	Amended Budget	Cumulative Revenues	Variance	% of Budget
Sales and Use Tax - Bradley Burns	\$ 59,371,253	\$ 70,621,977	\$ 11,250,724	119%
Sales and Use Tax - Measure B	21,127,000	28,328,053	7,201,053	134%
Sales and Use Tax - State Aid for Public Safety	1,327,300	1,622,075	294,775	122%
Property Tax	57,867,840	60,776,155	2,908,315	105%
Transient Occupancy Tax (TOT)	2,600,000	4,475,343	1,875,343	172%
Parks, Recreation & Libraries Programs	3,765,768	3,301,223	(464,545)	88%
Building Permits	2,920,836	4,123,020	1,202,184	141%
Plan Check Fees	2,606,322	2,653,857	47,535	102%
Engineering Inspection Fees	558,000	483,621	(74,379)	87%
Grants	239,535	226,749	(12,786)	95%
Other Revenues	13,118,564	17,622,850	4,504,286	134%
Transfers	14,454,364	13,858,339	(596,025)	96%
Total	\$ 179,956,782	\$ 208,093,262	\$ 28,136,480	116%



General Fund operating revenues ended the year 16 percent or \$28.1 million above estimates in FY2021-22. The following is an explanation of the notable variances:

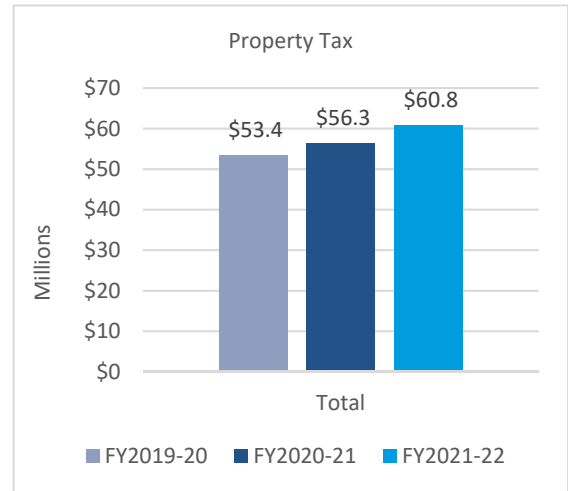
- Sales Tax - Bradley Burns and Measure B** - The City's Bradley Burns and Measure B Sales Tax revenues ended the year at \$70.6 and \$28.3 million, respectively. Bradley Burns Sales Tax revenues exceeded budget estimates by 19 percent (\$11.2 million), and Measure B Sales Tax revenues exceeded estimates by 34 percent (\$7.2 million). Similar to FY2020-21, these positive results were primarily due to two factors. First, the FY2021-22 budget was developed in the spring of 2021 when there was still a lot of uncertainty related to the pandemic and its impact on the economy. Second, sales tax revenue growth was stronger than anticipated, locally and across the state, primarily driven by inflation and strong economic activity in the general retail, food products, transportation, construction sectors, and internet sales (reported in the County Pool category below). The graphs below show Bradley Burns and Measure B Sales and Use Tax revenues over the last three fiscal years and by business category.



The City's sales tax consultant has prepared a summarized sales tax report of business activity through the June 2022 quarter (or second quarter of calendar year 2022). 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.

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

The City's property tax revenues (included in the Property Tax category in the charts above) exceeded estimates by \$2.9 million (\$60.8 million received compared to the budget of \$57.9 million), and continued not to be significantly impacted by the pandemic. Based on a property's assessed value as of January 1 of each year, property tax revenues continued to increase based on ongoing development activity and rising assessed property values. The graph shows property tax revenues over the last three years.



- **Hotel Tax** - The City's Transient Occupancy Tax (TOT) revenues, also known as the hotel tax, exceeded estimates by approximately \$1.9 million (\$4.5 million received compared to the \$2.6 million budget). Staff budgeted a conservative amount of TOT in FY2021-22 due to the economic uncertainty of the pandemic at the time. TOT revenues have fully recovered from the impacts of the pandemic.
- **Parks, Recreation & Libraries (PR&L) Programs** – PR&L program revenues ended the year at 88 percent of budget or approximately \$460,000 below estimates. FY2021-22 was a rebuilding year, with COVID-19 pandemic impacts affecting the first and second quarters. Revenue trended below estimates throughout the year but PRL continued to see improvements in program participation - programs and events are back, sports teams are on the fields, and parks and trails are busy. The PR&L Department offset this revenue shortfall with expenditure savings from materials, services, supplies and vacant positions.
- **Building Permits, Plan Check Fees, Engineering Inspection Fees** - Building permit revenues ended the fiscal year higher than budget by 41 percent due to sustained increases in the City's development activity. Engineering inspection fees ended the fourth quarter lower than budget at 87 percent but are offset by a corresponding increment in secondary labor cost recovery due to workload shifting toward more full-cost recovery projects.

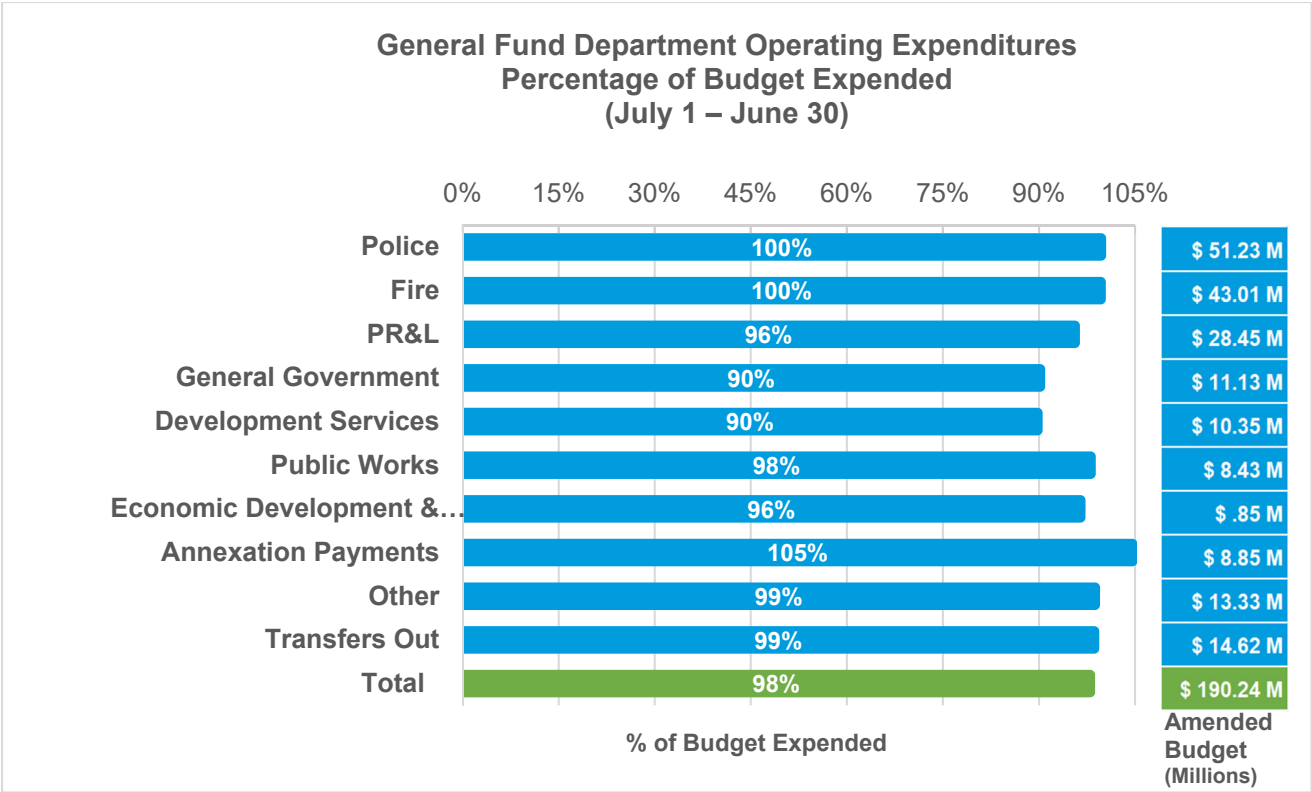
- **Other Revenues** - Other revenues include reimbursements from the State, development reimbursement activity, property transfer tax, business license tax, rental payments, animal licensing, passport processing, permit, franchise, and other fees. As of the end of the fourth quarter, revenues in this category exceeded estimates by \$4.5 million. The positive results in the other revenue category are primarily due to stronger than anticipated First Responder Fee (\$1.3 million), Property Transfer Tax (\$1.2 million), and Workers Compensation Refund (\$1.2 million) revenues.
- **Transfers** - Transfers ended the year approximately \$600,000 under budget. This variance is due to a planned transfer in from the Contributions from Developers Fund to cover an anticipated deficit in the Golf Fund. Golf Fund revenues were much stronger than anticipated in FY2021-22; therefore, this transfer was unnecessary.

General Fund: Operating Expenditures

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

Department	Budget to Cumulative Expenditure Comparison (July 1 – June 30)			
	Amended Budget	Cumulative Expenditures	Variance	% of Budget
Police	\$ 51,228,045	\$ 51,075,901	\$ 152,144	100%
Fire	43,007,167	42,857,070	150,097	100%
Parks, Recreation & Libraries	28,446,896	27,199,344	1,247,552	96%
General Government*	11,126,206	10,032,845	1,091,361	90%
Development Services	10,352,617	9,294,583	1,058,034	90%
Public Works	8,430,215	8,268,203	162,012	98%
Economic Development & Housing	854,472	824,469	30,003	96%
Annexation Payments	8,850,000	9,257,913	(407,913)	105%
Other	13,328,156	13,162,556	165,600	99%
Transfers Out	14,615,844	14,414,895	200,949	99%
Total	\$ 190,239,618	\$186,387,779	\$ 3,849,839	98%
Encumbrance Reserve*	(993,753)	-	(993,753)	
Total	\$ 189,245,865	\$186,387,779	\$ 2,856,086	

⁽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 ended the year at 98 percent of the estimated budget, totaling \$2.8 million in cost savings after considering unspent encumbrances re-appropriated into the FY2022-23 budget. The cost savings in General Fund departments is primarily due to vacant positions in the Parks, Recreation & Libraries, Development Services, Public Works, and other General Fund departments and lower than expected materials, services and supplies expenses..

Both Police and Fire departments ended the year on budget. Parks, Recreation & Libraries expenditures ended the year at 96 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 offset the \$460,000 revenue shortage in parks and recreation programming. General Government departments ended the year approximately 10 percent under budget, primarily due to vacancy savings. Development Services expenditures ended the year at 90 percent of the budget, primarily due to higher than anticipated reimbursements from full cost recovery development projects and reduced training and travel costs because many events were canceled in the last year due to the pandemic. Salary savings in the Public Works Department account for the 2 percent variance from the budget through the end of the fiscal year. The Economic Development Department ended the year \$30,000 under budget (96 percent of the budget). Annexation payments were higher than budgeted, resulting in a \$0.4 million overage, due to the timing associated with receiving and making these payments. Savings in the other operating departments covered this overage.

Enterprise Funds: Operating Revenues and Expenditures

Revenues

Electric operating revenues ended the year \$18.4 million higher than budget primarily due to increased retail sales totaling \$9.6 million, of which \$2.7 million is associated with warmer than average

	Budget to Cumulative Revenue Comparison (July 1 – June 30)			
	Amended Budget	Cumulative Revenues	Variance	% of Budget
Electric Operations	\$ 157,844,817	\$ 176,222,391	\$ 18,377,574	112%
Water Operations	38,914,237	40,420,986	1,506,749	104%
Wastewater Operations	48,668,113	48,848,782	180,669	100%
Waste Services Operations	34,252,968	39,740,899	5,487,931	116%
Transit	7,037,973	6,451,716	(586,257)	92%
Transportation	1,925,389	1,749,769	(175,620)	91%
Youth Development	10,580,654	9,309,326	(1,271,328)	88%

temperatures, \$5.1 million for hydroelectric surcharges, and \$1.8 million from rate increases. Electric also collected \$1.5 million in unbudgeted wholesale revenue and a \$0.5 million reimbursement from California Arrearage Payment Program (CAPP) not included in the budget.

The remaining \$6.8 million in electric operating revenues include \$4.4 million from unplanned flat fee charges and reimbursement from the California Department Generation of Water Resources (CDWR) and \$800,000 provided from SMUD for mutual aid support, \$1.2 million in customer and permit fees and \$600,000 in other revenues. These increases in operating revenues were offset by \$0.2 million less in Low Carbon Allowance and Credit Proceeds revenue.

Due to new development and increased usage, Water and Waste Services Operations revenues ended the year higher than anticipated by four and 16 percent. Wastewater operating revenues ended the year on budget. Net positive results in all three Environmental Utilities will be set aside in FY2022-23 to fund rehabilitation projects, fleet electrification, and a future utility operations center.

The demand for commuter services has slowly increased over the past year, with almost \$400,000 collected in passenger fares, which is about 40 percent of pre-pandemic levels. Transit operating revenues continued to experience the effects of reduced services and losses in passenger fares due to low ridership resulting from COVID-19 through the fourth quarter of FY2021-22 compared to pre-pandemic levels. Overall, Transit revenues ended the year at approximately \$600,000 under estimates. This shortfall is primarily due to state and federal reimbursements, which reflect lower-than-anticipated contract and fuel expenditures associated with transit ridership reductions.

Similar to Transit, Transportation revenues ended the year \$200,000 below estimates, primarily related to Local Transportation Fund reimbursements. These reimbursements were lower than anticipated due to vacancies and materials, services, and supply savings.

Revenues in the Youth Development Fund ended the fiscal year at 88 percent of budget. Budgeted revenues included \$3.5 million in American Rescue Plan Act (ARPA) funds to mitigate COVID impacts. The revenue shortfall was offset by \$1.6 million in expenditure savings. While enrollment slowly rebounded, the primary factor affecting the department’s ability to fully meet the budget revenue target is related to part-time staffing challenges. Participant/staff ratios are a requirement of childcare licensing, which means fewer staff results in fewer participants allowed in the program. The department is implementing ongoing efforts to recruit and retain part-time employees.

Expenditures

Electric’s Operating expenses ended the year \$2.8 million lower than budget. As costs of goods sold increased during the fiscal year due to stronger than expected customer energy demand (primarily due to

	Budget to Cumulative Expenditure Comparison (July 1 – June 30)			
	Amended Budget	Cumulative Expenditures	Variance	% of Budget
Electric Operations	\$ 136,872,260	\$ 134,058,176	\$ 2,814,084	98%
Water Operations	34,886,586	29,758,674	5,127,912	85%
Wastewater Operations	48,370,406	42,707,478	5,662,928	88%
Waste Services Operations	34,440,350	30,479,712	3,960,638	89%
Transit	7,086,554	6,462,009	624,545	91%
Transportation	1,945,843	1,524,159	421,684	78%
Youth Development	8,104,298	6,535,174	1,569,124	81%

unexpected hot weather) and the significant climb in power and gas prices, the Electric Department requested a \$5.2 million budget increase to cover overages of which only \$4.2 were consumed ending with a positive variance of \$1.1 million. Savings from maintenance costs, contract services, small equipment and supplies, and training expenses resulted in a positive variance of \$2.9 million. These savings were offset by an unbudgeted \$0.5 expenditure related to the California Arreage Payment Program (CAPP). Project related delays resulted in a \$2.4 million shortfall in planned labor reimbursements. Vacancy savings in Electric Operations totaled \$1.5 million. Lastly, an additional \$0.2 million in rebate program savings were realized due to fewer commercial efficiency projects and residential energy program participation.

Spending in the Environmental Utilities came in lower than budgeted due to delayed mandates related to the disposal of organic materials (SB1383), vacant positions and COVID-related limitations on operational plans, including travel and training and unused emergency contingency funds.

Transit expenditures ended the year \$0.6 million under budget due to operational adjustments related to transit ridership reductions reflected in lower contracts and fuel costs, as well as the costs for a light-duty vehicle not received before year-end and a bus shelter replacement that was not completed. Cost savings of \$0.4 million in the Transportation Fund are related to vacancies and lower than estimated material, services and supplies expenses.

Youth Development Fund expenditures ended the fiscal year at 81 percent of budget due to the measures taken to reduce operational costs to mitigate the impact of decreased enrollment. These savings offset a portion of the shortfall in operating revenues.

Other Revenue

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

	Budget to Cumulative Revenue Comparison (July 1 – June 30)				
	FY2020-21 Actual	Amended Budget	Cumulative Revenues	Variance	% of Budget
Fire Facilities	\$ 2,563,366	\$ 1,549,601	\$ 2,527,505	\$ 977,904	163%
Public Facilities	6,651,517	3,583,637	6,678,121	3,094,484	186%
Strategic Improvement	9,574,821	4,602,041	5,281,317	679,276	115%

(SIF) through the fourth 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, and commercial development, as well as prior-year revenue collections. The sustained increase in development activity throughout the City during FY2021-22 has caused revenues in these funds to exceed budget estimates (Fire Facilities – 63 percent, Public Facilities – 86 percent, and SIF – 15%). The SIF revenue is significantly lower than than the prior year because the prior year also included proceeds from sales of surplus property.



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
- MACY'S DEPARTMENT STORE
- MCKESSON MEDICAL -SURGICAL
- NIELLO ACURA
- NORDSTROM DEPARTMENT STORE
- ROSEVILLE HYUNDAI
- ROSEVILLE TOYOTA & SCION
- SAFEWAY SERVICE STATIONS
- SAM'S CLUB
- TARGET STORES
- VANDERBEEK MOTORS
- WAL MART STORES

Business Activity

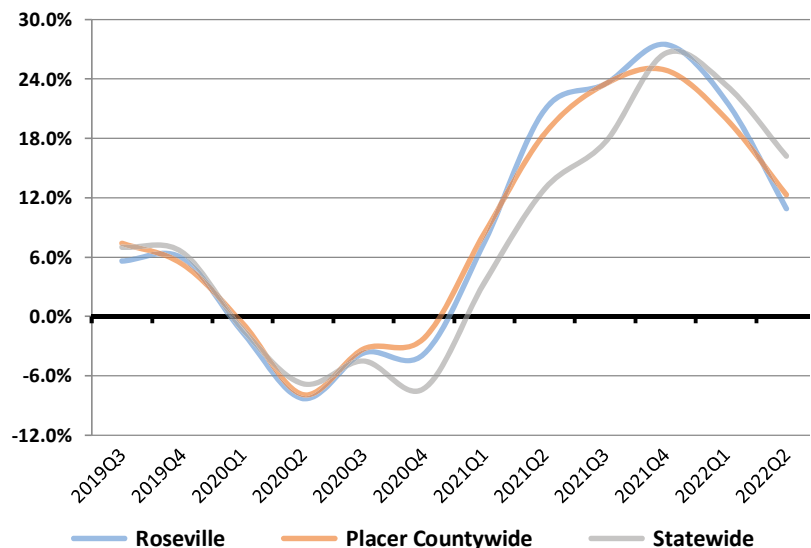
- General Retail (e.g., dept. stores, misc. retail)
- Food Products (e.g., markets and restaurants)
- Transportation (e.g., new & used autos, gas stations)
- Construction (e.g., retail & wholesale construction)
- Business To Business (e.g., IT, industrial equip. etc.)
- TOTAL LOCAL BUSINESS ACTIVITY**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

2nd Quarter 2022 in Review

California sales tax cash receipts increased by 4.9% from the same quarter last year. In this jurisdiction sales tax cash receipts decreased by 0.6% from the same quarter last year due to a decrease of \$8,690,000 in Taxable Sales.

Cash Receipts	Quarter	Annual
Roseville	-0.6%	10.9%
Placer Countywide Pool	27.7%	9.0%
Placer Countywide	3.2%	12.3%
Sacramento Valley Region	1.9%	13.7%
Statewide	4.9%	16.2%

Annualized Percent Change in Sales Tax Cash Receipts



Roseville		California	
Quarter	Annual	Quarter	Annual
10.6%	19.2%	-5.1%	10.9%
9.6%	20.4%	2.4%	18.3%
12.0%	11.5%	2.9%	11.1%
1.9%	9.4%	-5.5%	-0.6%
3.0%	-1.0%	0.0%	3.5%
9.6%	13.3%	-0.8%	9.7%
23.0%	7.6%	3.5%	5.2%



News

- Economic Activity:** Real Gross Domestic Product (GDP) decreased at an annual rate of 0.9% in the second quarter of 2022. U.S. inflation accelerated to 9.1% in June of 2022, while California's headline inflation was 8.3% year over year as of June of 2022. (DIR, BEA, BLS, July Finance Bulletin)
- Employment:** The U.S. unemployment rate remained unchanged at 3.6% in June of 2022, 0.1 percentage point higher than the February of 2020 pre-pandemic low of 3.5%. California's unemployment rate fell to a new record-low of 3.9% in July of 2022, now 0.2 percentage point lower than the February of 2020 pre-pandemic rate of 4.1%. (July, August Finance Bulletin)
- Personal Income:** U.S. personal income increased by 4.6% for the second quarter of 2022, compared to same quarter previous year. Personal consumption and expenditures increased by 8.4% , resulting in a 50.9% decrease in US personal savings for the second quarter of 2022, compared to same quarter previous year. (BEA)

Roseville

Annual Per Capita Sales Tax

Adjusted for Inflation

(Constant 2018 \$)

