



Fiscal Year 2022-23 Fourth Quarter Report

Fourth Quarter Report Fiscal Year 2022-23



Overview

This report provides an overview of the City's financial position through the fourth quarter of fiscal year (FY) 2022-23 (July 1, 2022, through June 30, 2023) for:

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

FY2022-23 saw conditions that remained unsettled coming out of the COVID-19 pandemic. Rising costs for equipment, fuel, supplies, materials; supply chain problems; and challenges filling vacant positions remain. In the General Fund, sales tax revenue fell short of the budget estimate, but property tax and other revenues, specifically those related to new development, exceeded their budgets. These revenue results, coupled with General Fund expenditures coming in under budget, led to net positive results:

General Fund FY2022-23 Year-End Results (Operating and non-operating)	Variance from Budget (\$)
Sales and Use Tax - Bradley Burns	\$ (3,337,000)
Sales and Use Tax - Measure B	727,000
Property Tax	2,973,000
Other Revenues	4,913,000
Revenue surplus	5,276,000
Expenditure savings	8,917,000
Total General Fund Year-End Results	\$ 14,193,000

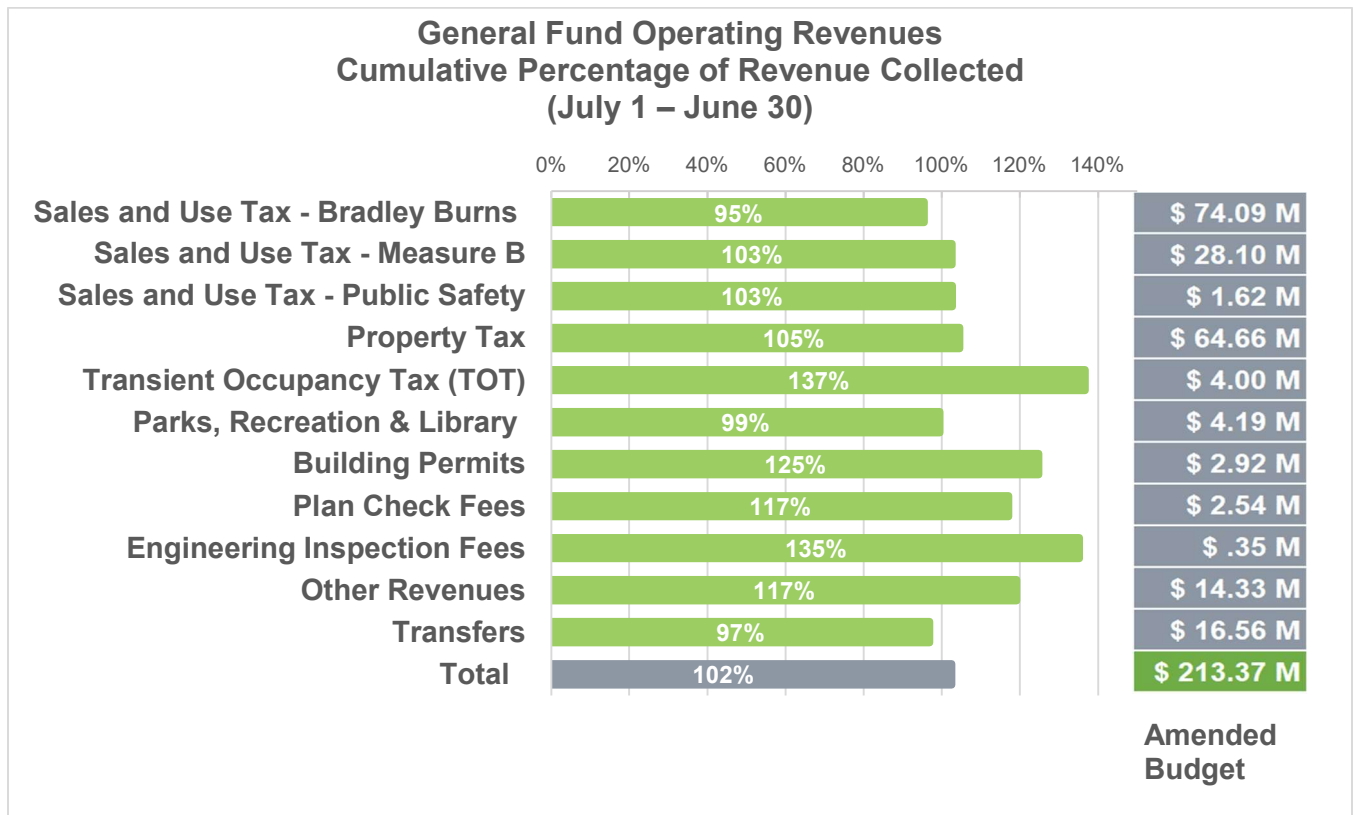
After completing the City Council strategic plan in the upcoming months, staff intends to present the City Council with various options for utilizing the General Fund surplus in alignment with the new strategic plan.

General Fund: Operating Revenues

In total, General Fund operating revenues through the fourth quarter ended two percent above estimates. Sales tax (Bradley Burns and Measure B) revenue growth has slowed compared to prior years, and the combined revenue ended the year 2.6 percent (\$2.6 million) under budget estimates. This shortfall is offset by greater than anticipated revenues in other categories. Property tax revenues ended the year above the budget estimate by \$3 million and the City's transient occupancy tax (TOT), also known as hotel tax, has exceeded estimates by \$1.47 million after passage of Measure C in November 2022 and its implementation in January 2023. Building permits,

plan check fees, and engineering inspection fees also ended the year above the budget estimate. Revenue from recreation programs have returned to pre-pandemic levels.

Revenue Type	Budget to Cumulative Revenue Comparison (July 1 – June 30)			
	Amended Budget	Cumulative Revenues	Variance	% of Budget Collected
Sales and Use Tax - Bradley Burns	74,091,000	70,753,558	(3,337,442)	95%
Sales and Use Tax - Measure B	28,100,000	28,827,172	727,172	103%
Sales and Use Tax - Public Safety	1,622,000	1,666,129	44,129	103%
Property Tax	64,659,000	67,632,051	2,973,051	105%
Transient Occupancy Tax (TOT)	4,000,000	5,466,708	1,466,708	137%
Parks, Recreation & Library Programs	4,188,040	4,165,320	(22,720)	99%
Building Permits	2,920,836	3,646,511	725,675	125%
Plan Check Fees	2,537,000	2,970,334	433,334	117%
Engineering Inspection Fees	353,196	477,684	124,488	135%
Other Revenues	14,331,957	16,767,043	2,435,086	117%
Transfers	16,562,194	16,039,593	(522,601)	97%
Total	\$ 213,365,223	\$ 218,412,103	\$ 5,046,880	102%

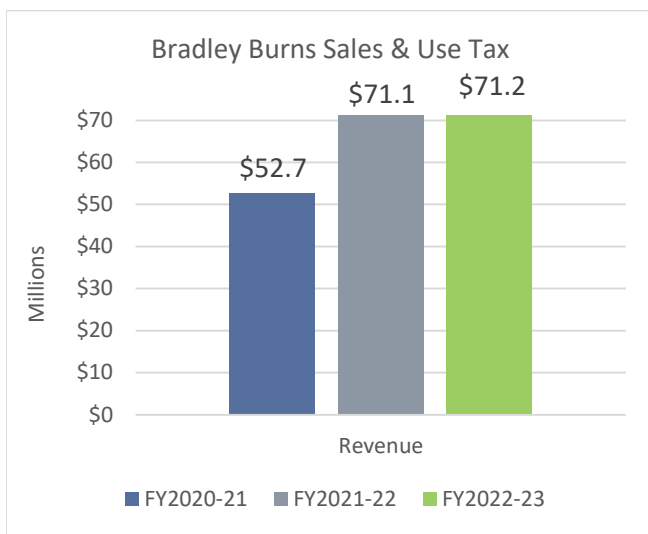


Bradley Burns and Measure B Sales Tax

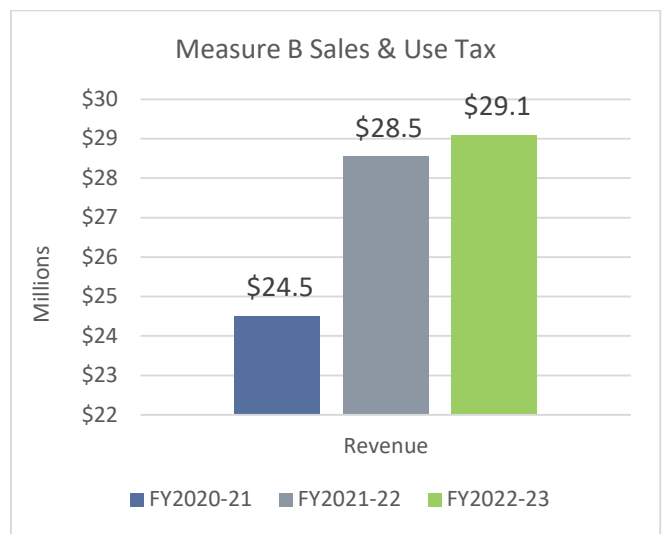
At the close of the fiscal year, the City's Bradley Burns and Measure B sales and use tax revenues stood at \$70.8 and \$28.8 million (net of administrative fees), respectively. Bradley Burns sales tax fell below budget estimates by five percent (\$3.3 million) while Measure B sales tax revenues surpassed estimates by three percent (\$0.7 million). These outcomes were expected as data throughout the year indicated a slowing in sales and use tax growth. The slower growth may be related to shifting consumer behavior from spending on taxable goods to other areas that were constrained during the pandemic, such as services and travel, along with uncertainties surrounding inflation, interest rates, and the potential for a slowdown or recession.

Fortunately, during the development of the FY2022-23 budget, staff projected that sales and use tax would end the year between the City's sales tax consultant's conservative and most-likely estimates. Consequently, the overall sales and use tax variance from budget is only 2.6 percent, or \$2.6 million, below the estimate.

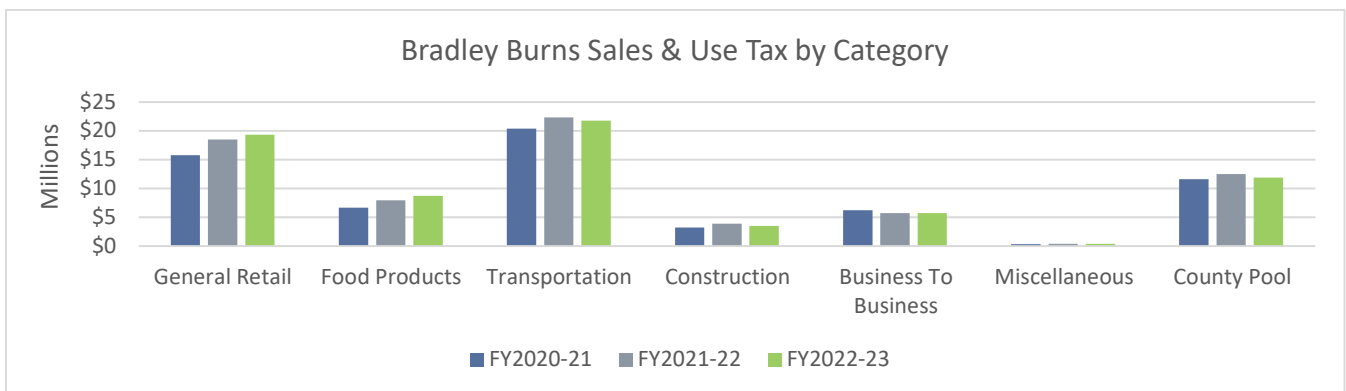
The graphs below illustrate Bradley Burns and Measure B sales and use tax revenues over the past three fiscal years and by business category.

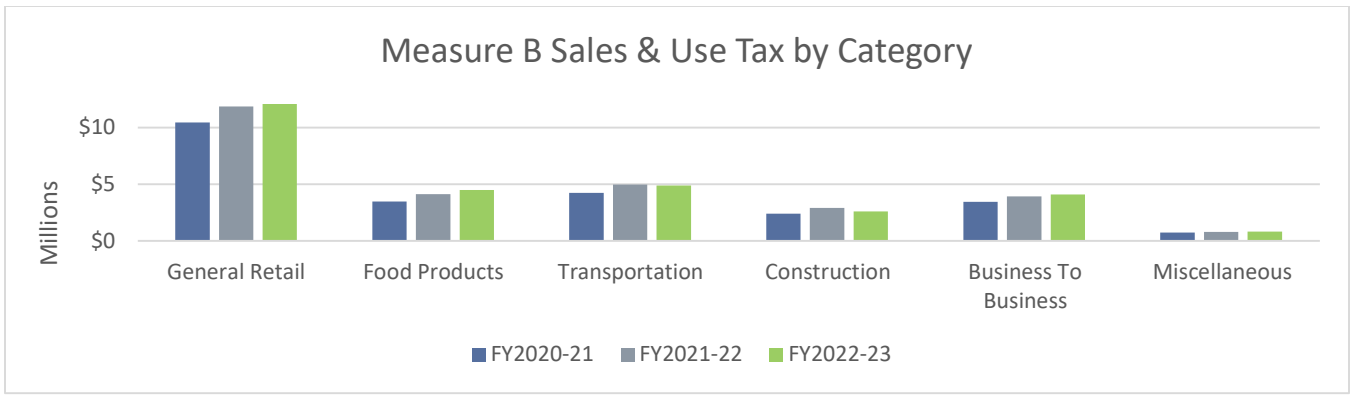


*Total Revenue before administrative fees



*Total Revenue before administrative fees

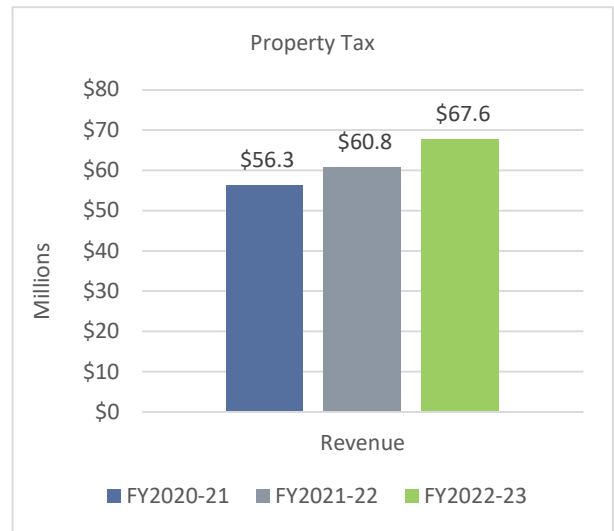




Additional Sales Tax Information: The City's sales tax consultant prepares a report on sales tax and business activity each quarter (attached). The report lists the top 25 sales tax remitters, a summary of cash receipts, and sales tax data by economic category.

Secured, Unsecured, and Supplemental Property Tax

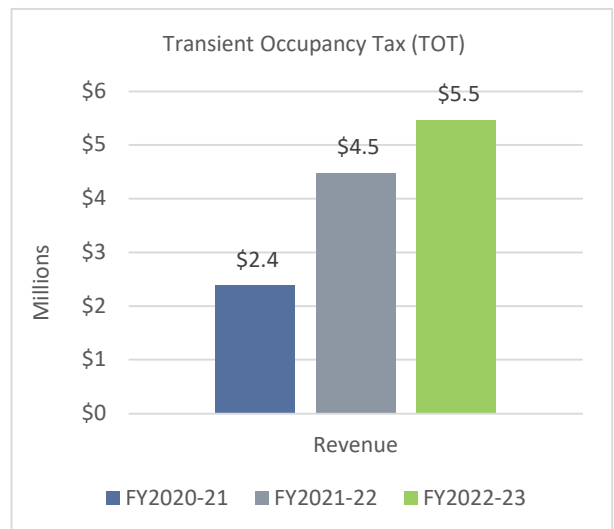
Property tax revenue for FY2022-23 is determined based on the assessed valuation as of January 1, 2022. The City's property tax revenues, categorized in the comprehensive revenue table above under Property Tax, surpassed estimates by \$3 million, reaching \$67.6 million compared to the budgeted \$64.6 million. This represents a positive five percent variance from budget. Property tax revenues for FY2022-23 exhibited an 11 percent increase over the previous year, driven by substantial growth of residential property values and strong home sales. The accompanying graph provides an overview of property tax revenues spanning the last three years.



Transient Occupancy Tax (TOT)

The City's transient occupancy tax (TOT) revenues, also known as the hotel tax, exceeded estimates by approximately \$1.5 million, totaling \$5.5 million received compared to the \$4 million budget.

On November 8, 2022, Roseville voters approved Measure C, increasing the City's TOT rate from six percent to 10 percent, effective January 1, 2023. The additional \$1 million in TOT revenue compared to the previous year reflects the economic impact of the rate increase for the second half of FY2022-23 (January-June).



Parks, Recreation & Library (PRL) Programs

Parks, Recreation & Libraries (PRL) program revenues came close to meeting their target for the first year since the pandemic, concluding the year at 99 percent of the FY2022-23 budget.

Building Permits, Plan Check Fees, Engineering Inspection Fees

Building permit, plan check fee, and engineering inspection fee revenues surpassed budget estimates, attributed to sustained increases in the City's development activity. This growth included higher-than-anticipated residential submittals, multi-family dwelling complexes, and commercial buildings. Notably, the initiation of significant projects, such as Costco and Bosch, further contributed to the positive revenue results.

Other Revenues

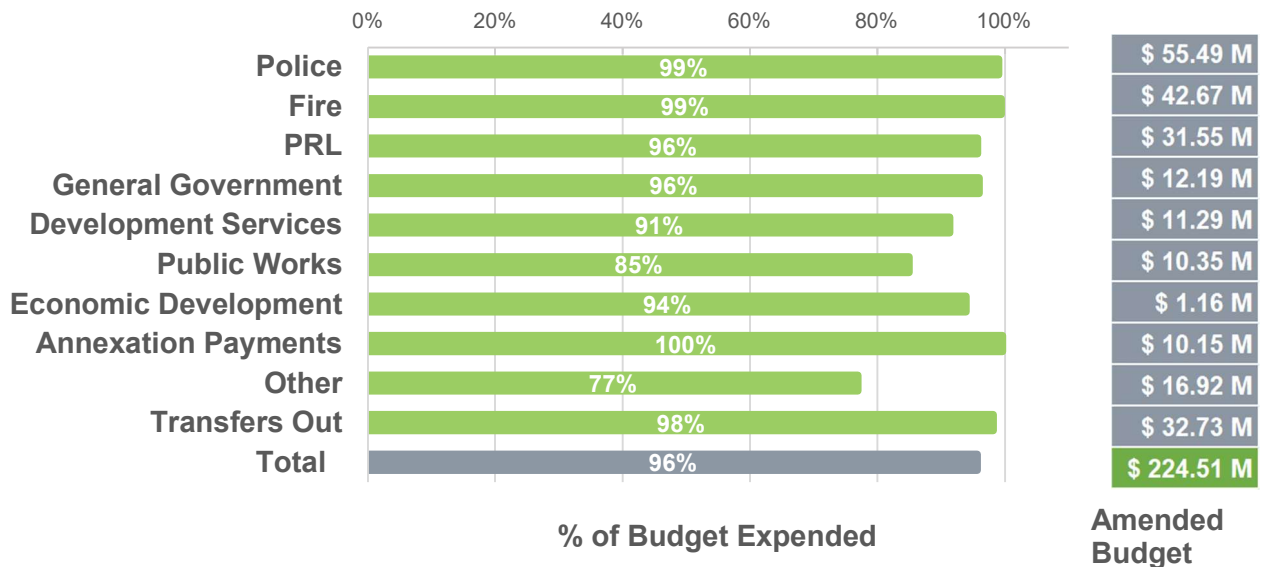
Other revenues encompass reimbursements from the State and developers; property transfer tax; business license tax; rental payments; interest and investment revenue; and animal licensing, passport processing, permit, franchise, and other fees. This category exceeded estimates by \$2.4 million through the end of FY2022-23. Key contributors to this positive variance include higher-than-anticipated interest and investment revenue (\$1 million), special police fees (\$0.4 million), business license and other permits and fees (\$0.3 million), franchise fees (\$0.17 million), and property transfer tax revenue (\$0.16 million).

General Fund: Operating Expenditures

Department	Budget to Cumulative Expenditure Comparison (July 1 – June 30)			
	Amended Budget	Cumulative Expenditures	Variance	% of Budget Expended
Police	\$ 55,485,587	\$ 54,958,760	\$ 526,827	99%
Fire	42,670,314	42,437,574	232,740	99%
Parks, Recreation & Libraries	31,549,551	30,207,406	1,342,145	96%
General Government⁽¹⁾	12,194,328	11,701,837	492,491	96%
Development Services	11,291,582	10,317,658	973,924	91%
Public Works	10,354,465	8,800,801	1,553,664	85%
Economic Development & Housing	1,158,171	1,087,643	70,528	94%
Annexation Payments	10,145,000	10,109,686	35,314	100%
Other	16,924,559	13,022,243	3,902,316	77%
Transfers Out	32,734,992	32,141,023	593,969	98%
Total	\$ 224,508,549	\$214,784,631	\$ 9,723,918	96%
Encumbrance Reserve*	(806,777)	-	(806,777)	
Total	\$ 223,701,772	\$214,784,631	\$ 8,917,141	

⁽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 Department Operating Expenditures
Percentage of Budget Expended
(July 1 – June 30)**



Expenditure savings in the General Fund for FY2022-23 amounted to \$8.9 million, reaching 96 percent of the estimated budget, after considering unspent encumbrances re-appropriated into the FY2023-24 budget. The lower spending in General Fund departments is primarily attributed to vacant positions in Police, Fire, PRL, Development Services, Public Works, and other General Fund departments, as well as reduced spending in materials, services and supplies due to the timing of expenditures and supply chain delays, as well as General Fund contingency savings.

Police and Fire closed the year on budget, while PRL expenditures concluded at 96 percent of the budget, mainly due to position vacancies. General Government departments ended the year approximately four percent under budget, primarily due to vacancy savings.

The lower-than-budget expenditures at year end (91 percent of budget consumption) for Development Services are related to vacancies in the Building Inspection, Engineering, and Code Enforcement Divisions. Additionally, due to the post-pandemic office environment and training changes, Development Services experienced expense savings in various material and supply categories such as office supplies, fuel, office equipment, and training and development.

The Public Works department concluded the year with substantial expenditure savings, amounting to 15 percent of the budget. These savings are primarily attributed to a higher than anticipated amount of capital project work, which offset General Fund operating expenditures. Additionally, the department realized salary savings from temporary and full-time position vacancies and lower-than-expected materials, services, and supplies.

The Economic Development Department closed the year at 94 percent of the budget, primarily due to labor cost savings and lower-than-expected materials, services, and supplies expenditures.

The savings in the other category of the operating budget primarily stem from not needing to utilize the entirety of the allocated General Fund contingency funding. The General Fund contingency is designated to cover appropriations that were unknown or unconfirmed during budget development. Adequate savings within departmental operating budgets were available to address most of the unanticipated General Fund expenditures throughout the year.

Enterprise Funds: Operating Revenues and Expenditures

Revenues

Electric’s operating revenues exceeded the budget by \$7.2 million. This was primarily driven by the unbudgeted \$5.1 million energy cost surcharge implemented on February 1, 2023, an increase in sales of \$1.9 million associated with

	Budget to Cumulative Revenue Comparison (July 1 – June 30)			
	Amended Budget	Cumulative Revenues	Variance	% of Budget Collected
Electric	\$ 178,187,911	\$ 185,368,537	\$ 7,180,626	104%
Water Operations	39,641,469	39,507,434	(134,035)	100%
Wastewater Operations	51,090,495	55,459,435	4,368,940	109%
Waste Services Operations	37,209,039	42,563,532	5,354,493	114%
Transit	7,546,559	7,073,980	(472,579)	94%
Transportation	1,925,345	1,550,039	(375,306)	81%
Youth Development	9,699,997	8,646,850	(1,053,147)	89%

warmer-than-average summer temperatures, and unbudgeted wholesale power revenue of \$1.6 million. These positive revenue impacts are partially offset by a \$1.4 million decrease in hydroelectric surcharge revenue due to higher precipitation levels than initially assumed. Other operating revenues showed variances, including a \$0.8 million decrease attributed to the sale of Low Carbon Fuels Standard Credits (LCFS), offset by a \$0.2 million customer reconnect charge and a \$0.6 million reimbursement for mutual aid support.

Water operating revenue ended the year on budget. Due to new development and increased usage, Waste Services revenues ended the year higher than anticipated by 14 percent. Wastewater exceeded budgeted revenues by 9 percent due to higher-than-estimated reimbursements from regional partners.

Transit operating revenues concluded the year at approximately \$470,000 below budget estimates, primarily due to ongoing losses in passenger fares due to low ridership. Support from the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 of \$1 million was necessary to offset revenue losses.

Transportation revenues ended the year under budget by approximately \$375,000, primarily related to lower-than-anticipated Local Transportation Fund reimbursements due to vacancies and unspent materials, services, and supplies funding.

Revenues in the Youth Development Fund ended the fiscal year at 89 percent of the budget. The \$8.6 million cumulative revenues include a \$1.8 million subsidy from the City’s allocation of American Rescue Plan Act (ARPA) funding. Without the ARPA funding, revenues in the Youth Development Fund would have ended the

year at 70 percent of the budget. Expense savings partially offset the shortfall in operating revenues as PRL staff continue to reduce operational costs to mitigate the impact of lost revenue.

	Budget to Cumulative Expenditure Comparison (July 1 – June 30)			
	Amended Budget	Cumulative Expenditures	Variance	% of Budget Expended
Electric	\$ 154,713,051	\$ 151,135,960	\$ 3,577,091	98%
Water Operations	57,746,414	52,414,152	5,332,262	91%
Wastewater Operations	57,052,662	54,543,741	2,508,921	96%
Waste Services Operations	43,205,760	38,459,887	4,745,873	89%
Transit	7,823,849	7,067,522	756,327	90%
Transportation	1,872,281	1,581,941	290,340	84%
Youth Development	9,139,196	7,452,103	1,687,093	82%

Expenditures

Electric's operating expenses ended the fiscal year \$3.6 million below budget. Cost savings include a \$2.1 million reduction in the cost of goods sold. This reduction was primarily driven by a \$2.4 million decrease in power supply costs

attributable to a substantial increase in hydroelectric energy production from the Calaveras and South Feather projects. A \$0.3 million increase in variable power plant repair costs offset these savings.

Other operational savings in various areas, such as maintenance, professional and contract services, advertising, membership, and utility expenses, totaled \$1.8 million. The Electric utility ended the year with a \$1.0 million shortfall in labor reimbursements from capital projects offset by \$1.5 million in salary savings. Additional budgetary variances include a \$0.3 million increase in property insurance premiums for power plants and an increase of \$0.5 million in expenses for customer rebate programs.

Spending for Environmental Utilities was lower than budgeted, attributed to vacant positions, savings in professional services, training, travel, repair, and maintenance, as well as unused emergency contingency funds. Costs for purchasing water were under budget due to lower-than-expected usage.

Transit and Transportation expenditures ended the year under budget due to vacancies, savings in materials, services, and supplies expenses, and delayed vehicle purchases to FY2023-24.

Expenses for the Youth Development Fund ended the fiscal year at 82 percent of the budget. While enrollment trends are still recovering, PRL staff continues implementing measures to reduce operational costs, mitigating the impact of lost revenue.

Other Revenue

The presented table illustrates the revenues in the Fire Facilities, Public Facilities, and Strategic Improvement Funds through

	Budget to Cumulative Revenue Comparison (July 1 – June 30)				
	FY2021-22 Actual	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget Collected
Fire Facilities	\$ 2,527,505	\$ 1,967,226	\$ 2,274,303	\$ 307,077	116%
Public Facilities	6,678,121	4,629,811	7,591,545	2,961,734	164%
Strategic Improvement	5,281,317	6,444,423	6,815,076	370,653	106%

the fourth quarter of FY2021-22 and FY2022-23. Revenue estimates for these funds are generally derived from a multi-year trend analysis, considering forecasted single and multi-family residential units, commercial development, and prior-year revenue collections. These funds exceeded the budget estimates for the year, driven

by a sustained increase in development activity citywide, particularly during the spring and summer months. The cumulative revenue in the Strategic Improvement Fund (SIF) includes a one-time transfer of \$4 million from the General Fund Capital Reserve Fund to pay for part of the Westbrook Boulevard – Segment 4 project. FY2021-22 SIF revenues 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

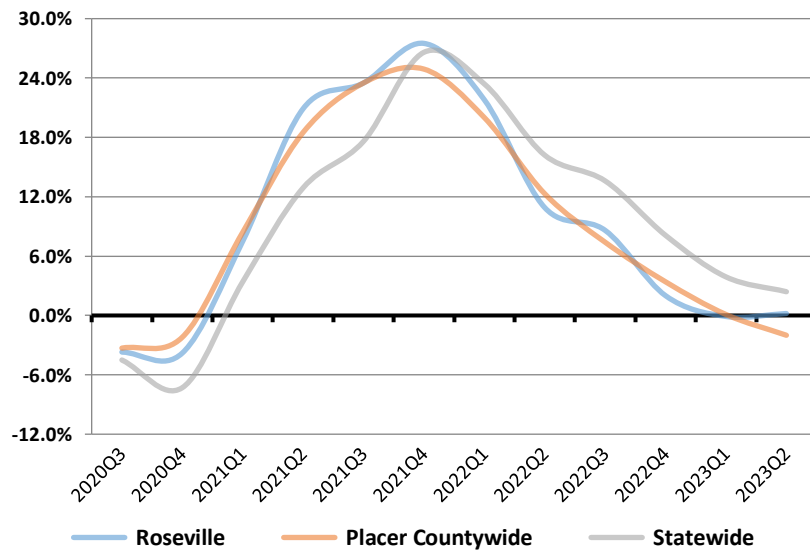
- ARCO AM/PM MINI MARTS
- AUTONATION CHRYSLER DODGE JEEP RAM ROSEVILLE
- AUTONATION HONDA
- BMW OF ROSEVILLE
- CARMAX AUTO SUPERSTORES
- CHEVRON SERVICE STATIONS
- COSTCO WHOLESALE
- ENTERPRISE RENT-A-CAR
- FUTURE FORD
- FUTURE NISSAN
- GMC RELIABLE
- HOME DEPOT
- LEXUS OF ROSEVILLE
- MACY'S DEPARTMENT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

2nd Quarter 2023 in Review

California sales tax cash receipts decreased by 1% from the same quarter last year. In this jurisdiction sales tax cash receipts increased by 0.5% from the same quarter last year due to a increase of \$7,239,000 in Taxable Sales.

Cash Receipts	Quarter	Annual
Roseville	0.5%	0.2%
Placer Countywide Pool	-20.9%	-7.3%
Placer Countywide	-5.0%	-2.0%
Sacramento Valley Region	-2.0%	-0.1%
Statewide	-1.0%	2.4%

Annualized Percent Change in Sales Tax Cash Receipts



Business Activity

- 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.)

	Roseville		California	
	Quarter	Annual	Quarter	Annual
TOTAL LOCAL BUSINESS ACTIVITY	-3.1%	-0.1%	-5.5%	1.6%
COUNTYWIDE POOL ACTIVITY	-16.3%	-5.2%	0.2%	-0.6%



News

- Economic Activity:** Real Gross Domestic Product (GDP) increased at an annual rate of 2.6% in the second quarter of 2023. U.S. inflation decreased to 4.8% in June of 2023 compared to 9.1% the same month a year ago. California's headline inflation decreased to 3.1% year over year as of June of 2023, down from 8.3% in June of 2022. (DIR, BEA, BLS, August Finance Bulletin)
- Employment:** The U.S. unemployment rate remained unchanged at 3.5% in July of 2023. California's unemployment rate increased to 4.9% in July of 2023, 0.5 percentage point higher than March of 2023 rate of 4.4%. (BLS, August Finance Bulletin)
- Personal Income:** U.S. personal income increased by 5.5% for the second quarter of 2023, compared to same quarter previous year. Compensation of employees increased by 5.6% while personal current taxes decreased by 9.2% from the previous period, resulting in a net gain of 8.0% in disposable income. The increase of disposable income generated a 47.1% increase in US personal savings for the second quarter of 2023, compared to same quarter previous year. (BEA)

Roseville

Annual Per Capita Sales Tax

Adjusted for Inflation
(Constant 2019 \$)

