

City Manager's Budget Message



AS ECONOMY REBALANCES, UNCERTAINTY PERSISTS

Higher highs and lower lows have characterized the economic swings that have occurred since the onset of the pandemic and the rebound that followed. Looking ahead, we anticipate a rebalancing of the economy, which will lead to a new set of expectations around stability.

In the meantime, predictability remains somewhat elusive, given the factors causing concern:

- The pace of inflation has accelerated and the federal government began raising interest rates after an extended period of historically low rates.
- Supply chain issues, from material sourcing to manufacturing to distribution, continue and could be exacerbated by geopolitical concerns.
- Labor shortages of the past year have started to give way to a slower hiring pace and layoffs, illustrating the compressed timeline of extremes that we've been experiencing.
- Geopolitical events, including Russia's invasion of Ukraine last year, and tensions between the U.S. and China over Taiwan, continue to have economic impacts.
- The effects of wild and unprecedented weather patterns are damaging and have intensified the focus on ways to mitigate climate change.

These factors permeate to the local level and combine with others that add complexity to the City's ability to deliver services. Within the City organization, we find that it's never easy to balance the needs of the future with the needs of today. As demands on our resources continue to grow, we must thoughtfully and carefully grow to meet them. I believe in this proposed budget we have done that. Larger trends have an impact at the city level and the following themes became clear in reviewing the budget requests from City departments:

- **Talent loss** has resulted from a competitive labor market and an expanded ability to work remotely has enticed staff to take jobs elsewhere. The pension benefits that once incentivized longevity were changed by the California Public Employees' Pension Reform Act (PEPRA) legislation in 2013, and we're seeing shorter tenures in some areas. Pandemic fatigue accelerated retirement plans for some staff.
- **Recruitment challenges** have arisen, also due to the competition in the labor market for staff. Attracting specialty positions is getting increasingly difficult. This puts more burden on existing staff and delays

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our ability to focus and deliver on new and expanded priorities.

- **Inflation** is increasing the costs of contracts for materials and services, reducing the availability of funds for other items.
- **Supply chain disruption** has caused delays in development and operations throughout the community, from obtaining transformers to power new subdivisions to obtaining parts needed to operate a water feature at a new park.
- **Increasing regulations and looming deadlines** for compliance are adding costs and complexity to the way we plan and operate.
- **Aging infrastructure** for which replacement costs were underfunded during the Great Recession needs attention.

On a positive note, several factors have strengthened Roseville's ability to withstand the circumstances:

General Fund surplus

- **Underspending** in the General Fund as our staff uses the same high level of scrutiny in purchasing decisions, no matter the economic circumstances.
- **Historically higher sales tax revenues** from the pandemic rebound last year allowed the City to fund reserve funds to higher levels to weather economic headwinds.
- **Higher property tax revenues** due to higher home prices, continued development, and a competitive housing market fueled by low-interest rates and the ability to work remotely. Even though interest rates have increased, housing prices have held steady and the yearlong lag before the effects of the housing market are felt by cities provides time for planning.

Fully funded reserves

- Measure B sales tax revenue, new revenues from Measure C hotel tax revenue, and a conservative approach to budgeting have contributed to Roseville's ability to fully fund our reserves in accordance with Council policies. This further strengthens our ability to withstand the inevitable, cyclical economic downturn.

Federal funding

- Roseville has invested the **\$17.6 million in one-time funds** from the American Rescue Plan Act of 2021 to assist with City and community needs, including

making \$1 million available to area non-profits through the competitive annual grant cycle administered by the Grants Advisory Commission.

Economic Development

- Global semiconductor manufacturer Bosch announced on April 27, 2023 its plans to acquire assets of the U.S. chipmaker TSI Semiconductors (TSI), based in Roseville and expand its semiconductor business with silicon carbide chips. Over the next years, Bosch intends to invest more than \$1.5 billion in the Roseville site and convert the TSI Semiconductors manufacturing facilities to state-of-the-art processes. This will bring hundreds of new, high-wage jobs to Roseville, attract other ancillary businesses, and reinforces the significant asset of the City has in owning its own electric utility.

Proactive planning

- We had the highest-ever temperatures on record in September 2022, followed five months later by some of the coldest and wettest conditions our region has seen in decades. The Council's consistent support for infrastructure improvements over the years made our community resilient in the face of both extremes.
 - We kept the power on for the vast majority of the time in both circumstances for nearly all customers.
 - Our Federal Emergency Management Agency (FEMA) Class 1 Flood Rating improvements ensured that flooding impacts were minimal.
 - Our proactive efforts with aquifer storage and recovery the past two decades and relationships with state and federal regulators helped Roseville take advantage of banking excess water in our aquifers for dry times.
- We've had nearly a full year of a hybrid work schedule for eligible city positions. It continues to be a high priority benefit for recruiting new candidates in a highly competitive labor market and is working well.
- Roseville voters approved a 4 percent (6 percent to 10 percent) increase in the hotel tax to bring the City on par with or still below most cities in California. This was the first increase since 1975 in Roseville, and important as we continue to invest significantly in amenities that our visitors use.
- We continue to advocate strongly at the federal and state levels on legislation and regulations that are being developed at what seems like warp speed

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sometimes. Our Council is adamant about protecting local control, promoting public safety, and providing value in our reliable delivery of utility services. This requires a level of attentiveness, a strong track record, and key relationships.

- Cyberattacks on nearby communities remind us of the importance of vigilance in this area for operational continuity and community trust.
- In December 2022, Roseville transitioned for the first time to a rotational mayorship per the voters' approval of charter amendments in 2020.
- Our organization has evolved due to significant turnover at all levels of the organization with retirements and other changes. We are intensifying our focus on organizational culture to ensure we remain an employer of choice and a place where people can grow both personally and professionally.

COUNCIL PRIORITIES FY2023-24

Council updates priorities in its four-year strategic plan

In October 2019, the City Council held a public workshop to set the long-term vision for our City and our top priorities for FY2020-21 through FY2023-24. Annual updates to the plan are held each spring during the budget development process for the upcoming fiscal year.

A sign of a well-developed strategic plan is its ability to withstand the test of time and changing circumstances.

This proved true throughout the wild extremes and unpredictable challenges that arose in the four years of this plan, whether they were economic, social, or environmental. The strategic plan has remained relevant and an important policy document to guide budget decisions.

Following are the priorities and strategies that emerged from the Council's February 2023 workshop, at which it updated the final year of the plan to reflect changing circumstances, work accomplished and underway, and evolving focus areas.

Maintain a safe and healthy community

- Ensure public safety service levels are maintained with facilities and staffing, and real-time crime monitoring, as the City grows.
- Continue City efforts to reduce homelessness while collaborating and advocating regionally as appropriate.

- Continue inclusiveness, equality and justice efforts for all in partnership with the community.

Remain fiscally responsible in a changing world

- Balance utility services and customer rates, given legislative mandates and rising costs.
- Seek ways to reduce pension liabilities to maintain high-quality services.

Enhance economic vitality

- Advance sports tourism strategy, including Roseville Soccer Complex.
- Support conditions that attract, promote and retain retail, commercial, and industrial opportunities that have a positive fiscal impact.
- Consider strategic reserves and other funding for vacant storefronts, façade improvements, corridor rehabilitation and other opportunities to adapt to changing economic conditions.
- Implement Economic Development Strategy.

Invest in well-planned infrastructure and growth

- Reinvest in core neighborhoods.
- Increase funding for capital rehabilitation to prevent erosion of infrastructure.
- Prioritize completion of Roseville Soccer Complex and crucial corridors.
- Maintain investment in water resiliency and increase capacity of the electric utility.
- Seek increased regional and local transportation funding and revenues.

Support community engagement and advocacy

- Remain focused on community engagement and education about City services and the budget.
- Explore opportunities to engage increasingly diverse audiences in relevant ways.
- Increase outreach to and engagement with younger populations.
- Explore volunteer opportunities for employees.
- Help county, state, and federal policymakers understand key City issues, including local decision-making.

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Deliver exceptional City services

- Explore ways to strengthen code enforcement efforts, including graffiti and blight abatement.
- Remain an employer of choice through expanded recruitment and attraction efforts, a focus on retention, and a strong culture.
- Implement greater community-based and volunteer cleanups.
- Implement a new and more efficient way to process increasing Public Records Act requests.

Overview of the past year's accomplishments

As the City Council refines the Strategic Plan each year, an important part of its assessment is reviewing work to date on the previous year's plan. Following is an overview of accomplishments related to last fiscal year's strategic plan:

Maintain a safe and healthy community

Maintain public safety staffing levels and implement real-time crime center

- Hired 10 new police officers.
- Implemented the first phase of the real-time crime center, with license plate reader cameras, additional staff, and monitors to leverage the use of technology to reduce crime in Roseville.

Address homelessness

- The Placer Regional Homeless Response team has major focus areas consisting of Permanent Supportive Housing, Communications, Public Safety and Social Services, and Emergency Housing and Crisis Services. This process was designed to utilize representation from South Placer jurisdictions (both professional staff and elected officials) to help drive the final recommendations. The final recommendations would then be presented to the various elected bodies for their input, culminating with their support, approval, or rejection.
- At the City level, a multi-department Homeless Response Team comprised of staff from the Police Social Services Unit, the Housing Division, the Parks, Recreation & Libraries Department, and Government Relations meets regularly and coordinates responses to the array of needs that arise with the goal of obtaining and providing the necessary resources to prevent and address homelessness.

Strengthen inclusiveness, equality, and justice for all in our community

- Continued sponsorship of Conversations on Racial Healing, MLK Walk, site visits, and Lunch and Learn sessions for staff.
- Ongoing Invest Health partnership with the Health Education Council to raise health equities and reduce disparities among residents in the City's core neighborhoods and throughout Roseville has increased investment in infrastructure and funding for facilities and services.

Other safety and health priority projects completed

- Community Grants: Since July 2022, the City has awarded a total of \$629,681 to numerous non-profit organizations to support 34 different community projects and programs aligned with social determinants of health. The grant funds were comprised of Citizens' Benefit Fund, American Rescue Plan Act, and Roseville Employees Annual Charitable Hearts (REACH) funds. These grants continue to be a valuable way to partner with community-based organizations to provide the needed services and resources that contribute to and enhance Roseville's quality of life.

Remain fiscally responsible in a changing world

Explore new and diverse revenue streams to ensure those who use city services help fund them

- Measure C passed with 72 percent of the vote in Roseville. The City's transient occupancy tax (TOT) hadn't been raised since 1974 and will help provide services to the growing number of visitors and residents, especially when the Roseville Soccer Complex opens. The TOT increase is anticipated to generate an additional \$3-4 million annually for the City's General Fund.

Balance utility services, unfunded legislative mandates, costs and customer rates

- After an unusual seven-year period without electric rate increases, market and regulatory forces necessitated rate and nexus studies. Data showed a need for rate increases to offset rising costs and ensure long-term reliability for our electric, water, and wastewater utilities.

Increase funding for capital rehabilitation to prevent erosion of infrastructure

- Increased capital rehabilitation investment, with an update to the City's capital rehabilitation funding policy,

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to ensure our City-owned assets remain safe and operational for our community and staff. The policy was updated to add street maintenance funding, and to increase the annual incremental funding for the program.

Seeking ways to reduce pension liabilities to maintain high-quality services

- Updated pension funding policy to include a Section 115 pension trust and appropriated \$8 million to the new trust fund in the adopted budget, along with the City's second Additional Discretionary Payment of \$6 million.

Seek increased transportation funding (outside of the General Fund)

- Continued working with Placer County Transportation Planning Agency (PCTPA) on ways to generate additional revenue for regional transportation infrastructure needs, educate stakeholders and raise awareness of the funding challenges with new requirements for a local source of matching funds to obtain state and federal funding for transportation projects.
- PCTPA has a small budget to continue educating the public about the funding requirements. Needs include:
 - o I-80/Highway 65 interchange
 - o Local projects and road maintenance
 - o Highway 65 widening
 - o Yet-to-be-built Placer Parkway connecting Highways 65 and 99
 - o Baseline Road widening
 - o If a local funding source in the form of a half-cent sales tax were approved, the plan would be to bond against the tax to construct some of these improvements immediately.
- Federal and State Grant Funding
 - o Roseville is not positioned well to receive state and federal funding based upon many of the new requirements for funding, including low-income and disadvantaged community requirements.
 - o Chances of receiving funding are unlikely for any of our road improvements that do not meet some special need, like multi-modal or hazard mitigation.

Enhance economic vitality

Advance sports tourism, including destination-type amenities

- Plans are complete and strategies are in place to utilize the planned 10-field Roseville Soccer Complex to strengthen the region's position in sports tourism. The complex will focus on a blend of local, regional and national tournaments to drive visitors to the community, while also playing a vital role in serving local sports clubs' and organizations' need for space designed and dedicated for this type of use.

Support conditions that promote and retain retail, commercial, and industrial opportunities to include Baseline Marketplace

- Costco is in the process of obtaining updated entitlement documents and off-site plans necessary for their current proposal at Baseline Marketplace.
- Other employers are siting their operations and significantly expanding their workforce in Roseville.

Consider strategic reserves and other funding for job growth incubators, vacant storefronts, façade improvements and other economic development opportunities

- **Business Accelerators:** Roseville Venture Lab, a public-private partnership between the City of Roseville and Growth Factory, a nonprofit startup accelerator with an accompanying venture fund, opened in September 2022 at 316 Vernon Street. It will help residents to access entrepreneurial resources to bring their ideas to life through innovation challenges, Roseville Rising business cohort, meetings, events, and drop-in coworking.
- **Job Growth:** This past year we saw significant job growth occur with two notable Roseville businesses. **Quick Quack** expanded its headquarters by moving its manufacturing to Roseville where the company will design and fabricate car wash components. This move brings more than 60 jobs to the City, including software and hardware engineering roles, with more jobs planned as the business continues to expand. **Penumbra** opened its facility in the Roseville Innovation Park in 2018, occupying 157,500 square feet with 250 employees. Penumbra has continued to grow, expanding its lease in 2021, occupying 254,000 square feet, and currently employing over 600 employees, adding over 350 new jobs since its opening.

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- **Façade Improvements:** Last year, two façade grants were awarded for \$10,000 each for a total of \$20,000. The recipients were Daniellos at 229 Vernon Street and the Roseville Eagles at 124 Vernon Street. Since 2020, the program has awarded \$65,000 in grants under two rounds of funding to various projects, including Bunz Co, Randy Peters, L and D Sustainability, and Trax, to name a few. With the recent approval of the Commercial Corridor Project Plans, an expansion of the Façade Improvement Rebate Program could stimulate investment and support property and business owners committed to enhancing the aesthetic of their buildings and the overall appearance of these commercial corridors.

Finalize Economic Development Strategy

- Completed and being implemented.

Invest in well-planned infrastructure

Reinvest in core neighborhoods with a focus on Weber Park

- Progress continues on Weber Park. The design is complete and a public meeting was held on December 6, 2022 with more than 20 residents in attendance. There was overwhelming support for the updated park design, which lowers the park's topography to provide greater visibility through the park and includes picnic areas, an expanded children's play area, and a walking loop around the park with exercise stations. The updated park design was posted on the Parks, Recreation & Libraries webpage for four weeks, seeking additional public comment. The comment period ended on January 13, 2023. The updated park design was presented for approval by the Parks & Recreation Commission in February, followed by the request for Council approval. Much of 2023 will consist of developing construction documents, with the park's groundbreaking planned for Spring 2024. The new Weber Park is expected to open in Spring 2025.

Prioritize completion of long-field sports complex and commercial corridors

- Progress continues on the Roseville Soccer Complex, with groundbreaking expected in the first half of 2023. The complex will include 10 lighted artificial turf fields; two plaza areas with restrooms, picnic areas, and concessions; and a universally accessible playground. The fields will be available by reservation only and will host local team practices and games, and regional/national tournaments. The universally accessible playground will be open to the public, and the complex is expected to open in Spring 2025. Staff have

completed a pro forma for complex operations and are currently communicating with potential anchor tenants. A complex naming sponsor as well as individual field sponsors will be solicited to provide additional revenues to support complex operations.

- After extensive community outreach, the City of Roseville developed three specific plans to facilitate commercial reinvestment and redevelopment, housing, and streetscape beautification. In December 2022, the City Council approved the Douglas-Harding, Douglas-Sunrise, and Atlantic Street Specific Plans, which are now available for investment, focusing on process streamlining and other plan features.

Water and power projects

Roseville Electric

- Two of the most significant electric distribution system improvements are the replacement of our 12kV switchgear at the Cirby Substation, as the existing equipment has reached the end of its useful life, and the upgrade and extension of the 12kV overhead and underground cables to increase our distribution system capacity.
- Electric expects to install \$5.6 million of developer-funded new electric system infrastructure in FY2022-23. The infrastructure includes underground cables, vaults, panels, switches, and transformers to connect new customer services.
- Replacement and upgrade of Roseville Energy Park duct firing mechanical and electrical system components, which increases steam output, producing additional electricity in the steam turbine generator.

Environmental Utilities

- The Utility Exploration Center is scheduled for interior exhibit enhancements. The total project cost is estimated at \$2.1 million, and construction is scheduled to begin in 2023.
- The Utility Operations Center will provide facilities and services for the City's Waste Services and Water utilities. This includes a materials recovery facility (MRF), vehicle maintenance building, and heavy-duty vehicle charging infrastructure. The total project budget is \$60 million, and construction is estimated to begin in 2024.
- The design and construction of a new operations and laboratory building at the Dry Creek Wastewater Treatment Plant will begin during the summer of 2023 with an estimated cost of \$6 million.

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Pilot on-demand transportation option

- On-demand, app-based public transit service within Roseville at \$3.75 per person per ride (\$2.50 for Americans with Disabilities Act (ADA)/Paratransit passengers).

Support community engagement and advocacy

Remain focused on community engagement and education about City services and budget

- Measure C outreach, the Budget in Brief, and the City's website offer extensive information on the City budget along with the Open Roseville website.

Explore opportunities to engage increasingly diverse audience

- Offering materials and surveys in Spanish, providing meeting space, and participating in community cultural festivals and walks, the partnership between City and Health Education Council's Invest Health continues to foster dialogue and collaboration on needs in core neighborhoods.

Increase outreach to the youth

- Roseville Rising for youth, job fairs and workforce programs with Roseville Joint Union High School District, internship opportunities, participation on boards and commissions and Neighborhood Santa.

Explore volunteer opportunities for employees

- Through The City's Invest Health partnership, staff is helping distribute meals to low-income seniors every month. Staff also has conducted food drives for Placer Food Bank; sock drives to help foster youth, domestic abuse survivors, and homeless people; pet supplies drives for the Society for the Prevention of Cruelty to Animals (SPCA); and art and craft supplies drives to help children in extended hospital stays.

Deliver exceptional City services

Explore ways to strengthen code enforcement efforts, graffiti and blight abatement

- Hired a code enforcement officer and embedded them in our Police Social Services Unit for faster response times. We additionally coordinated multiple cross-departmental teams to address graffiti and blight in high-profile or problematic areas.
- Hired a new deputy city attorney whose duties include a greater focus on code enforcement issues and establishing a criminal prosecution program.

Remain an employer of choice

- Prioritized organizational culture and leadership, by launching initiatives including a new mentoring

program and welcome program, revamping the Pride of Roseville recognition event, implementing robust employee engagement activities and events including an annual ping pong and cornhole tournament, an ice cream social, and the award-winning Art of Public Service canvas project.

Implement greater community based and volunteer clean ups

- Conducted five community-wide cleanups in a successful partnership with the Roseville Coalition of Neighborhood Associations (RCNA) and Waste Services, which will continue this fiscal year.

Implement a new and more efficient way to process public record requests

- Streamlined the City's current internal records request process pending the implementation of a new software solution.
- Plan to evaluate whether the Customer Relationship Management (CRM) system will accommodate efficient processing of public records requests. If not, staff will develop a request for proposals (RFP) to select a software application.

FISCAL OVERVIEW

The City conservatively budgets to maintain service levels delivered to residents and businesses while strategically increasing or expanding services as growth and demand warrant. With its primary tax revenues recovered from the pandemic-induced recession, the City remains focused on managing labor costs, maintaining its reserves, addressing its underfunded pension liabilities, accelerating funding to its capital rehabilitation program, and pursuing new revenue opportunities.

In Roseville, sales tax revenue growth has slowed, with a forecasted increase of about 2 percent in sales tax revenues in FY2023-24. With a steeper increase in sales tax revenues last year than other cities, Roseville appears to have rebounded faster, accelerating our arrival in the next phase of the economic cycle. Growth is expected to continue, but at a pace that is more reminiscent of pre-pandemic years. Helping to offset that expected slower growth is the addition of an expected \$3-4 million annually in TOT after Roseville voters approved a 4 percent TOT increase (from 6 to 10 percent) in 2022. This new rate puts Roseville in the mid-range of TOT rates throughout the state. The 6 percent rate had been in place for 47 years, while the number of hotels increased from 4 to 17 in our City, putting additional demands on public services.

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Several economic development efforts are helping to fill those hotel rooms. The new \$63 million Roseville Soccer Complex will break ground this year and is expected to draw significant sports tourism. This complex will add to Roseville's existing sports tourism amenities, including major aquatics, softball, volleyball, and basketball complexes. Youth sports have proven to be a recession-proof industry over time, as families take advantage of opportunities their children have at those ages.

Restaurant tax receipts in Roseville increased by about 8 percent. This was partly due to the increasing cost of food and labor which will level off as inflation slows and the increase in the number of restaurants, which grew as Roseville's population grew. Residents spend the most where they live, and restaurants depend on higher concentrations of people nearby to be successful.

Fiscal Year 2023-24 Budget

The FY2023-24 budget has been developed to account for the expected rise in labor costs and other unavoidable expenses. It also includes augmentations to maintain the City's service levels and address the City Council's top priorities. The budget aims to ensure the maintenance of necessary capital infrastructure, and the mitigation of unfunded liabilities for the long-term benefit of our community.

Our City has an overall expenditure budget of \$784 million, with a General Fund operating budget of \$214 million. The remaining \$570 million in funding is primarily dedicated to the electric, water, wastewater, and waste services utilities.

Positions: The budget includes 2 percent growth in position allocations from last year's adopted budget, adding 30 net new positions to address growth, legislative requirements, and service level enhancements for the City Council's priorities, all of which contribute to the scope and complexity of the City's work. The budget also provides funding for eight additional positions that will require a new position classification, which staff will recommend to the City Council at a later date. Offsetting the new positions are reductions in the Information Technology Department of four position allocations related to promotional reclassifications approved in a prior year and in the Police Department for one position due to the end of grant-funding.

The City's population has grown by 29 percent since 2010, requiring additional park acreage, streets, buildings, and infrastructure. These additions have increased workload and demands on limited resources, prompting staffing increases in FY2023-24 to address these needs. Also, the

City recognizes the importance of institutional knowledge to maintain high service-level efficiency. It is committed to adding positions to address the loss of experienced staff during the pandemic-induced Great Resignation.

To achieve the City Council's priorities of maintaining a safe and healthy community, the budget includes staffing for the new Fire Station 8 and additional staffing for the Police Department's real-time crime center. Additionally, positions have been added to maintain the City's investment in water resiliency and support well-planned infrastructure and growth.

Finally, the Environmental Utilities Department, including the Water, Waste Services, and Wastewater Utilities, faces state regulations requiring additional staff to maintain service levels. The City is committed to complying with these regulations and providing the necessary resources to ensure quality services to our residents.

The following tables summarize the recommended positions by department and City Council priority:

Department	Net Positions
Development Services	1.00
Economic Development	1.00
Environmental Utilities	1.00
Finance	2.00
Fire	10.00
Human Resources	1.00
Parks, Recreation & Libraries	7.00
Public Affairs and Communications	3.00
Public Works	4.00
Total	30.00

City Council Priority	Net Positions
Maintain a safe and healthy community	15.00
Growth	12.00
Enhanced Service Levels	3.00
Remain fiscally responsible in a changing world	3.00
Growth	3.00
Enhance economic vitality	1.00
Growth	1.00
Invest in well-planned infrastructure and growth	7.00
Growth	4.00
State/Federal Mandates	3.00
Support community engagement and advocacy	2.00
Enhanced Service Levels	2.00
Deliver exceptional City services	2.00
Growth	2.00
Total	30.00

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Labor and Materials, Services and Supplies: To remain competitive in the labor market, the budget accounts for estimated labor cost increases. For example, the budget includes \$1.3 million in General Fund resources, equivalent to six months of a 3 percent increase, for anticipated labor cost increases. Additionally, unavoidable cost increases are factored in for materials, services, and supplies, including utility costs, fleet costs (including fuel and increased replacement costs), an increase in the contract cost with the SPCA for animal control, open space contracts, park maintenance costs, and staff training.

Unfunded Liabilities: The budget includes measures to reduce future pension costs and increase the funded status of the CalPERS plan. This includes using \$4.6 million in one-time General Fund resources to participate in the CalPERS Additional Discretionary Payments (ADP) Option. The budget also includes a transfer of \$4.6 million from the General Fund to the Pension Reserve Trust Fund to act as a reserve against future pension cost increases. These measures are aimed at maintaining service levels during future economic downturns. Including the FY2023-24 transfer, the total amount of funds transferred to the trust is \$17.1 million.

Capital Improvement Program: The budget incorporates a significant investment of \$129.4 million into capital projects. This includes \$47.2 million in public works, \$25.0 million in electric, \$22.3 million in water, and \$20.3 million in parks, recreation and libraries program areas. This capital investment represents a 23 percent increase compared to the FY2022-23 adopted budget and addresses both growth and rehabilitation of existing capital investments. Notable projects include the Roseville Soccer Complex, roadway resurfacing, aquifer storage and recovery wells, and Weber Park renovations.

General Fund

The FY2023-24 General Fund budget aligns with the Council's financial policies to match budgeted expenses with projected revenues while providing resources to increase reserves up to Council-adopted targets, pay down pension obligations, and address underfunded capital rehabilitation and replacement. Although the budget is balanced for FY2023-24, it is crucial to note that several underfunded needs remain. The Council's financial policies ensure that future revenues are allocated to achieve full funding of these obligations. The policies also include using one-time resources to accelerate paying down long-term liabilities.

Out of the \$225 million of General Fund operating revenues, \$43 million is restricted from grants, specific

fees, and taxes tied to particular programs and projects, and \$182 million is unrestricted. After spending \$24 million on non-discretionary expenses, the Council has discretion over \$158 million of unrestricted revenue. More than half of the unrestricted funding, approximately \$84 million, is allocated to public safety, which is the Council's top priority. The remaining funds are allocated to parks, recreation, libraries, streets, floodplain management, code enforcement, economic development, general government departments such as Finance, City Clerk, Public Affairs and Communications, Human Resources, the City Attorney's Office, and City Manager's Office, and other one-time expenditures, including an additional payment to CalPERS, a transfer to the Pension Reserve Trust Fund, and an augmentation of the Roseville Soccer Complex project.

Sales tax growth is slowing in the current fiscal year, and the City anticipates this trend to continue into FY2023-24. For the FY2023-24 budget, the City projects \$102.5 million in sales tax revenues (including \$29.8 million for the Measure B local sales tax) and \$70.3 million in property tax revenues. Sales and property tax revenues account for 76 percent of budgeted revenues. Utility franchise fees from electric, natural gas, and cable companies constitute 5 percent of General Fund revenues. The remaining 19 percent of revenues come from various sources, including development-related fees, recreation programs, business license taxes, TOT, and grants.

The revenues outlined in the table below include a three-year comparison of sales tax, property tax and other operating revenues.

City of Roseville - General Fund Three-Year Operating Revenue (in millions)			
	Actual FY2021-22	Amended FY2022-23	Budget FY2023-24
Sales Tax	\$99.0	\$102.2	\$102.5
Property Tax	\$60.8	\$64.4	\$70.3
Subtotal	\$159.8	\$166.6	\$172.8
Other Operating Revenue	\$48.9	\$46.4	\$52.2
Total	\$208.7	\$213.0	\$225.0

Following sound financial management practices, the City must exercise prudence in managing the inflationary pressures on its expenses while simultaneously addressing its significant underfunded obligations. Ongoing pressures on the City's expenses include the escalating costs of salaries, health benefits, CalPERS retirement expenses, and contracts with suppliers.

General Fund expenditures also include projects funded pursuant to the City's Capital Improvement Program Rehabilitation Funding Policy, which addresses maintaining the City's equipment, facilities, technology and park

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infrastructure. The policy was revised last year to escalate the level of funding and to include underfunded street maintenance. With additional ongoing and one-time General Fund resources for street maintenance, the City was able to increase the average Pavement Quality Index of its roadways above the City's policy targets.

The total General Fund operating expenditures outlined in the following table include transfers to reserves and one-time investments, including for CIP rehabilitation and replacement, funded from year-end budget savings. FY2023-24 expenditures incorporate transfers to reserves up to the Council policy target levels, an additional discretionary payment to CalPERS, and a transfer to the City's Pension Reserve Trust Fund.

City of Roseville Three-Year Operating Expense Trend (in millions)			
	Actual FY2021-22	Amended FY2022-23	Budget FY2023-24
Operating Expenditures	\$186.3	\$223.7	\$213.6

Economic Indicators

Year in review

As we experience some of our most transformational growth with significant private investments in new commercial spaces, record-high new housing units, and major infrastructure improvements, Roseville remains a **city of choice**. For businesses, our affordable and reliable utilities, a qualified labor pool, and the predictability of permitting and building offers a business-friendly environment.

Building on Roseville's successful economic track record of responding to a changing environment, the City updated its economic development strategy, **Envision Roseville: Advancing our Economy**. This updated roadmap supports a comprehensive approach to economic development, that recognizes the roles all City departments and partners play in supporting and advancing a strong local economy.

Headquartered in Roseville, **Quick Quack** is the fourth-largest car wash company in the nation. The organization recently expanded its headquarters by locating its manufacturing operations in Roseville. This move brings more software and hardware engineering roles to the City, with more jobs planned as the business continues to expand.

Medical device company, **Penumbra**, is another growing company that recently expanded to 850 Roseville employees. They are part of the region's thriving life sciences sector.

In 2022, the entrepreneur center, **Roseville Venture Lab**, launched in Downtown Roseville to strengthen the local startup business environment and spur job growth. Operated in partnership with the nonprofit Growth Factory, Roseville Venture Lab fosters a community of entrepreneurs and small businesses through targeted programs, community partnerships, workforce development, and events. Since opening, more than 1,000 visitors have participated in Venture Lab activities. In its inaugural cohort, **Roseville Rising** helped 11 local early-stage startups hone their business strategy and accelerate their growth. A high school version of the program is in progress, and it is inspiring 25 students to pursue future opportunities in entrepreneurship. The program will culminate in a business pitch showcase to family, friends, and community.

The Roseville Area Chamber of Commerce, in collaboration with the City of Roseville, introduced **Talent Pipeline Management** to bring together business, education, and community partners to address and sustain our area's changing workforce needs.

The City remains a destination for visitors outside the region. Shoppers and diners can look forward to **Roseville Junction**, an entertainment and hospitality venue slated for 290 Conference Center Drive. It will include Electric Pickle, Fieldwork Brewing, an indoor-outdoor bar and restaurant, a lawn for live music and outdoor gatherings, and several hotels, including boutique accommodations.

Costco has submitted entitlement applications to develop a new 160,529 square-foot warehouse along with a fuel station and car wash located at the northwest corner of Baseline and Fiddymont Road.

Investments in Downtown Roseville continue with the reuse of the former Consolidated Communications offices at **200 Vernon St**. The 40,000 square-foot building is undergoing redevelopment into office and retail/restaurant spaces, as well as residential units.

129 Vernon is a four-story new construction project with residential units and approximately 4,000 square feet of restaurant space.

Roseville has begun generating revenue for the General Fund from two **digital billboards**, one on southbound Highway 65 and another on westbound Interstate 80.

Driven by public engagement, the **Commercial Corridors Project** developed three specific plans to generate commercial reinvestment, redevelopment, and housing, and has set the stage for streetscape beautification for the

City Manager's Budget Message

Douglas-Harding, Douglas-Sunrise, and Atlantic Street Specific Plans.

Medical services continue to expand to meet growing needs. **Kaiser** Roseville's campus broke ground on a \$298.6 million new six-story patient tower, which is anticipated to open in 2027. The project will add 138 inpatient beds, expand the emergency department, and include six new operating rooms, a new pharmacy, and an imaging department. These improvements will make Kaiser Roseville the largest hospital in Placer County. Sutter Health also launched residency and fellowship programs to help California's physician shortage by retaining qualified professionals locally. A new four-story office building will house the program. Constructed in two phases, the building will add 100,000 square feet.

Roseville has been named 18th among the top 100 **economic growth cities** in America in a recent study by SmartAsset. Strong business and housing growth fueled Roseville's ranking. During the last five years, the community saw more than 12 percent growth in the number of businesses, a 14 percent rise in population, and an 18 percent increase in much-needed housing units.

People and businesses from around California and the country continue to find Roseville a **desirable place to locate**. According to U-Haul, Roseville had the second-highest net gain of one-way truck trips in the U.S. in 2022.

Cost of living, physical and mental health, and overall quality of life are some of the many reasons Roseville ranks 7th in the United States as a city with the **happiest residents**, according to a study by SmartAsset.com.

Subdivisions in Sierra Vista, Fiddymment Ranch, Amoruso, and Creekview continue to generate demand for **single-family home permits**. Seven hundred and five were issued through the third quarter of FY2022-23. The annual yearly projection is an average of 900 permits. Roseville saw \$584 million in **construction valuation** last fiscal year, up from \$515 million the previous year.

Construction is underway on **Junction Crossing**, an 80-unit affordable apartment building in Historic Old Town on Pacific Street. It's made possible by a partnership between the City of Roseville and St. Anton Communities, involving city-owned property and \$4.36 million in affordable housing funds.

The **Local Housing Trust Fund** is providing \$7.5 million in support of three affordable housing developments. This state program provides matching funds to support affordable housing demands. **Prospera at Fiddymment**

Ranch is under construction. It will add 94 apartment units for people making 30 percent to 80 percent of the area median income. Bridge Housing's Royer Apartments at 505 Royer St. will have up to 55 affordable units dedicated to seniors. Mercy Housing Services is building up to 98 units at 1721 Pleasant Grove Blvd.

Affordable, or workforce, housing projects in Roseville will be easier for private developers to fund and build in the future with the City of Roseville's earning of the **Prohousing designation** from the California Department of Housing and Community Development. The designation makes private affordable housing projects planned in Roseville much more competitive for limited state and federal funding and could accelerate the timeline for future projects.

Strong outlook

Development activity remains heightened in most sectors despite economic uncertainty. At the close of FY2022-23, single-family residential home production is expected to finish slightly higher than the City's historical annual average of 900 permits as new subdivisions in the Sierra Vista, Fiddymment Ranch, Creekview, and Amoruso plan areas continue to come online.

Persistent inflationary pressures continue to affect the costs of materials, and the availability of construction-related commodities such as ductile iron pipe, fittings, and electrical transformers remain stymied by entrenched supply chain issues. Despite the instability of the interest rate environment, builders indicate that the market is adjusting and demand for new homes is rising beyond initial expectations. Projections for FY2023-24 indicate a return to a more normal pace for single-family home and new commercial construction. Conversely, the pace of apartment construction - particularly affordable housing - is expected to accelerate significantly, with nearly 3,000 units in the building permit pipeline. Citywide, more than 6,500 single- and multi-family residential units are currently approved for development.

According to the City's Economic Development Department's late 2022 demographics, the Roseville/Rocklin area is seeing healthy industrial demand, with space 99 percent filled. Even with fluctuations surrounding in-person work, the office sector is 88.7 percent filled, and retail space showed a strong 95.7 percent occupancy.

Roseville's top five employers remain Sutter Health, Kaiser Permanente, Adventist Health, Pride Industries, and City of Roseville.

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The City shows strong employment numbers, with more than 100,000 jobs and an unemployment rate of 3.6 percent in March 2023, among the lowest in California, according to the latest statistics available from California's Employment Development Department.

Looking Ahead

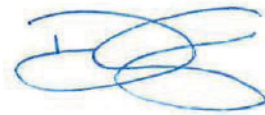
Our City continues to assess changing circumstances and be prepared for the effects they may have on our ability to deliver services.

While much remains out of our control, we have a strong grip on what we do control. Sound, conservative financial planning is at the core of our budget development efforts. This approach puts the City in a position of strength that allows us to weather storms and leverage the opportunities that emerge.

Our residents and businesses have been valuable partners in this ongoing quest, as have the great people we have on staff who play an undeniable role in our City's success. We have a multi-faceted opportunity to refocus on our organizational culture. Between

retirements and a competitive labor market with candidates with new expectations, we are reinvigorating the culture that draws high performers to our organization. As an employer of choice, we will remain open to new ways to support our employees' success so we can continue to ensure the kind of quality of life our community values so deeply.

While one of the constants in life is change, we know that uncertainty is change's close companion. Our resiliency lies in our preparation for uncertain times. Roseville will effectively forge new paths to remain ready to deal with whatever else may lie ahead.



Dominick Casey
City Manager



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