



Fiscal Year 2022-23 Second Quarter Report

Second Quarter Report Fiscal Year 2022-23



Overview

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

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

Considerations

General Fund revenues through the second 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 slightly under budget by \$1.5 million. Based on the most recent estimates from the County Assessor and Auditor-Controller, property tax revenues are forecast to end the year above the budget estimate by \$1.7 million. With the passage of Measure C in November 2022, the City's transient occupancy tax (TOT), also known as hotel tax, is forecasted to exceed the budget estimate by approximately \$1.6 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 second quarter are 25 percent of the budget. 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 second 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:

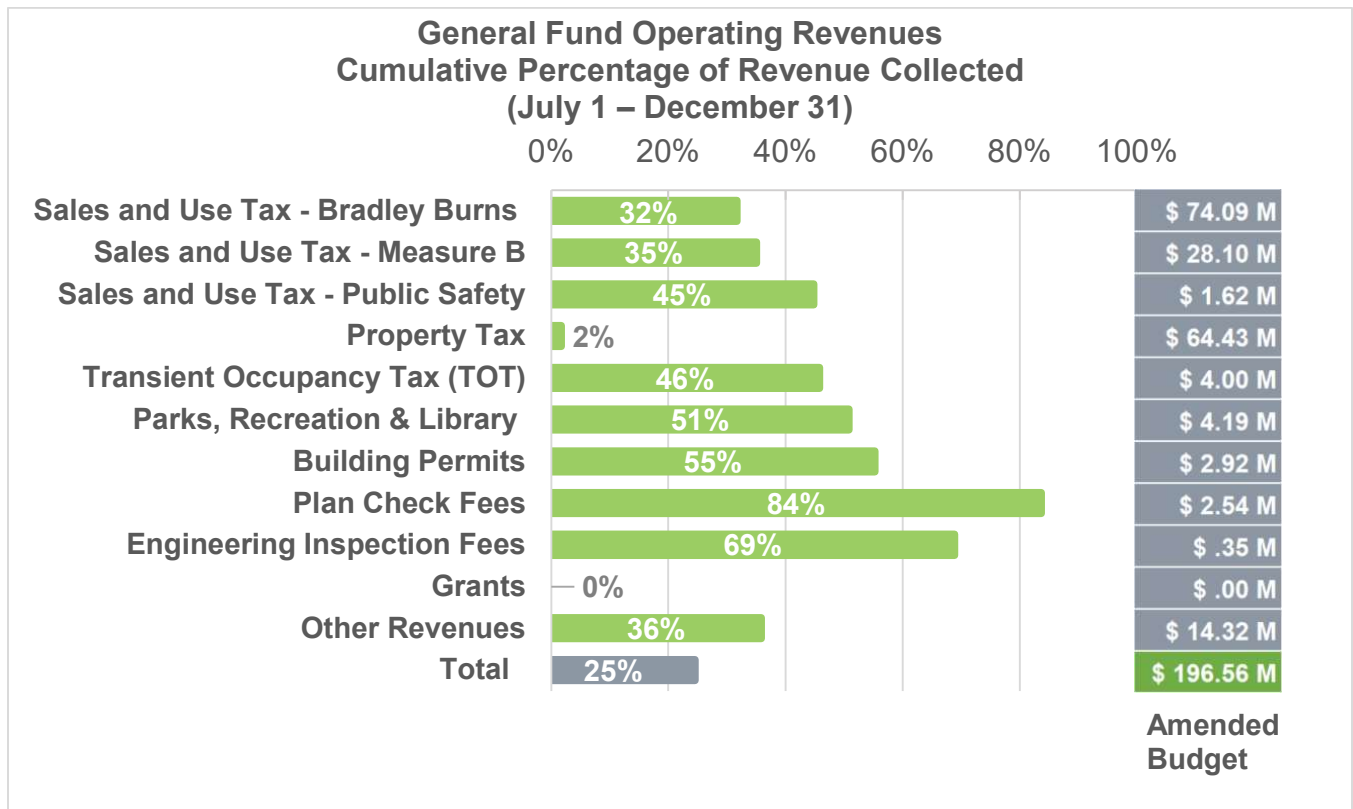
Sales and Use Tax is the largest General Fund revenue source. The City only receives four months of sales tax revenues by the end of the second quarter of each fiscal year due to the California Department of Tax and Fee Administration (CDTFA) processing timelines. Second quarter revenues are derived from taxable sales through October 2022, received in December.

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 2 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 December for hotel stays through November; therefore, the following charts only reflect five months of TOT revenues collected before the Measure C increase was effective.

Budget to Cumulative Revenue Comparison

Revenue Type	Budget to Cumulative Revenue Comparison (July 1 – December 31)			
	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget Collected
Sales and Use Tax - Bradley Burns	\$ 74,091,000	\$ 23,479,562	\$ (50,611,438)	32%
Sales and Use Tax - Measure B	28,100,000	9,840,473	(18,259,527)	35%
Sales and Use Tax - State Aid for Public Safety	1,622,000	726,652	(895,348)	45%
Property Tax	64,429,000	1,112,727	(63,316,273)	2%
Transient Occupancy Tax (TOT)	4,000,000	1,831,183	(2,168,817)	46%
Parks, Recreation & Library Programs	4,188,040	2,129,237	(2,058,803)	51%
Building Permits	2,920,836	1,614,095	(1,306,741)	55%
Plan Check Fees	2,537,000	2,122,583	(414,417)	84%
Engineering Inspection Fees	353,196	243,165	(110,031)	69%
Grants	-	33,590	33,590	0%
Other Revenues	14,316,957	5,136,982	(9,179,975)	36%
Total	\$196,558,029	\$ 48,270,249	\$(148,287,780)	25%



Bradley Burns and Measure B Sales Tax

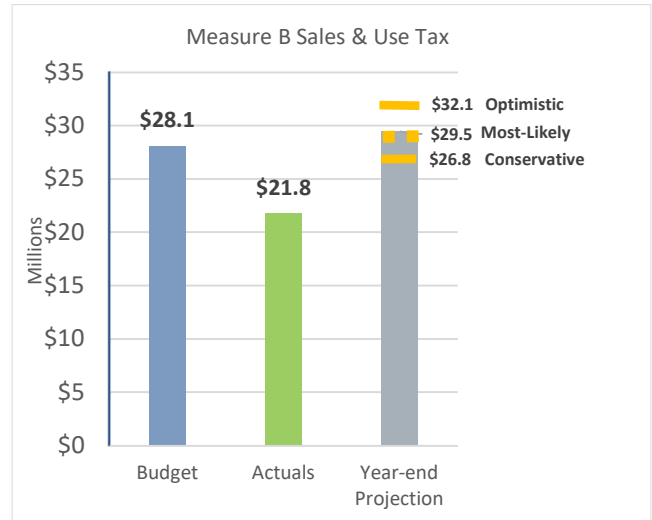
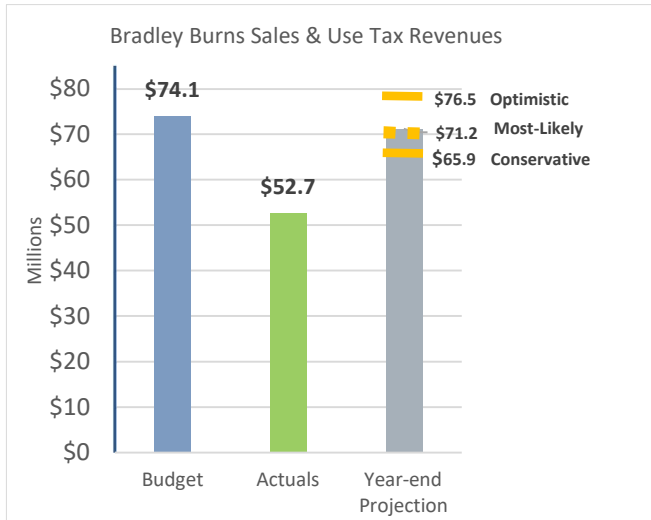
The City's Bradley Burns and Measure B sales and use tax revenues collected through the second quarter are 32 percent and 35 percent of the budget estimates, respectively. Sales tax revenue received through the second quarter is derived from taxable sales through October 2022.

To date, the City has received Bradley Burns and Measure B sales tax distributions from taxable sales through March. These amounts total \$52,724,607 in Bradley Burns sales tax and \$21,785,847 in Measure B sales tax. Fortunately, when developing the FY2022-23 budget, staff estimated that sales and use tax would end the year between the City sales tax consultant's conservative and most-likely estimates. The latest sales tax data indicate more slowing in sales and use tax growth than anticipated, which has resulted in our consultant shifting their estimates lower. 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 in 2023. The consultant's adjustment in the forecast indicates that Bradley Burns may end the year under the budget estimate by \$2.9 million, and Measure B may end the year above the estimate by \$1.4 million, for a projected net shortfall in sales tax revenue of just under \$1.5 million. The following charts show the consultant's latest conservative, most likely, and optimistic scenarios and a budget versus forecast comparison.

Updated Consultant Forecast	Conservative	Most-Likely	Optimistic
Sales and Use Tax - Bradley Burns	\$ 65,957,800	\$ 71,228,752	\$ 76,499,700
Sales and Use Tax - Measure B	26,824,100	29,477,064	32,130,000
Total	\$ 92,781,900	\$ 100,705,816	\$ 108,629,700

Budget Versus Updated Forecast	Budget	Most-Likely	Variance
Sales and Use Tax - Bradley Burns	\$ 74,091,000	\$ 71,228,752	\$ (2,862,248)
Sales and Use Tax - Measure B	28,100,000	29,477,064	1,377,064
Total	\$ 102,191,000	\$ 100,705,816	\$ (1,485,184)

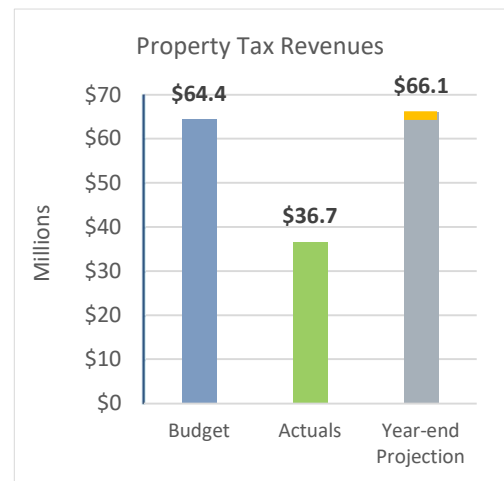
The graphs below show Bradley Burns and Measure B Sales and Use Tax revenues through the month of March as compared to budget and the updated year-end projection.



Additional Sales Tax Information: The City's sales tax consultant has prepared a Quarterly Report on Sales Tax and Business Activity. The report provides a list of the top 25 sales tax remitters, a summary of cash receipts, and sales tax data by economic category. A copy of the report is attached.

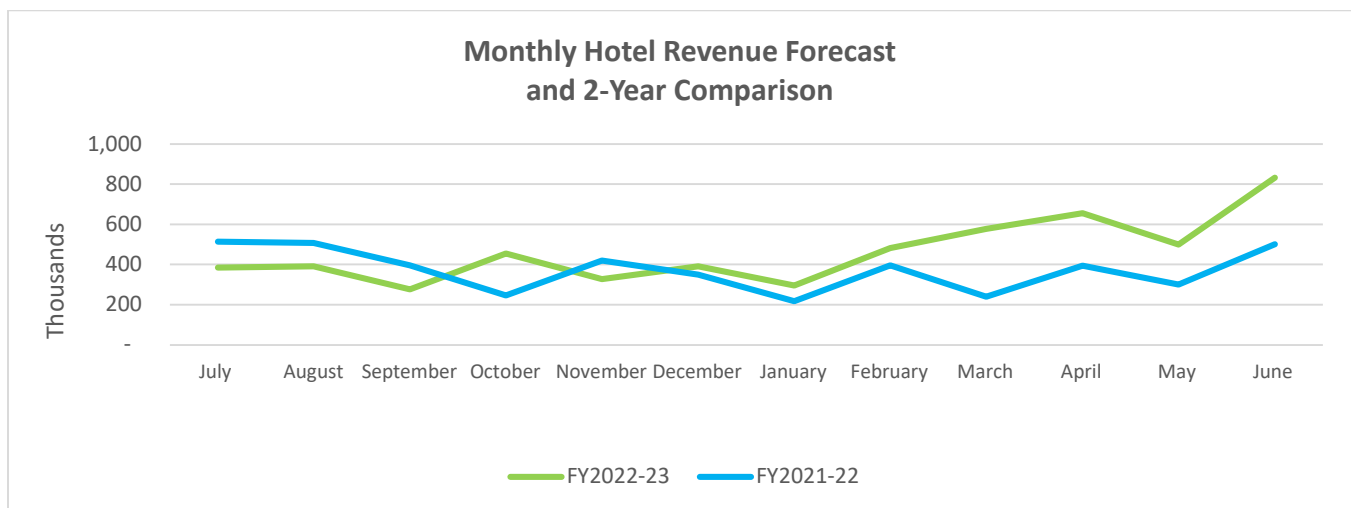
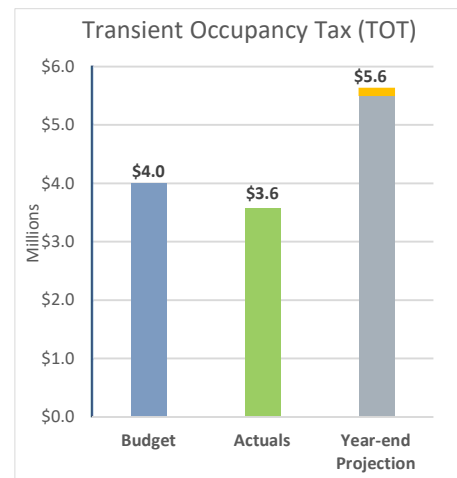
Secured, Unsecured, and Supplemental Property Tax

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. As of April 2023, the City has received \$36.7 million. Based on the information provided by the County Assessor and Auditor-Controller, and the City's property tax consultant, staff anticipates property tax collections of \$66 million, exceeding budget estimates by approximately \$1.7 million.



Transient Occupancy Tax (TOT)

Through the end of the second quarter, TOT revenues are at 46 percent of estimates (\$1.8 million for the months of July through November). TOT collected through March 2023 totals \$3.6 million, tracking 15 percent higher than budget estimates for the first nine months of the fiscal year. 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. Accounting for Measure C, and assuming current trends continue, staff project that the City will end the year at \$5.6 million (approximately \$1.6 million above estimates). The following graph shows monthly TOT revenues and projected results for FY2022-23 compared to hotel tax revenue received in FY2021-22.



Parks, Recreation & Library (PR&L) Programs

Parks, Recreation & Libraries (PRL) program revenues are slightly above 50 percent for the second quarter at 51 percent, as a result of PRL revenues fluctuating 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 trending higher than budget during the second quarter due to sustained increases in the City's development activity. Staff anticipates that overall revenues will remain higher than budgeted through the end of the fiscal year.

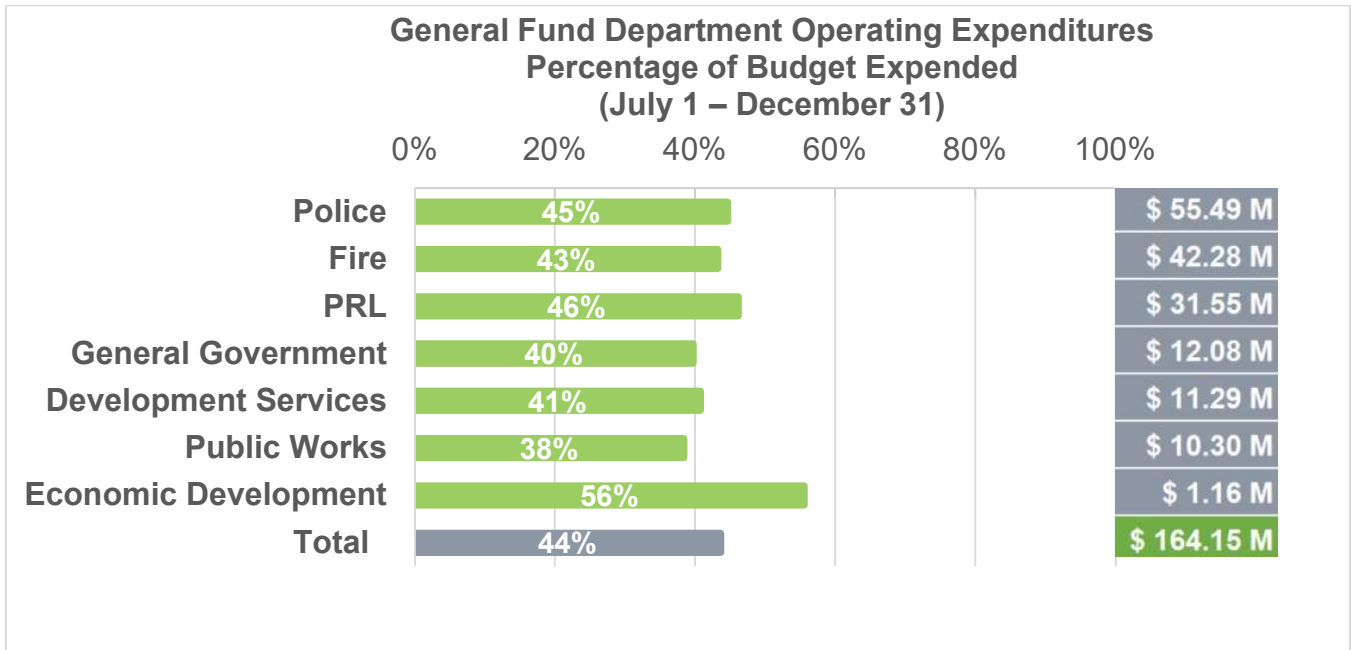
Other Revenues

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 second quarter, revenues in this category are tracking lower than target at 36 percent of budget estimates due to seasonality and timing of revenue collection. Revenues under this category are expected to be on budget by the end of the fiscal year.

General Fund: Operating Expenditures

Department	Budget to Cumulative Expenditure Comparison (July 1 – December 31)			
	Amended Budget	Cumulative Expenditures	Balance Remaining	% of Budget Expended
Police	\$ 55,485,587	\$ 24,776,448	\$ 30,709,139	45%
Fire	42,278,347	18,275,437	24,002,910	43%
Parks, Recreation & Libraries	31,549,551	14,564,237	16,985,314	46%
General Government⁽¹⁾	12,081,446	4,800,581	7,280,865	40%
Development Services	11,291,582	4,603,846	6,687,736	41%
Public Works	10,301,065	3,955,060	6,346,005	38%
Economic Development & Housing	1,158,171	643,465	514,706	56%
Total	\$ 164,145,749	\$ 71,619,074	\$ 92,526,675	44%

⁽¹⁾ General Government includes the following departments: City Council, City Manager's Office, City Attorney's Office, City Clerk, Finance, Public Affairs and Communications, and Human Resources.



General Fund expenditures are tracking below target compared to the budget at 44 percent through the first six months of the fiscal year. The slightly lower spending rate (44 percent versus 50 percent of the year elapsed) is primarily due to cost savings from vacant positions in Police; Fire; Parks, Recreation and Libraries; Development Services; Public Works; and other General Fund departments, and reduced spending levels for the first part of the fiscal year due to the timing of expenditures and supply chain delays.

The expenditure budget consumption for the Police and Fire Departments is below target at 45 percent and 43 percent, respectively. The Police Department experienced a high number of vacancies during the first quarter of the year. Due to the lengthy background check process for officers, the majority of vacant positions were not filled until after the second quarter. Fire expenditures are tracking lower than budget due to vacancies, timing of expenditures, and supply chain delays. The department expects to spend most of its expenditure budget by the end of the fiscal year.

Parks, Recreation, and Libraries Department (PRL) expenditures are at 46 percent of the budget through the second quarter primarily due to temporary and full-time position vacancies.

The lower than budget expenditure trend (41 percent of budget consumption) for Development Services is related to vacancies in the Building Inspection, Engineering, and Code Enforcement Divisions. Likewise, the Public Works department experienced salary savings due to vacancies through the end of the second quarter.

The Economic Development Department is tracking at 56 percent of the budget through the second quarter primarily due to membership and lease payments paid at the beginning of the fiscal year, and 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 (i.e., Housing Authority Housing Choice Voucher and Community Development Block Grant). Staff will process the necessary reimbursements to fully reimburse the General Fund by the end of the fiscal year.

Enterprise Funds: Operating Revenues and Expenditures

Revenues

Operating revenues in the Electric Fund through the second quarter are tracking slightly higher than budget due to increased retail sales attributable to stronger than expected customer usage during warmer than average temperatures. Waste Services revenues are slightly over budget target through the second quarter due to increased residential consumption and

	Budget to Cumulative Revenue Comparison (July 1 – December 31)			
	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget Collected
Electric Operations	\$ 178,187,911	\$ 92,958,011	\$ (85,229,900)	52%
Water Operations	39,641,469	20,014,828	(19,626,641)	50%
Wastewater Operations	51,090,495	22,768,069	(28,322,426)	45%
Waste Services Operations	37,209,039	19,481,896	(17,727,143)	52%
Transit	7,546,559	276,499	(7,270,060)	4%
Transportation	1,925,345	51,267	(1,874,078)	3%
Youth Development	9,699,997	4,921,897	(4,778,100)	51%

new development. Wastewater revenues are tracking low at 45 percent due to the timing of expense reimbursements from regional partners expected to be collected during the third and fourth quarters.

The larger budget to actual variances in the Transit and Transportation enterprise funds are due to the timing associated with their primary funding streams. The majority of their revenue is realized in the last two quarters 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 51 percent of the budget through the second quarter of the fiscal year. The \$4.9 million cumulative revenues include a \$1.8 million subsidy from the City’s allocation of American Rescue Plan Act (ARPA) funding. Without the subsidy, revenues in the Youth Development fund would be tracking at 32 percent of budget. Enrollment trends continue to improve; however, staff estimates that revenues will end the year below the budget target.

	Budget to Cumulative Expenditure Comparison (July 1 – December 31)			
	Amended Budget	Cumulative Expenditures	Balance Remaining	% of Budget Expended
Electric Operations	\$ 154,713,051	\$ 66,648,196	\$ 88,064,855	43%
Water Operations	37,846,414	14,830,128	23,016,286	39%
Wastewater Operations	49,552,662	22,250,382	27,302,280	45%
Waste Services Operations	38,205,760	15,758,036	22,447,724	41%
Transit	7,623,849	3,260,184	4,363,665	43%
Transportation	1,872,281	723,570	1,148,711	39%
Youth Development	9,139,196	3,347,454	5,791,742	37%

Expenditures

Operating expenditures for the Electric fund are under budget through the second 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. Environmental Utilities expenditures are tracking lower than budget due to vacancies and savings in professional services, training, and travel.

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.

Expenses for the Youth Development Fund are at 37 percent through the second 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 (SIF) through the second quarter of

	Budget to Cumulative Revenue Comparison (July 1 – December 31)				
	FY2021-22 Actual	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget Collected
Fire Facilities	\$ 1,094,436	\$ 1,967,226	\$ 789,067	\$ (1,178,159)	40%
Public Facilities	2,853,280	4,629,811	2,475,890	(2,153,921)	53%
Strategic Improvement	3,644,545	2,444,423	934,719	(1,509,704)	38%

FY2021-22 and FY2022-23. 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. Revenues for the Fire Facilities and Strategic Improvement Funds ended the second quarter under revenue estimates at 40 percent and 38 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. The SIF cumulative revenue 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

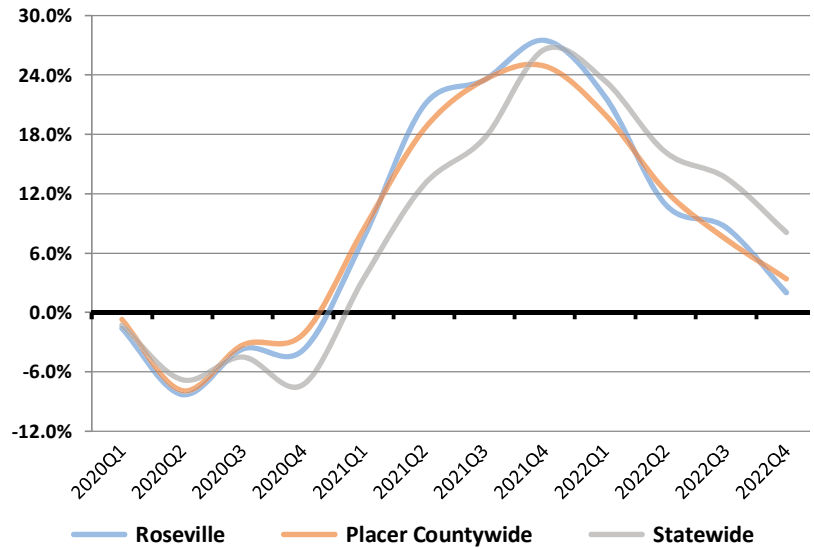
ARCO AM/PM MINI MARTS
 AUTONATION CHRYSLER DODGE JEEP RAM ROSEVILLE
 AUTONATION HONDA
 BMW OF ROSEVILLE
 CARMAX AUTO SUPERSTORES
 CHEVRON SERVICE STATIONS
 COSTCO WHOLESALE
 FUTURE FORD
 FUTURE NISSAN
 GMC RELIABLE
 HOME DEPOT
 JOHN L SULLIVAN CHEVROLET
 LEXUS OF ROSEVILLE
 MACY'S DEPARTMENT STORE
 MCKESSON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

4th Quarter 2022 in Review

California sales tax cash receipts increased by 3.1% from the same quarter last year. In this jurisdiction sales tax cash receipts decreased by 7.3% from the same quarter last year due to a decrease of \$136,398,000 in Taxable Sales.

Cash Receipts	Quarter	Annual
Roseville	-7.3%	2.0%
Placer Countywide Pool	-9.6%	1.0%
Placer Countywide	-3.1%	3.4%
Sacramento Valley Region	0.1%	5.4%
Statewide	3.1%	8.1%

Annualized Percent Change in Sales Tax Cash Receipts



Business Activity

General Retail
 Food Products
 Transportation
 Construction
 Business To Business
TOTAL LOCAL BUSINESS ACTIVITY
 COUNTYWIDE POOL ACTIVITY

Roseville		California	
Quarter	Annual	Quarter	Annual
0.5%	7.8%	-11.9%	-4.0%
10.0%	11.8%	-10.7%	2.1%
-12.7%	-1.3%	-7.7%	3.1%
3.6%	6.6%	-13.2%	-3.2%
6.3%	7.3%	-12.6%	-0.4%
-2.0%	4.7%	-10.9%	-0.5%
-13.5%	-0.5%	-4.8%	4.3%



News

- Economic Activity:** Real Gross Domestic Product (GDP) increased at an annual rate of 2.7% in the fourth quarter of 2022. U.S. inflation decelerated slightly to 7.1% in November of 2022, while California's headline inflation was 5.9% year over year as of November of 2022. California's headline inflation improved 160 basis points from last quarter's annual inflation rate of 7.5%. (DIR, BEA, BLS, December Finance Bulletin)
- Employment:** The U.S. unemployment rate remained unchanged at 3.7% from October 2022 to November of 2022. California's unemployment rate increased slightly to 4.1% in November of 2022, 0.1 percentage point higher than October of 2022 rate of 4.0%. (BLS, December Finance Bulletin)
- Personal Income:** U.S. personal income increased by 5.6% for the fourth quarter of 2022, compared to same quarter previous year. Personal consumption and expenditures increased by 7.5% , resulting in a 43.5% decrease in US personal savings for the fourth quarter of 2022, compared to same quarter previous year. (BEA)

Roseville

Annual Per Capita Sales Tax

Adjusted for Inflation
(Constant 2018 \$)

- General Retail
- Food Products
- Transportation
- Construction
- Business To Business
- Miscellaneous
- County Pool (Cash Basis)

