



Fourth 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 fourth quarter of the fiscal year (FY) 2020-21 (July 1, 2020, through June 30, 2021) for:

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

Financial Highlights and Considerations

COVID-19 - The COVID-19 pandemic continued to have wide-ranging impacts on the economy during the FY2020-21, including unemployment and reduced hotel occupancy compared to pre-pandemic levels 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 childcare, through the end of the fourth quarter of FY2020-21. Additional details on the impact of COVID-19 on the FY2020-21 budget are included later in this report.

Federal Stimulus - The City received \$1.8 million in CARES Act funding passed through from the state earlier in FY2020-21. Although the City incurred a wide range of eligible costs, the City budgeted this revenue consistent with eligible public safety payroll costs within the Police Department for administrative convenience. In addition, in March 2021, the City was allocated \$17.6 million in American Rescue Plan Funds to bolster the City's response to the COVID-19 pandemic and its economic impacts. In May, the City received its first half of this funding, or \$8.8 million. The second half is expected in May 2022. Staff is working on a recommended spending plan for these funds.

General Fund - The City closed out FY2020-21 with a \$28.5 million surplus consisting of approximately \$21 million in operating revenues received over budget, \$7 million in expenditure savings primarily associated with materials, service and supply and salary savings from vacant positions, and \$500,000 in unspent non-operating funds. The primary factors contributing to the surplus were expenditure controls put in place due to uncertainty regarding the impact of the pandemic on the local economy, salary savings due to vacant positions, and conservative budgeting of sales and property tax revenues due to the pandemic. Parks, Recreation, and Library (PR&L) program revenues experienced a \$2.5 million shortfall caused by the

pandemic limiting PR&L programming. Expenditure savings within the PR&L Department offset the shortfall in PR&L revenue.

Staff recommends that the City Council consider appropriating \$5.4 million of the General Fund surplus in FY2021-22 for critical street resurfacing requirements (\$4.4 million), purchase of a replacement fire apparatus (Tractor Drawn Aerial Fire Truck (\$700,000)), and to replenish the General Fund contingency (\$300,000).

Staff plans to seek City Council’s direction on developing a spending plan for the \$23.1 million in remaining General Fund surplus funds at the February City Council Priorities Workshop.

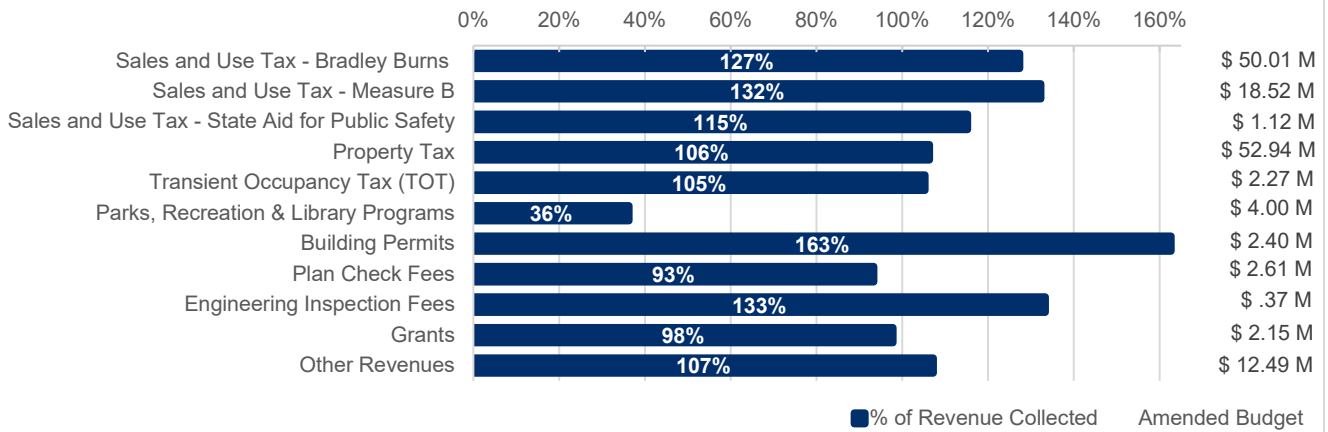
Youth Development Fund – The pandemic significantly impacted revenues in the Youth Development in FY2020-21 ending the \$4.3 million under budget. This revenue shortfall was partially offset by \$1.6 million in expenditure savings due to spending controls. Staff continues to evaluate potential resources, including federal stimulus funding, to offset the financial impacts the pandemic has had on this fund. Additional details on the Youth Development Fund are available later in this report.

General Fund: Operating Revenues

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

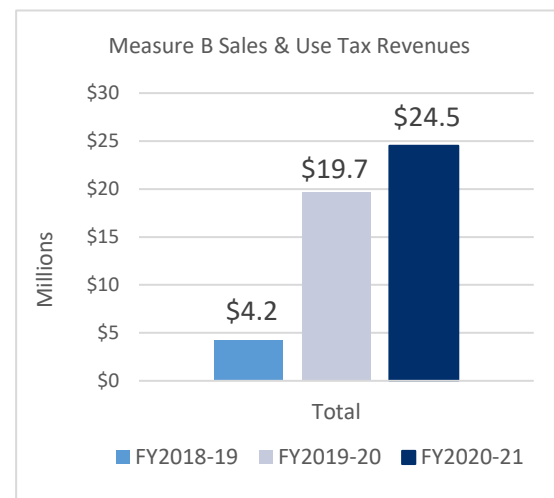
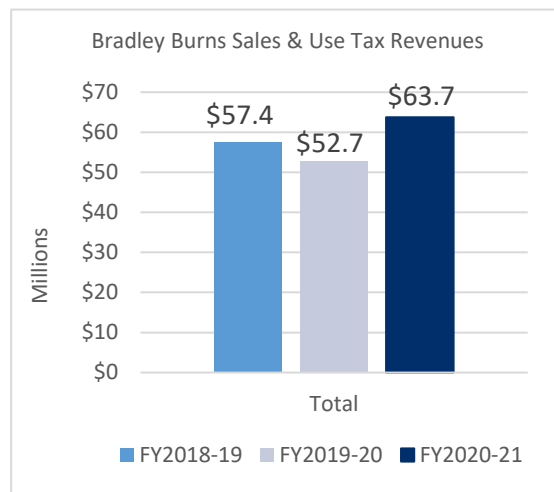
Revenue Type	Budget to Cumulative Revenue Comparison (July 1 – June 30)			
	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget
Sales and Use Tax - Bradley Burns	\$ 50,010,000	\$ 63,700,772	\$ 13,690,772	127%
Sales and Use Tax - Measure B	18,522,600	24,509,762	5,987,162	132%
Sales and Use Tax - State Aid for Public Safety	1,122,950	1,293,680	170,730	115%
Property Tax	52,939,300	56,294,356	3,355,056	106%
Transient Occupancy Tax (TOT)	2,265,000	2,383,853	118,853	105%
Parks, Recreation & Library Programs	3,996,275	1,448,667	(2,547,608)	36%
Building Permits	2,400,000	3,903,134	1,503,134	163%
Plan Check Fees	2,606,322	2,432,615	(173,707)	93%
Engineering Inspection Fees	368,000	490,634	122,634	133%
Grants	2,148,213	2,101,689	(46,524)	98%
Other Revenues	12,486,504	13,391,298	904,794	107%
Transfers	15,349,634	13,229,572	(2,120,062)	86%
Total	\$ 164,214,798	\$ 185,180,032	\$ 20,965,234	113%

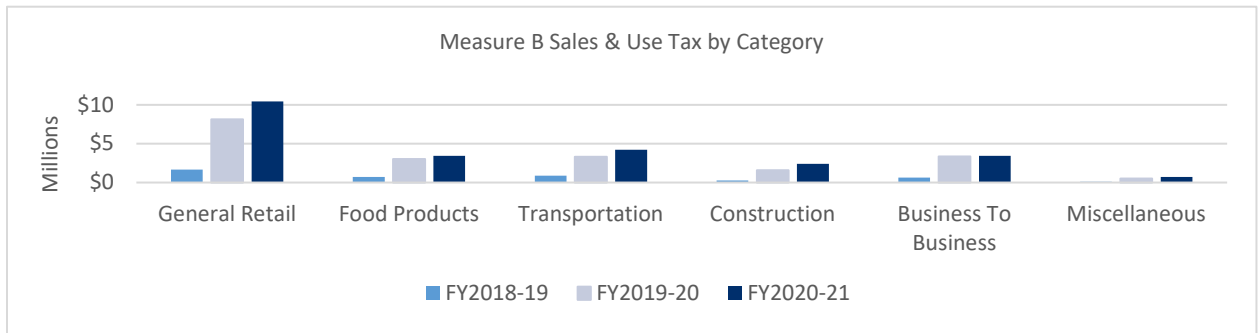
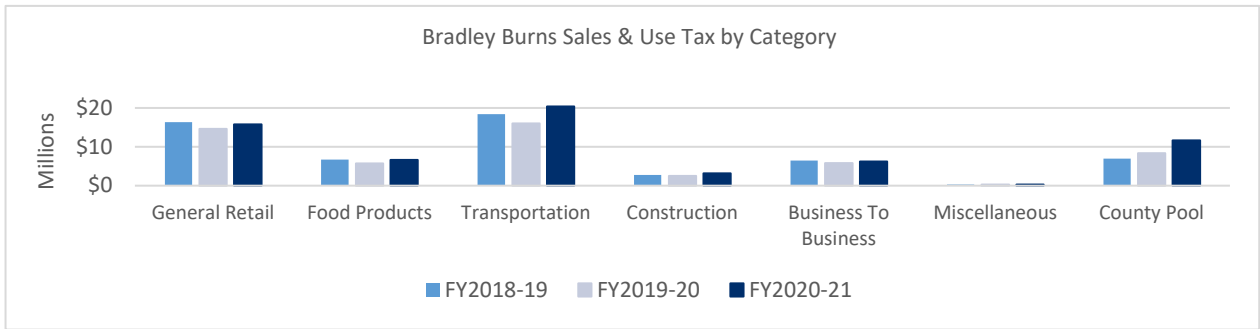
**General Fund Operating Revenues
Cumulative Percentage of Revenue Collected
(July 1 - June 30)**



General Fund operating revenues ended the fiscal year \$21 million or 13 percent higher than estimates. The following is an explanation of the notable variances:

- Bradley Burns and Measure B Sales Tax** – The City's Bradley Burns and Measure B Sales Tax revenues ended the year at \$63.7 and \$24.9 million, respectively. Bradley Burns Sales Tax revenues exceeded budget estimates by 27 percent or \$13.7 million, and Measure B Sales Tax revenues exceeded budget estimates by 32 percent or approximately \$6 million. These positive results were primarily due to two factors. First, the FY2020-21 budget, developed in the spring of 2020 at the beginning of the pandemic when little was known about how the pandemic would impact the economy, assumed a significant reduction in sales tax revenues due to reduced consumer spending. Second, sales tax revenues were much more substantial than anticipated during FY2020-21, primarily driven by strong vehicles and general retail sales, which shifted significantly from brick-and-mortar establishments to the Internet. The provided graphs show Bradley Burns and Measure B Sales and Use Tax revenues over the last three fiscal years and by business category.

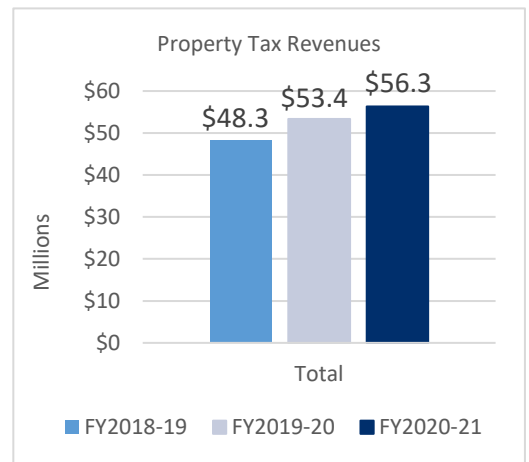




Additional Sales Tax Information: The City's sales tax consultant has prepared a detailed report of sales tax and business activity. This report provides a list of the top 25 sales tax remitters, a summary of cash receipts, and sales tax data by economic category. The report is attached to the end of this report.

- Secured, Unsecured and Supplemental Property Tax**

– The city's property tax revenues (included in the Property Tax category in the charts above) exceeded estimates by \$3.4 million, at \$56.3 million compared to the budgeted amount of \$52.9 million, and were not significantly impacted by the pandemic. Based on the assessed value of the property as of January 1 of each year, property tax revenues continued to increase based on ongoing development activity and rising assessed property values. The provided graph shows property tax revenues over the last three years.



- **Transient Occupancy Tax (TOT)** - The City's TOT revenues exceeded estimates by approximately \$119,000, at \$2.27 million compared to the budgeted amount of \$2.38 million. The TOT revenue estimate of \$2.27 million was significantly reduced compared to pre-pandemic budget estimates of \$3.9 million because the pandemic greatly impacted the hotel industry because of reduced occupancy and lower room rates.
- **Parks, Recreation & Library (PR&L) Programs** - Parks, Recreation & Libraries (PRL) program revenues ended the year at 32 percent of revenue estimates, at \$1.4 million compared to the budgeted amount of \$3.9 million. This revenue shortage is 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 due to the COVID-19 pandemic. The PRL Department offset a portion of the shortfall with expenditure savings from materials, services, supplies, and vacancies.
- **Building Permits, Plan Check Fees, Engineering Inspection Fees** – Building permit revenues and engineering fees exceeded budgeted estimates by 63 percent and 33 percent, respectively. These results reflect the City's strong level of development activity during the fiscal year. Building plan check revenues ended the year under budget estimates due to a few multi-family dwelling projects planned for this fiscal year that were not submitted.
- **Grants** - Grant revenues ended the year slightly under budget at 98 percent of the budget. This revenue category includes \$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 reimburses the City for eligible public safety payroll costs incurred in FY2019-20 due to the COVID-19 pandemic.
- **Other Revenues** – Other revenues include reimbursements from the State, development reimbursement activity, property transfer tax, business license tax, rental payments, animal licensing, passport and LiveScan background, permit, franchise, and other expenses fees. As of the end of the fourth quarter, revenues in this category exceeded estimates by approximately \$900,000. Although some revenues in this category ended the year below estimates, such as passport center fees, which ended the year \$300,000 below estimates, other types offset those reductions, such as property transfer tax, which exceeded estimates by \$1.3 million.
- **Transfers** – The FY2020-21 budget was adopted with a \$2.1 million transfer from the City's General Fund Stabilization Reserve in order to balance the budget. As a result of the strong sales tax revenues, despite the pandemic, the transfer from the reserve was not necessary.

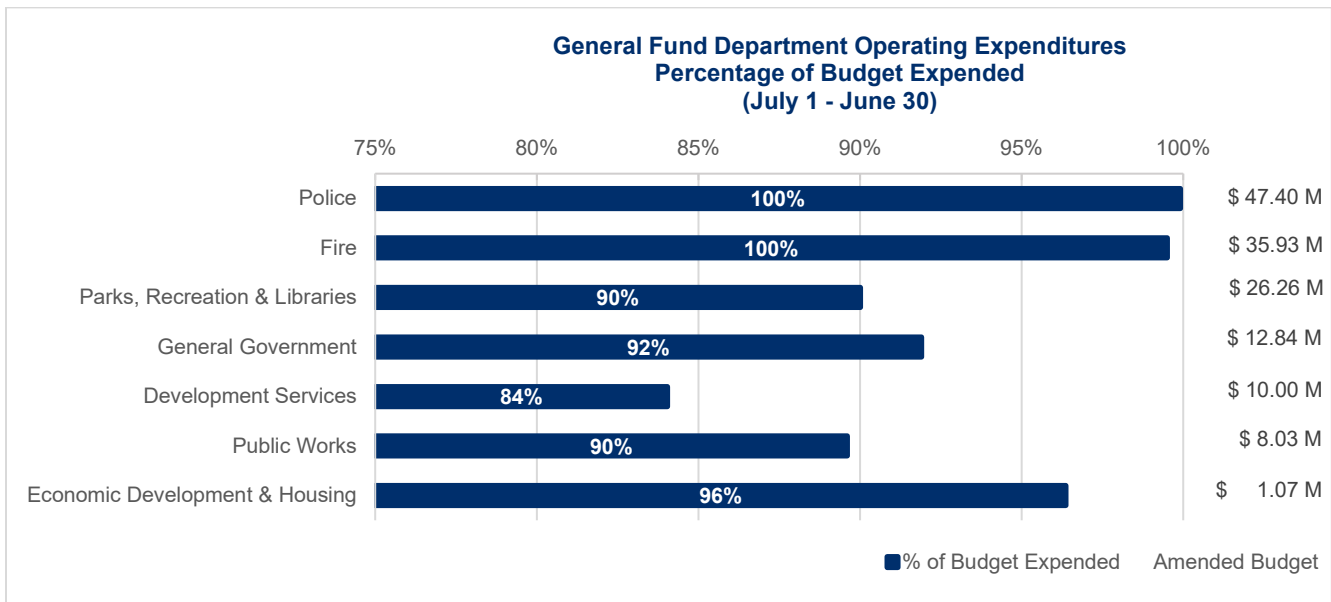
General Fund: Operating Expenditures

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

Department	Budget to Cumulative Expenditure Comparison (July 1 – June 30)			
	Amended Budget	Cumulative Expenditures	Balance Remaining	% of Budget
Police	\$ 47,401,604	\$ 47,362,391	\$ 39,213	100%
Fire	35,928,405	35,749,545	178,860	100%
Parks, Recreation & Libraries	26,259,723	23,636,250	2,623,473	90%
General Government*	12,838,546	11,798,903	1,039,643	92%
Development Services	10,001,716	8,405,565	1,596,151	84%
Public Works	8,034,420	7,199,485	834,935	90%
Economic Development & Housing	1,072,070	1,033,176	38,894	96%
Annexation Payments	8,236,000	7,494,258	741,742	91%
Other	6,903,386	6,854,847	48,539	99%
Transfers Out	10,137,197	9,860,301	276,896	97%
Total	\$ 166,813,067	\$ 159,394,721	\$ 7,418,346	96%
Encumbrance Reserve *	(452,250)	-	(452,250)	
Total	\$ 166,360,817	\$ 159,394,721	\$ 6,966,096	

⁽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.

*Reserve for unspent FY2020-21 encumbrances. This amount has been re-appropriated in the FY2021-22 budget.



General Fund expenditures closed the year at 96 percent of the budget target primarily due to cost 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 expenditure budget consumption for the Police and Fire Departments ended the year close to 100 percent of the budget target for FY2020-21. PRL expenditures ended the year at 90 percent of budget due to cost controls in materials, services, supplies, and temporary and full-time position vacancies. As mentioned in the revenue section of this report, the \$2.6 million in expenditure savings offset the revenue shortages from limited PRL programming due to the COVID-19 pandemic.

After considering unspent encumbrances that have been re-appropriated into the FY2021-22 budget, General Fund operating expenditures ended the year approximately \$7 million under budget.

Enterprise Funds: Operating Revenues and Expenditures

Revenues

Operating revenues in the utility funds (Electric, Water, Wastewater, and Waste Services) ended the fiscal year above budget target, primarily due to increased retail sales associated with

	Budget to Cumulative Revenue Comparison (July 1 – June 30)			
	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget
Electric Operations	\$ 153,866,890	\$ 167,977,069	\$ 14,110,179	109%
Water Operations	34,888,164	38,673,322	3,785,158	111%
Wastewater Operations	41,845,013	43,480,933	1,635,920	104%
Waste Services Operations	27,915,463	29,717,124	1,801,661	106%
Transit	6,428,996	5,304,797	(1,124,199)	83%
Transportation	1,743,857	1,629,896	(113,961)	93%
Youth Development	8,082,169	3,790,309	(4,291,860)	47%

stronger than expected customer usage and new development. The Electric utility operating revenues are \$14.1 million higher than budget primarily due to increased retail sales totaling \$10.2 million, of which \$5.2 million is associated with stronger than expected customer usage and \$5.0 million associated with warmer temperatures last summer. Wholesale revenue is \$2.9 million higher than budget, which is attributed to unbudgeted wholesale revenues. Other operating revenues are \$1.0 million more than budget due to \$0.5 million of unplanned Mutual Aid Support provided to SMUD, \$0.1 million in unbudgeted customer late fees, and \$0.1 of lease revenue, with all other revenue variances totaling \$0.3 million. Operating revenues for the Water utility ended the year 11 percent above budget at \$3.8 million due to continuing increased residential consumption and new development. Similarly, Wastewater and Waste Services revenues are higher than anticipated by 4 and 6 percent at \$1.6 million and \$1.8 million, respectively, due to new development and increased usage by industrial customers.

Transit operating revenues ended the fiscal year lower than budget by 17 percent, at \$5.3 million compared to the budgeted amount of \$6.4 million. The main drivers of these results were reduced services and losses in passenger fares due to low ridership resulting from COVID-19. Savings in contracts and fuel costs partially offset the revenue shortage. During FY2020-21, Roseville Transit received \$2.67 million in Federal Transit Administration (FTA) CARES Act funds to help offset the impact of reduced passenger fares. 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 provided an additional \$3.6 million in FTA funding to support Roseville Transit operations. These funds will be allocated within the FY2021-22 and FY2022-23 budget years. The Transportation fund ended the year with a revenue shortfall of 7 percent or \$0.1 million. Expenditure savings offset the lower than expected revenue.

Revenues in the Youth Development were significantly impacted during FY2020-21 ending the year at 47 percent of the budget. 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, parents continuing to work from home, and temporary part-time staff shortages. 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. 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.

Expenditures

	Budget to Cumulative Expenditure Comparison (July 1 – June 30)			
	Amended Budget	Cumulative Expenditures	Balance Remaining	% of Budget
Electric Operations	\$ 132,519,824	\$ 124,646,356	\$ 7,873,468	94%
Water Operations	46,376,540	42,328,656	4,047,884	91%
Wastewater Operations	57,027,761	52,010,750	5,017,011	91%
Waste Services Operations	37,229,708	33,806,929	3,422,779	91%
Transit	6,373,986	5,673,311	700,675	89%
Transportation	1,736,768	1,556,898	179,870	90%
Youth Development	7,804,324	6,163,552	1,640,772	79%

Operating expenditures for the Enterprise Funds ended the year under budget due to reduced operating costs, vacancies, and expense controls on materials, services, and supplies. Electric expenditures are \$7.9 million lower than budget

primarily due to the cost of purchase power in the energy market being \$3.8 million lower. Other contributing factors include customer program rebates coming short by \$2.4 million due to the pandemic slowing the economy, leading to fewer commercial energy efficiency projects and lower residential energy efficiency program participation, salary savings totaling \$0.7 million, and reduced training/travel expenditures of \$0.7 million.

Expenditures in the Environmental Utilities ended the year under budget estimates by 9 percent due to remaining COVID-related limitations on operational plans, including travel and training and vacancies. Additionally, Wastewater and Waste Services did not need to use their operational contingency budgets in FY2020-21. Similarly, expenditures in the Transportation Fund ended the year at 90 percent of target due to vacancies and crossing guards not working due to COVID-related school closures. Cost savings in the Transit Fund are due to vacancies and reduced contracts and fuel costs from COVID-related operational adjustments.

Youth Development Fund expenditures ended the year \$1.6 million under budget due to the measures taken to reduce operational costs to mitigate the effects of the pandemic on this fund, including modified staffing plans, vacancies, and cost-sharing with Roseville School District. These savings have partially offset the impact of the \$4.3 million revenue shortfall in this fund.

Other Revenue

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

	Budget to Cumulative Revenue Comparison (July 1 – June 30)				
	FY2019-20 Actual	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget
Fire Facilities	\$ 1,382,242	\$ 1,249,161	\$ 2,563,366	\$ 1,314,205	205%
Public Facilities	3,416,557	3,222,956	6,651,517	3,428,561	206%
Strategic Improvement	1,433,410	8,221,922	9,574,821	1,352,899	116%

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. However, development activity in the City during FY2020-21 has been much stronger than anticipated, and revenues in the Fire Facilities, Public Facilities, and Strategic Improvement Funds exceeded budget estimates. After the approval of the FY2020-21 budget, the revenue estimate in the Strategic Improvement Fund was increased by \$7 million to \$8.2 million due to the sale of surplus property, which included three properties located at 7400 Galilee Road, 324 Vernon Street (Post Office) and 290 Conference Center Drive.



Quarterly Report on Sales Tax and Business Activity

Top 25 Sales Tax Remitters

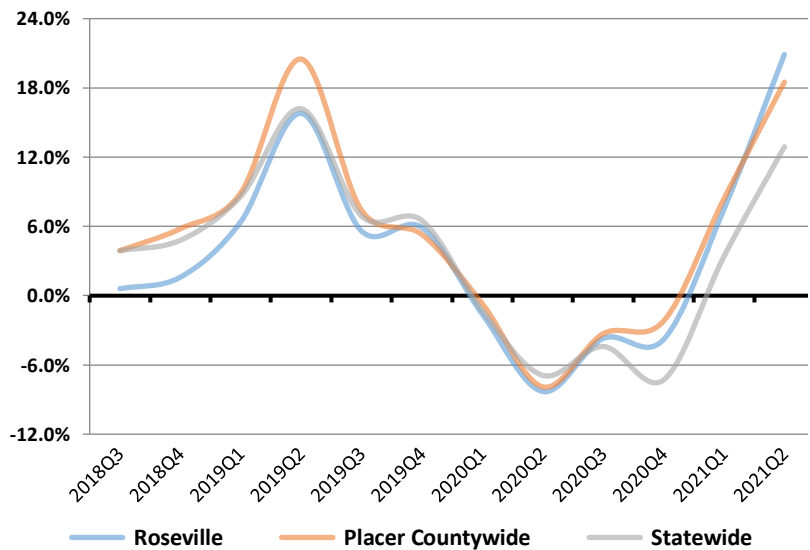
- ARCO AM/PM MINI MARTS
- AUTONATION CHRYSLER DODGE JEEP RAM ROSEVILLE
- AUTONATION HONDA
- BMW OF ROSEVILLE
- CARMAX AUTO SUPERSTORES
- COSTCO WHOLESALE
- ENTERPRISE RENT-A-CAR
- FUTURE FORD
- FUTURE NISSAN
- GMC RELIABLE
- HOME DEPOT
- JOHN L SULLIVAN CHEVROLET
- JOHN L. SULLIVAN'S ROSEVILLE KIA
- 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

2nd Quarter 2021 in Review

California sales tax cash receipts increased by 32.3% from the same quarter last year. In this jurisdiction sales tax cash receipts increased by 45.1% from the same quarter last year due to a increase of \$563,740,000 in Taxable Sales.

Cash Receipts	Quarter	Annual
Roseville	45.1%	20.9%
Placer Countywide Pool	5.0%	36.7%
Placer Countywide	34.0%	18.5%
Sacramento Valley Region	28.0%	16.1%
Statewide	32.3%	12.9%

Annualized Percent Change in Sales Tax Cash Receipts



Business Activity

	Roseville		Sacramento Valley		California	
	Quarter	Annual	Quarter	Annual	Quarter	Annual
General Retail (e.g., dept. stores, misc. retail)	80.2%	11.4%	78.3%	24.2%	53.5%	3.5%
Food Products (e.g., markets and restaurants)	43.1%	5.3%	38.2%	-0.8%	42.8%	-14.0%
Transportation (e.g., new & used autos, gas stations)	40.6%	21.8%	41.8%	14.2%	37.2%	-0.7%
Construction (e.g., retail & wholesale construction)	2.9%	12.7%	25.5%	14.8%	7.9%	2.2%
Business To Business (e.g., IT, industrial equip. etc.)	28.6%	4.2%	22.0%	3.5%	11.2%	-8.0%
TOTAL LOCAL BUSINESS ACTIVITY	45.6%	13.8%	43.9%	12.4%	32.9%	-3.5%
COUNTYWIDE POOL ACTIVITY	13.7%	39.7%	4.5%	27.4%	7.4%	25.0%



News

- Economic Activity:** Real Gross Domestic Product (GDP) grew at a seasonally adjusted annualized rate of 6.5% in the second quarter of 2021. Real GDP in Q2 2021 surpassed its Q4 2019 pre-pandemic peak by 0.8%. (Finance Bulletin, August 2021)
- Employment:** The U.S. unemployment rate fell by 0.7% to 5.2% in August of 2021 compared to July of 2021. Total U.S. nonfarm payroll employment increased by 235,000 (0.2%) in August compared to July of 2021. California's unemployment rate remained unchanged at June's revised rate of 7.6% for the month of July 2021. California's civilian employment increased by 56,000 (0.3%) in July of 2021 compared to June of 2021. (Finance Bulletin, August 2021 & BLS)
- Personal Income:** U.S. personal income increased by 2.7% in the Second quarter of 2021, compared to same quarter previous year. This increase was after a 5.2% growth in the first quarter of 2021. (BEA)

Roseville

Annual Per Capita Sales Tax

Adjusted for Inflation
(Constant 2017 \$)

