



Third 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 third quarter of the fiscal year (FY) 2020-21 (July 1, 2020, through March 31, 2021) for:

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

During this period, the COVID-19 pandemic continued to have wide-ranging impacts on the economy, including unemployment and reduced retail sales and hotel occupancy due to business closures, capacity restrictions, and stay-at-home orders. As detailed in this report, the pandemic's impact on some City revenue streams, such as the City's sales tax, has not been as significant as initially anticipated. However, the pandemic continued to affect revenue and expenses of some City programs, including the utilities, transit, recreation, and child care, through the end of the third quarter of FY2020-21. Additional details on the impact of COVID-19 on the FY2020-21 budget are included later in this report.

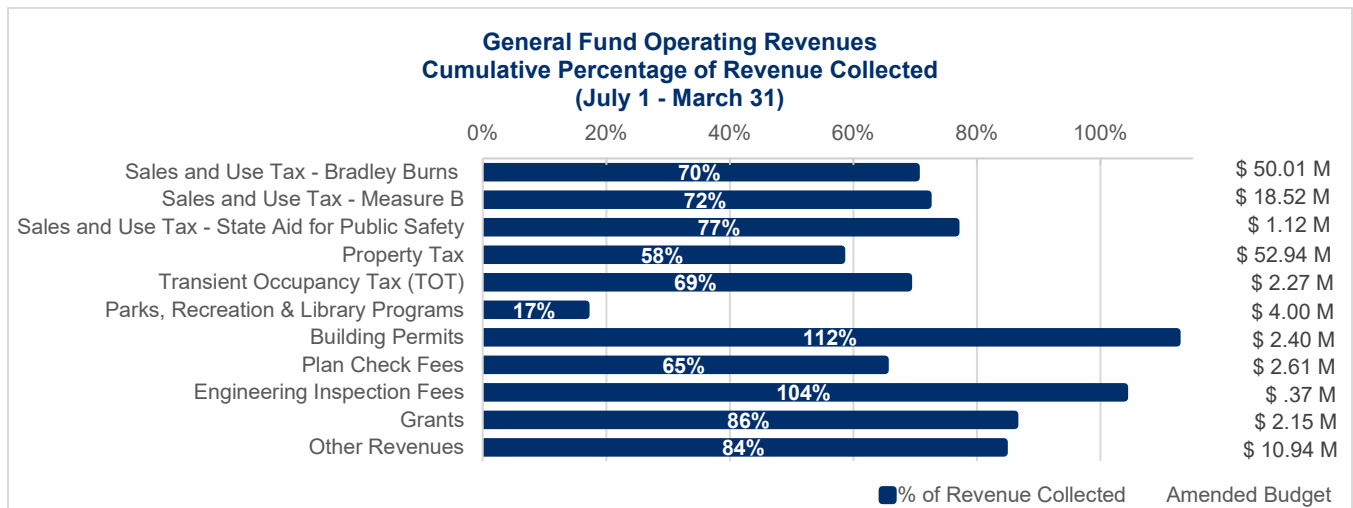
In addition, the following factors should be taken into considerations when analyzing third-quarter data:

- Property tax revenue is received in mid-January and mid-May.
- Sales tax revenue received through the 3rd quarter includes taxable sales through December 2020 and an estimated advance payment for January 2021 sales.
- 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 third quarter and a revenue budget to actual comparison for FY2020-21.

Revenue Type	Budget to Cumulative Revenue Comparison (July 1 – March 31)			
	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget
Sales and Use Tax – Bradley Burns	\$ 50,010,000	\$ 35,092,357	\$ (14,917,643)	70%
Sales and Use Tax – Measure B	18,522,600	13,351,595	(5,171,005)	72%
Sales and Use Tax – State Aid for Public Safety	1,122,950	859,834	(263,116)	77%
Property Tax	52,939,300	30,756,322	(22,182,978)	58%
Transient Occupancy Tax (TOT)	2,265,000	1,561,325	(703,675)	69%
Parks, Recreation & Library Programs	3,996,275	668,007	(3,328,268)	17%
Building Permits	2,400,000	2,697,657	297,657	112%
Plan Check Fees	2,606,322	1,697,305	(909,017)	65%
Engineering Inspection Fees	368,000	382,313	14,313	104%
Grants	2,148,213	1,850,243	(297,970)	86%
Other Revenues	10,941,008	9,237,581	(1,703,427)	84%
Total	\$ 147,319,668	\$ 98,154,539	\$ (49,165,129)	67%



General Fund operating revenues were at 67 percent of the budget through the third quarter of the 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 a substantial portion of this funding is received in the fourth quarter 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 from December 11th through the end of March. The following is an explanation of the notable variances:

- Property tax revenues are at 58 percent of the budget, or \$30.76 million, as of the end of the third quarter. The low level of revenue received to date is because the City receives a significant portion of this funding in the fourth quarter of the fiscal year. As of June 2021, the City has received \$53.55 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.
- Bradley Burns and Measure B revenues are at approximately 70 percent of budget, or \$35.09 million and \$13.35 million, respectively, as of the end of the third quarter. Sales and use tax revenue is collected and distributed to the City by the California Department of Tax and Fee Administration. Sales and use tax revenue received by the City through the third quarter is derived from taxable sales through December 2020 and an estimated advance payment for January 2021 sales. When developing the FY2020-21 budget, staff significantly decreased the revenue budgets in both categories due to the anticipated reduction in consumer spending caused by the pandemic. Based on the City's sales tax consultant's latest data and analysis, these revenues are trending higher than anticipated. Bradley Burns and Measure B are currently forecasted to end the year at \$59.1 million and \$22.5 million, or \$9.1 million and \$3.9 million above budget, respectfully. These estimates represent a 12% increase in Bradley Burns and a 14% increase in Measure B over the prior fiscal year. The greater than anticipated sales and use tax revenues are primarily due to new vehicle sales, followed by strong general retail sales, which shifted significantly from brick-and-mortar establishments to the Internet.

For additional sales tax information, the City's sales tax consultant has prepared a quarterly report through March 2021, or the first quarter of the calendar year 2021. It provides a list of the top 25 sales tax remitters, a summary of cash receipts, and sales tax data by economic category. The report is attached to the end of this report.

- Parks, Recreation & Libraries (PRL) Department revenues are at 17 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 have exceeded budget through the end of the third quarter at 112 percent and 104 percent, respectively. These results are reflective of the City's development activity level. Building plan check revenues are under budget as of the third quarter at 65 percent due to a few multi-family dwelling projects planned for this fiscal year that were not

submitted. Staff anticipates that revenues in the building plan check revenue category will end the fiscal year slightly under budget.

- 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 third quarter, the City had received approximately \$9.2 million or 84 percent of estimated revenue. Although some revenue categories are down, such as passport center fees, other categories are offsetting those reductions, and the percentage of other revenue collected through the third quarter is trending higher than budget.

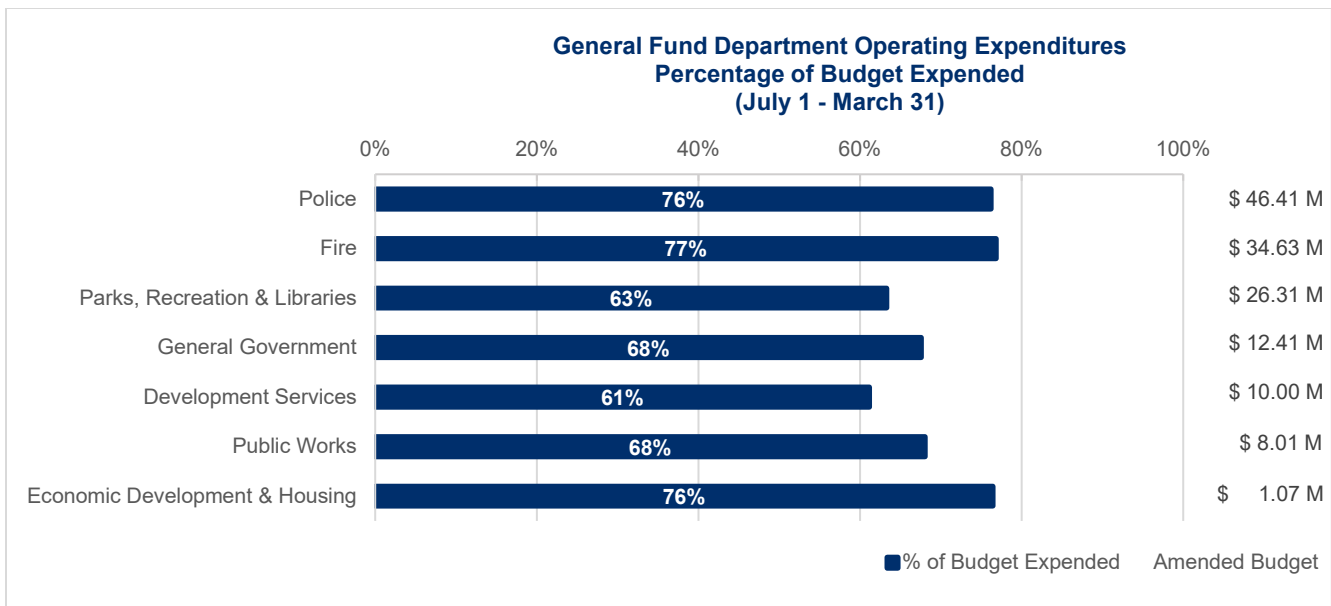
General Fund: Operating Expenditures

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

Department	Budget to Cumulative Expenditure Comparison (July 1 – March 31)			
	Amended Budget	Cumulative Expenditures	Balance Remaining	% of Budget
Police ⁽²⁾	\$ 46,411,603	\$ 35,365,581	\$ 11,046,022	76%
Fire ⁽²⁾	34,627,921	26,604,743	8,023,178	77%
Parks, Recreation & Libraries	26,310,348	16,656,214	9,654,134	63%
General Government ⁽¹⁾	12,410,929	8,387,017	4,023,912	68%
Development Services	10,001,714	6,115,115	3,886,599	61%
Public Works	8,009,903	5,450,613	2,559,290	68%
Economic Development & Housing	1,072,070	819,357	252,713	76%
Total	\$ 138,844,488	\$ 99,398,640	\$ 39,445,848	72%

⁽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

⁽²⁾ Capital expenditures were inadvertently included in the operating budgets for Police and Fire in the second quarter report. These non-operating budgets have been excluded from this report. As a result, the budgets in these Departments for the third quarter is slightly lower than reported during the second quarter.



General Fund expenditures are close to target at 72 percent through the first nine months compared to budget. The slightly lower spending rate (72 percent versus 75 percent of the year elapsed) is primarily due to costs savings from reduced operations during the pandemic and vacancies in the Parks, Recreation and Libraries, Development Services, Public Works, and other General Fund departments. The decreased expenditures in these departments are offset the slightly above average spending in the Police, Fire, and Economic Development departments.

Expenditures in the Police Department are higher than the prior year at 76 percent of the budget in FY2020-21 compared to 75 percent in FY2019-20. This increased spending is attributed to COVID-19 and overtime due to the civil unrest in the region through the summer and fall of 2020. 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 at 77 percent 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 63 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 will partially offset anticipated revenue shortages due to limited PRL programming.

Economic Development and Housing expenditures are higher than average at 76 percent due to the upfront payment to CalPERS and annual membership contributions to economic development and expenditures related to the COVID-19 response to help businesses.

Enterprise Funds: Operating Revenues and Expenditures

Revenues

At the end of the third quarter, operating revenues in the utility funds (Electric, Water, Wastewater, and Waste Services) are tracking close to or at 75 percent of the budget target for this time of the year. Increased

retail sales associated with stronger than expected customer usage might result in slightly higher revenues than budgeted for the fiscal year in the Electric and Water utilities.

	Budget to Cumulative Revenue Comparison (July 1 – March 31)			
	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget
Electric Operations	\$ 153,866,890	\$ 119,579,074	\$ (34,287,816)	78%
Water Operations	34,888,164	26,797,684	(8,090,480)	77%
Wastewater Operations	41,845,013	29,975,666	(11,869,347)	72%
Waste Services Operations	27,915,463	20,981,974	(6,933,489)	75%
Transit	6,428,996	579,948	(5,849,048)	9%
Transportation	1,743,857	254,659	(1,489,198)	15%
Youth Development	8,082,169	2,526,041	(5,556,128)	31%

Significant budget to actual variances in the Transit and Transportation enterprise funds are due to the timing associated with their primary revenue streams because most of their funding is realized in the fourth quarter of the fiscal year. In the Transit Fund, losses in passenger fares continued through the third quarter of FY2020-21 due to low ridership resulting from COVID-19. As reported in the second quarter, 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. Since then, two additional federal stimulus bills were approved to provide continued support to transit agencies across the country during the COVID-19 pandemic. The Coronavirus Response and Relief Supplemental Appropriations Act of 2021 and the American Rescue Plan Act of 2021 provide an additional \$3.4 million in FTA funding to support Roseville Transit operations. With this funding, staff anticipates that revenues in the Transit and Transportation Funds will come in on budget by year-end.

Revenues in the Youth Development Fund continue trending below budget at 31 percent collection through the third 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 attendance limitations due to cohort restrictions by licensing, hybrid and modified school schedules, and parents continuing to work from home. In addition, the Dry Creek Joint Elementary School District and the Roseville City School District did not return to regular school schedules until more than half of the school year was in progress. As a result, the Youth Development Fund is expected to end the year with a significant shortfall. Staff are exploring potential resources available to offset the financial impacts, including federal stimulus funding, and will continue to keep the City Council apprised of the available options.

Budget to Cumulative Expenditure Comparison (July 1 – March 31)				
	Amended Budget	Cumulative Expenditures	Balance Remaining	% of Budget
Electric Operations	\$ 129,177,552	\$ 88,620,830	\$ 40,556,722	69%
Water Operations	45,799,459	20,684,026	25,115,433	45%
Wastewater Operations	56,872,346	29,802,520	27,069,826	52%
Waste Services Operations	37,194,708	19,380,646	17,814,062	52%
Transit	6,330,986	3,885,359	2,445,627	61%
Transportation	1,736,768	1,137,061	599,707	65%
Youth Development	7,750,324	4,306,635	3,443,689	56%

Expenditures

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 69 percent of the budget due to salary, training and travel savings, and the timing of some expenses. However, staff anticipate higher than expected fuel and purchased power expenditures due to increased customer usage and higher repair costs for the Roseville Energy Park's major spring maintenance outage. Staff will continue to monitor the Electric Department's budget for the remainder of the year and return to City Council with a budget adjustment to ensure the Department will not end the year over budget.

Expenditures in the Environmental Utilities are lower than expected due to remaining COVID-related limitations on operational plans, including travel and training, and the timing of inter-fund transfers that will be processed during the fourth quarter.

Lower expenditures in the Transit Fund are due to vacancies and reduced costs due to COVID-related operational adjustments. Spending through the third quarter in the Transportation Fund is lower than the expected 75 percent target due to 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 addressing 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 third quarter of FY2019-20 and FY2020-21.

	Budget to Cumulative Revenue Comparison (July 1 – March 31)				
	FY2019-20 Actual	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget
Fire Facilities	\$ 1,021,344	\$ 1,249,161	\$ 1,864,130	\$ 614,969	149%
Public Facilities	2,485,993	3,222,956	4,848,709	1,625,753	150%
Strategic Improvement	974,786	2,839,616	3,331,323	491,707	117%

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 third quarter of FY2020-21, development activity in the City has been much stronger than anticipated; therefore, revenues in the Fire Facilities, Public Facilities, and Strategic Improvement Funds are exceeding budget estimates.

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. The sale of another surplus property, the hotel and conference center site, closed at the end of June and brought in another \$4.8 million into the Strategic Improvement Fund. Staff plan to bring forward a budget adjustment to recognize the additional one-time revenue as part of the FY2020-21 year-end process.



Quarterly Report on Sales Tax and Business Activity

1st Quarter 2021 in Review

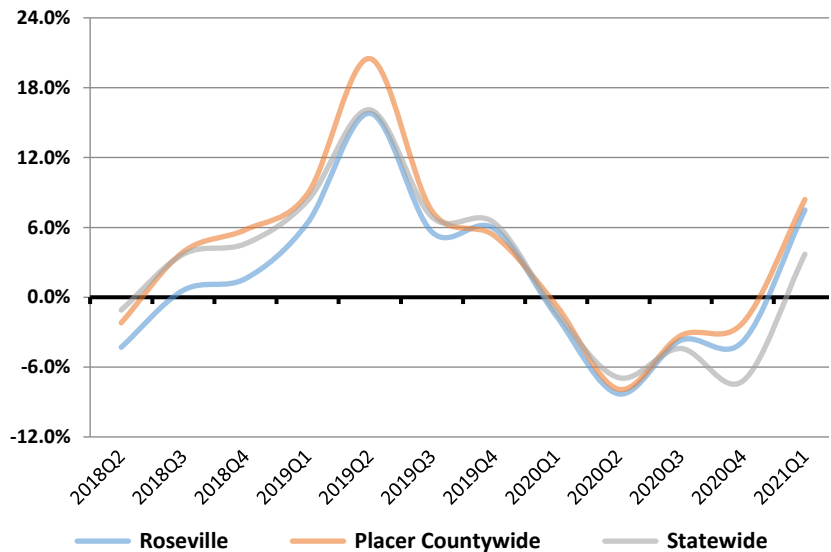
California sales tax cash receipts increased by 33.8% from the same quarter last year. In this jurisdiction sales tax cash receipts increased by 36.5% from the same quarter last year due to a increase of \$393,644,000 in Taxable Sales.

Top 25 Sales Tax Remitters

- ARCO AM/PM MINI MARTS
- AUTONATION CHRYSLER DODGE JEEP RAM ROSEVILLE
- AUTONATION HONDA
- BMW OF ROSEVILLE
- 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
- MACY'S DEPARTMENT STORE
- MCKESSON MEDICAL -SURGICAL
- NIELLO ACURA
- NORDSTROM DEPARTMENT STORE
- ROSEVILLE HYUNDAI
- ROSEVILLE TOYOTA & SCION
- SAM'S CLUB
- TARGET STORES
- VANDERBEEK MOTORS
- WAL MART STORES

Cash Receipts	Quarter	Annual
Roseville	36.5%	7.5%
Placer Countywide Pool	49.9%	48.4%
Placer Countywide	36.1%	8.4%
Sacramento Valley Region	36.0%	10.0%
Statewide	33.8%	3.7%

Annualized Percent Change in Sales Tax Cash Receipts



Business Activity (economic basis)

- 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 (economic basis)

COUNTYWIDE POOL ACTIVITY (cash basis)

Roseville		Sacramento Valley		California	
Quarter	Annual	Quarter	Annual	Quarter	Annual
16.3%	-12.3%	38.9%	0.7%	5.4%	-16.8%
3.7%	-9.6%	-3.7%	-14.5%	-20.3%	-29.9%
17.1%	2.4%	15.0%	-1.8%	-1.0%	-16.5%
7.5%	13.5%	11.2%	7.9%	-5.4%	-2.6%
-1.0%	-11.9%	-6.2%	-5.1%	-12.7%	-15.6%
11.7%	-5.1%	13.4%	-2.8%	-6.6%	-18.0%
50.4%	46.9%	33.0%	36.9%	33.7%	32.2%



News

- Economic Activity:** Real Gross Domestic Product (GDP) increased at an annual rate of 6.4% in the first quarter of 2021, reflecting the increasing pace of economic recovery, reopening of establishments, and continued government stimulus response related to the COVID-19 pandemic. (BEA, April 2021)
- Employment:** The U.S. unemployment rate fell from 6.3% in January to 6.2% in February 2021, remaining 2.7% higher than a year ago. There were 4.2 million fewer Americans in the labor force in February 2021 than in February 2020. California's unemployment rate decreased to 9.0% in January, down from 9.3% in December, but 4.7% higher than February 2020's pre-pandemic rate of 4.3%. (Finance Bulletin, March 2021)
- Personal Income:** U.S. personal income increased by 5.2% in the first quarter of 2021, compared to same quarter previous year. This increase was after a 4.0% growth in the fourth quarter 2020. The increase in personal income for the first quarter of 2021, was due to the surge of government social benefits to persons by \$950 Billion dollars. (BEA, April 2021)

Roseville

Annual Per Capita Sales Tax

Adjusted for Inflation

(Constant 2017 \$)

