



# Second Quarter Report Fiscal Year 2020-21

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## Overview

This financial report provides an overview of the City's financial position through the second quarter of the fiscal year (FY) 2020-21 (July 1, 2020, through December 31, 2020) for (1) the General Fund, (2) the major enterprise operating funds, and (3) revenues in other selected funds.

The COVID-19 pandemic continued to have wide-ranging impacts on the economy, including unemployment and reduced retail sales and hotel occupancy during the second quarter due to business closures and stay-at-home orders, which had a direct correlation to the City's significant General Fund tax revenues (sales and transient occupancy taxes). The pandemic also continued to affect revenue and expenses of programs in other City funds, including the utilities, transit, and youth development, through the end of the second quarter of FY2020-21.

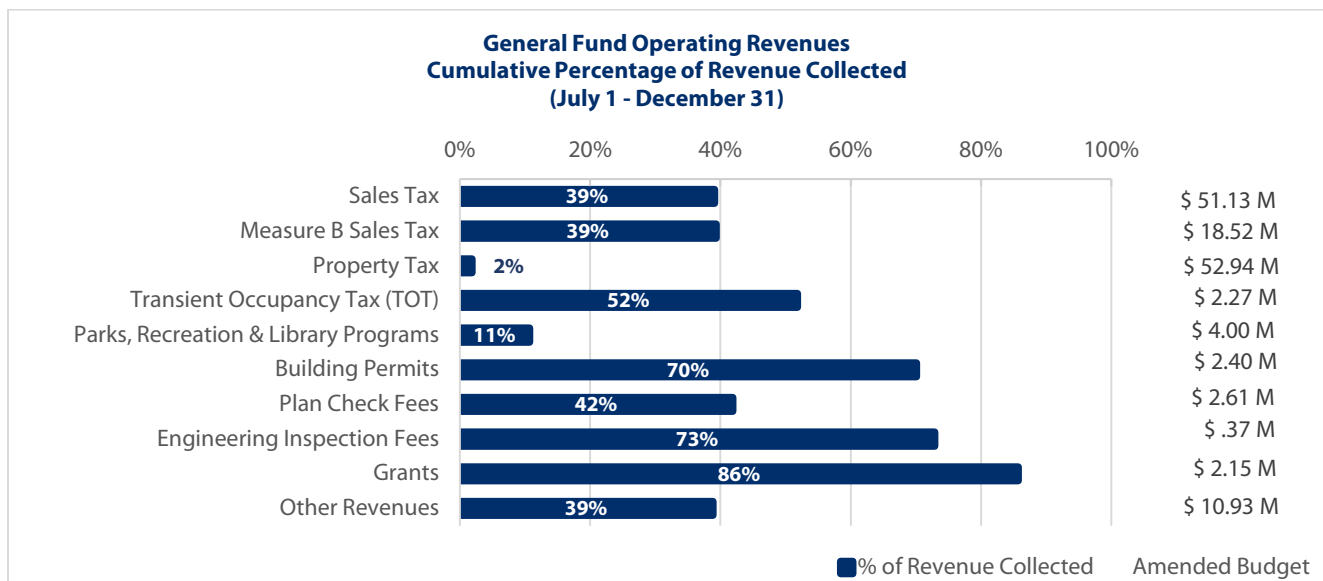
The following factors should be taken into considerations when analyzing second-quarter data:

- Property tax revenue is received in mid-January and mid-May.
- Sales tax revenue is derived from taxable sales through October 2020.
- Some significant costs are incurred upfront (for example, CalPERS payments and some contracts) with variances smoothing out over the fiscal year.

## General Fund: Operating Revenues

The following table includes cumulative General Fund operating revenue through the second quarter and a revenue budget to actual comparison for FY2020-21.

Revenue Type	Budget to Cumulative Revenue Comparison (July 1 – December 31)			
	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget
Sales Tax	\$ 51,132,950	\$ 19,981,046	\$ (31,151,904)	39%
Measure B Sales Tax	18,522,600	7,287,976	(11,234,624)	39%
Property Tax	52,939,300	997,966	(51,941,334)	2%
Transient Occupancy Tax (TOT)	2,265,000	1,173,408	(1,091,592)	52%
Parks, Recreation & Library Programs	3,996,275	427,697	(3,568,578)	11%
Building Permits	2,400,000	1,681,719	(718,281)	70%
Building Plan Check Fees	2,606,322	1,092,317	(1,514,005)	42%
Engineering Fees	368,000	268,289	(99,711)	73%
Grants	2,148,213	1,841,730	(306,483)	86%
Other Revenues	10,931,460	4,244,779	(6,686,681)	39%
<b>Total</b>	<b>\$ 147,310,120</b>	<b>\$ 38,996,927</b>	<b>\$ (108,313,193)</b>	<b>26%</b>



General Fund operating revenues are at 26 percent of the budget through the second quarter of the current fiscal year, primarily due to the timing associated with receiving some of the more significant revenue sources. For instance, property tax is the second largest General Fund revenue source, but most of this funding is received in the third and fourth quarters of the fiscal year. Another contributing factor for this variance is the impact of COVID-19 on General Fund revenues. For example, the City experienced a decrease in revenues due to suspended and restricted Parks, Recreation & Library programming, and the

Passport Center was open at limited capacity through December 10th and then closed for the remainder of the month. The following is an explanation of the notable variances:

- Property tax revenues are at 2 percent of revenues, or \$998,000, as of the end of the second quarter. As mentioned above, the low level of revenue received to date is because the City receives most of this funding in the third and fourth quarters of the fiscal year. As of March 2021, the City has received \$30.76 million in property tax revenues. Based on the information provided by the County Assessor and the City's property tax consultant, staff anticipates that this revenue stream will exceed year-end estimates by approximately \$2 million.
- Sales tax and Measure B revenues are at 39 percent budget, or \$19.98 million and \$7.29, respectively, as of the end of the second quarter. Sales tax revenue is collected and distributed to the City by the California Department of Tax and Fee Administration. Sales tax revenue received by the City through the second quarter is derived from taxable sales through October 2020. When developing the FY2020-21 budget, staff adjusted the revenue budgets in both of these categories downward significantly due to anticipated reduction in consumer spending caused by the pandemic. As of the City's sales tax consultant's latest sales tax data and analysis, these revenues are trending higher than anticipated. They are currently forecasted to end the year at \$57.38 million and \$20.55 million, or \$6.25 million and \$2.02 million above budget, respectfully. The greater than anticipated sales tax revenues are primarily due to strong internet and auto sales. It is worth noting that despite the expected positive fiscal year-end results, sales tax revenues are still down by 3.8 percent when comparing the calendar year 2020 results to the calendar year 2021 results.

For additional sales tax information, the City's sales tax consultant has prepared a quarterly report through December 2020, or the 4th quarter of the calendar year 2020. The report is attached to the end of this report. It provides a list of the top 25 sales tax remitters, a summary of cash receipts, and sales tax data by economic category.

- Parks, Recreation & Libraries (PRL) Department revenues are at 11 percent of budget due to halting adult and senior sports and programs, closing facilities and fields, canceling events, as well as limiting the capacity at youth, fitness, and aquatics programs. The PRL Department anticipates offsetting a portion of the shortfall with expenditure savings from materials, services, supplies, and vacancies.
- Building permit revenues and engineering fees are trending higher than the budget due to the City's development activity level. Building plan check revenues are under budget as of the second quarter, but staff anticipates increased revenues in this category during the last half of the year due to a large number of projects moving from the engineering to the building plan check phase of the development process. Staff anticipate that revenues will exceed budget in each of these revenue categories by the end of the fiscal year.

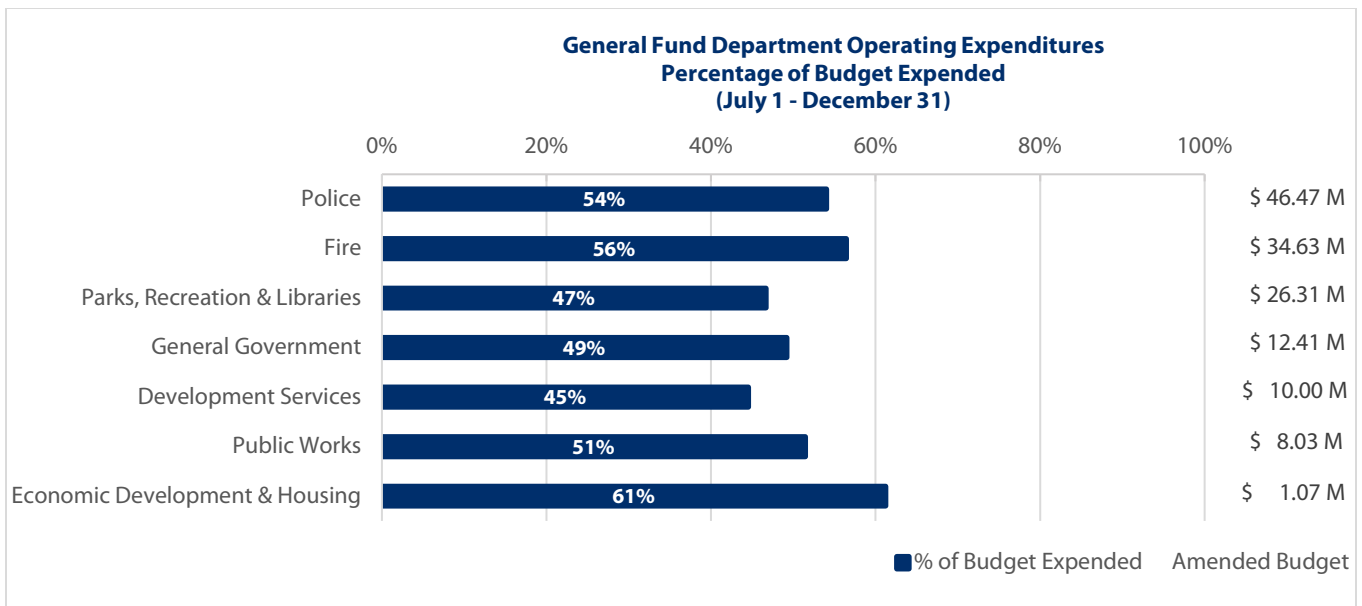
- Grant revenues include \$1.8 million in federal Coronavirus Aid Relief and Economic Security (CARES) Act funding approved by the City Council on November 11, 2020. This funding reimbursed the City for eligible public safety payroll costs incurred in FY2019-20 due to the COVID-19 pandemic.
- Other revenues include reimbursements from the State, development reimbursement activity, business license tax, rental payments, animal licensing, as well as passport and LiveScan background, permit, franchise, and other fees. As of the end of the second quarter, the City had received approximately \$4.2 million or 39 percent of estimated revenue. Although the percentage of other revenue collected through the second quarter is consistent with prior years, some categories are down such as passport center fees while other categories are offsetting those reductions.

## General Fund: Operating Expenditures

The following table includes cumulative second quarter expenditure comparisons for General Fund departments for FY2020-21.

Department	Budget to Cumulative Expenditure Comparison (July 1 – December 31)			
	Amended Budget	Cumulative Expenditures	Balance Remaining	% of Budget
<b>Police</b>	\$ 46,468,013	\$ 25,114,588	\$ 21,353,425	54%
<b>Fire</b>	34,633,834	19,552,795	15,081,039	56%
<b>Parks, Recreation &amp; Libraries</b>	26,310,348	12,281,246	14,029,102	47%
<b>General Government*</b>	12,410,929	6,105,298	6,305,631	49%
<b>Development Services</b>	10,001,714	4,455,955	5,545,759	45%
<b>Public Works</b>	8,034,419	4,134,925	3,899,494	51%
<b>Economic Development &amp; Housing</b>	1,072,070	656,399	415,671	61%
<b>Total</b>	<b>\$ 138,931,327</b>	<b>\$ 72,301,206</b>	<b>\$ 66,630,121</b>	<b>52%</b>

\*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.



Compared to budget, General Fund expenditures are on target at 52 percent through the first six months. The slightly higher spending rate (52 percent versus 50 percent of the year elapsed) is primarily due to upfront contributions to CalPERS. This level of spending is similar to FY2019-20 at 53 percent.

Expenditures in the Police Department are higher than the prior year at 53 percent in FY2020-21 compared to 52 percent in FY2019-20. This increased spending can be attributed to COVID-19 and overtime due to the civil unrest in the region through the summer and fall. The Police Department anticipates ending the fiscal year under budget due to cost savings from vacant positions.

Fire Department expenditures are trending higher than budget due to mutual aid provided to fight regional wildfires, additional overtime required to conduct a training academy, and inadequate funding for certification pay. Staff will continue to monitor the Fire Department's budget for the remainder of the year and return to City Council with a budget adjustment to recognize revenues associated with mutual aid reimbursements and ensure the Department will not end the year over budget.

PRL expenditures are at 47 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, this savings will partially offset anticipated revenue shortages due to limited PRL programming.

Economic Development and Housing expenditures are higher than average at 61 percent due to the upfront payment to CalPERS and annual membership contributions to economic development.

# Enterprise Funds: Operating Revenues and Expenditures

## Revenues

At the end of the second quarter, operating revenues for the Electric Utility are tracking at 55 percent of budget due to increased retail sales associated with stronger than expected customer usage and the heatwave last fall.

	Budget to Cumulative Revenue Comparison (July 1 – December 31)			
	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget
<b>Electric Operations</b>	\$ 153,866,890	\$ 85,337,473	\$ (68,529,417)	55%
<b>Water Operations</b>	34,888,164	19,315,034	(15,573,130)	55%
<b>Wastewater Operations</b>	41,845,013	18,904,956	(22,940,057)	45%
<b>Waste Services Operations</b>	27,915,463	13,544,552	(14,370,911)	49%
<b>Transit</b>	6,428,996	117,785	(6,311,211)	2%
<b>Transportation</b>	1,743,857	23,030	(1,720,827)	1%
<b>Youth Development</b>	8,082,169	1,458,623	(6,623,546)	18%

Water operating revenue is tracking higher than expected due to increased residential water usage while many Roseville residents are still working and learning from home. With this trend likely continuing through June, the water utility expects to end the year with revenues higher than budgeted.

Wastewater revenue is tracking lower than expected due to the timing of expense reimbursements from regional partners. The Department anticipates receiving these reimbursements during the third and fourth quarters.

In the Transit Fund, losses in passenger fares continued through the second quarter of FY2020-21 due to low ridership resulting from COVID-19. The CARES Act included \$1.8 million in Federal Transit Administration (FTA) funds for Roseville Transit in FY2020-21 to help offset the impact of reduced passenger fares. The balance of Transit revenue will be realized in the last two quarters of the fiscal year. Staff anticipate that revenues in the Transit Fund will come in on budget by year-end.

Similar to Transit, the Transportation Fund receives a majority of revenue in the last two quarters of the fiscal year and revenues in this fund will come in on budget by year-end.

Revenues in the Youth Development Fund continue trending below budget at only 18 percent collection through the second quarter of the fiscal year. Adventure Club enrollment is currently only at one-third of pre-pandemic enrollment. Factors contributing to the reduced revenues include guidelines established for childcare services that require a lower staff to student ratio than pre-COVID, hybrid and modified school schedules, and parents continuing working from home. The Youth Development Fund is expected to end the year with a significant shortfall. Staff are exploring all potential resources available to help offset the financial impacts, including federal stimulus funding, and will return to City Council with available options.

## Expenditures

	Budget to Cumulative Expenditure Comparison (July 1 – December 31)			
	Amended Budget	Cumulative Expenditures	Balance Remaining	% of Budget
Electric Operations	\$ 129,080,205	\$ 58,291,914	\$ 70,788,291	45%
Water Operations	32,199,459	14,484,317	17,715,142	45%
Wastewater Operations	45,672,346	20,679,194	24,993,152	45%
Waste Services Operations	29,694,708	12,942,740	16,751,968	44%
Transit	6,330,986	2,516,352	3,814,634	40%
Transportation	1,736,768	627,018	1,109,750	36%
Youth Development	7,750,324	3,144,996	4,605,328	41%

Operating expenditures for the Enterprise Funds are expected to end the year on or under budget due to reduced operating costs, vacancies, and expense controls on materials,

services and supplies.

Electric expenditures are tracking at 45 percent of the budget due to salary, training and travel savings, and the timing of some expenses.

Expenditures in the Environmental Utilities are lower than expected due to remaining COVID-related limitations to operational plans, including travel and training.

Lower expenditures in the Transit Fund are due to vacancies and reduced costs due to COVID-related operational adjustments. The 14 percent variance in the Transportation Fund, from the 50 percent consumption mark, resulted from crossing guards not working due to COVID-related school closures.

The Youth Development Fund expenditures are tracking lower than budget due to the measures taken to reduce operational costs to mitigate the effects of the pandemic on this fund, including modified staffing plans and cost-sharing with Roseville School District. These savings will partially offset the impact of the anticipated year-end revenue shortfall in this fund. As mentioned earlier in this report, staff will return to City Council with recommendations on how to address the anticipated year-end deficit in this fund.

## Other Revenue

The following table shows revenues in the Fire Facilities, Public Facilities, and the Strategic Improvement Funds through the second quarter of FY2019-20 and FY2020-21.

	Budget to Cumulative Revenue Comparison (July 1 – December 31)				
	FY2019-20 Actual	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget
Fire Facilities	\$ 735,727	\$ 1,249,161	\$ 1,242,056	\$ (7,105)	99%
Public Facilities	1,650,911	3,222,956	3,285,974	63,018	102%
Strategic Improvement	664,980	2,839,616	2,687,357	(152,259)	95%

The revenue estimates for these three funds are generally based on a multi-year trend analysis of forecasted single-family, multi-family, commercial development, and prior-year revenue collections. When developing the FY2020-21 budget, staff reduced the revenue estimates in these funds based on the



anticipated impacts of COVID-19 on development. Through the second quarter of FY2020-21, development activity in the City has been much stronger than anticipated. Also, after the approval of the FY2020-21 budget, the revenue estimate in the Strategic Improvement Fund was increased by \$1.6 million to \$2.8 million due to the sale of surplus property. Revenues in the Public Facilities Fund have exceeded estimates as of the second quarter, and revenues in the Fire Facilities and Public Facilities Funds are anticipated to exceed estimates by year-end.



## Quarterly Report on Sales Tax and Business Activity

### Top 25 Sales Tax Remitters

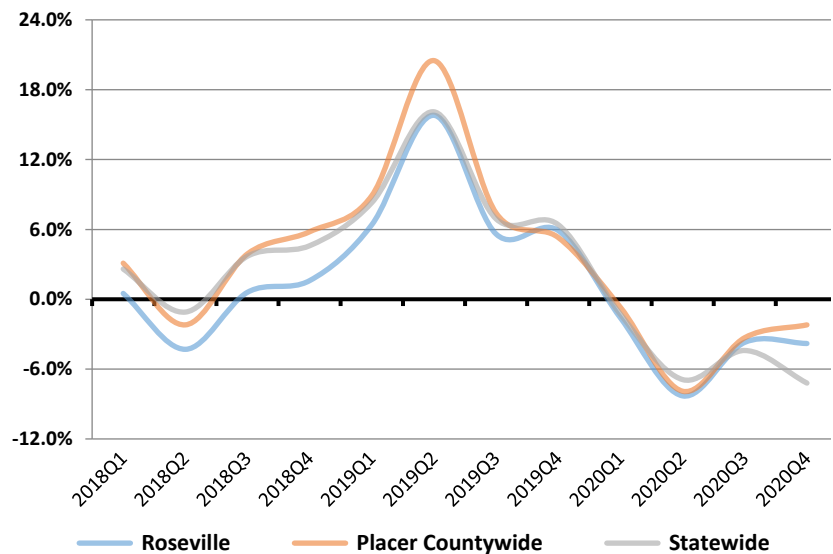
- ARCO AM/PM MINI MARTS
- AUTONATION CHRYSLER DODGE JEEP RAM ROSEVILLE
- AUTONATION HONDA
- BMW OF ROSEVILLE
- CAMPING WORLD RV SALES
- CARMAX AUTO SUPERSTORES
- COSTCO WHOLESALE
- ENTERPRISE RENT-A-CAR
- FUTURE FORD
- FUTURE NISSAN
- GMC RELIABLE
- HOME DEPOT
- JOHN L SULLIVAN CHEVROLET
- JOHN L. SULLIVAN'S ROSEVILLE KIA
- LEXUS OF ROSEVILLE
- LOWE'S HOME CENTERS
- MCKESSON MEDICAL -SURGICAL
- NIELLO ACURA
- ROSEVILLE HYUNDAI
- ROSEVILLE TOYOTA & SCION
- SAFEWAY STORES
- SAM'S CLUB
- TARGET STORES
- VANDERBEEK MOTORS
- WAL MART STORES

### 4th Quarter 2020 in Review

California sales tax cash receipts decreased by 5.4% from the same quarter last year. In this jurisdiction sales tax cash receipts increased by 4.1% from the same quarter last year due to an increase of \$60,452,000 in Taxable Sales.

Cash Receipts	Quarter	Annual
<b>Roseville</b>	4.1%	-3.8%
<b>Placer Countywide Pool</b>	46.3%	40.7%
<b>Placer Countywide</b>	6.7%	-2.2%
<b>Sacramento Valley Region</b>	-0.7%	-0.8%
<b>Statewide</b>	-5.4%	-7.2%

### Annualized Percent Change in Sales Tax Cash Receipts



### Business Activity (economic basis)

	Roseville		Sacramento Valley		California	
	Quarter	Annual	Quarter	Annual	Quarter	Annual
General Retail (e.g. dept. stores, misc. retail)	-8.0%	-17.8%	-6.6%	-6.9%	-17.3%	-16.9%
Food Products (e.g. markets and restaurants)	-9.3%	-11.7%	-14.9%	-15.2%	-29.2%	-26.3%
Transportation (e.g. new & used autos, gas stations)	5.3%	-2.7%	-4.5%	-7.2%	-18.2%	-17.5%
Construction (e.g. retail & wholesale construction)	7.3%	11.8%	-2.2%	2.1%	-4.0%	-0.8%
Business To Business (i.e. IT, industrial equip. etc.)	8.2%	-13.5%	-3.1%	-4.9%	-14.3%	-13.5%
<b>TOTAL LOCAL BUSINESS ACTIVITY (economic basis)</b>	<b>-1.1%</b>	<b>-9.3%</b>	<b>-6.7%</b>	<b>-7.2%</b>	<b>-18.5%</b>	<b>-17.0%</b>
<b>COUNTYWIDE POOL ACTIVITY (cash basis)</b>	<b>42.7%</b>	<b>38.3%</b>	<b>33.2%</b>	<b>32.0%</b>	<b>24.8%</b>	<b>26.3%</b>



## News

- Economic Activity:** As a result of the COVID-19 pandemic, U.S. real GDP fell by 3.5% in 2020, the largest decrease in modern history, after increasing 2.2% in 2019. Spending on services (accounting for approximately 45% of GDP in 2019), decreased by 7.3%, more than offsetting the increase of 3.9% in goods spending (accounting for roughly a quarter of GDP). (CDTFA Finance Bulletin, February 2021)
- Employment:** California’s unemployment rate averaged 10.2% in 2020 following 4.1% in 2019. California civilian employment decreased by a record 1.6 million or 8.6% in 2020 after increasing by 0.9% in 2019. U.S. civilian employment decreased by 9.7 million or 6.2% in 2020, following an increase of 1.1% in 2019. (CDTFA Finance Bulletin, February 2021)
- Personal Income:** U.S. personal income increased by 6.3% in 2020, after a 3.9% growth in 2019. The increase in personal income for the year ending 2020, was due to the surge of government social benefits to persons by \$1.5 Trillion dollars in the second quarter of 2020. (BEA)

## Roseville

### Annual Per Capita Sales Tax

Adjusted for Inflation  
(Constant 2016 \$)

