



# Fiscal Year 2024-25 First Quarter Report General Fund Revenues

# FISCAL YEAR 2024-25 – FIRST QUARTER REPORT

## General Fund Revenues

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### Overview

This financial report provides an overview of the City's General Fund revenues for the first quarter of the fiscal year (FY) 2024-25 (July 1, 2024, through September 30, 2024). General Fund expenditures, major enterprise operating funds revenues and expenditures, and revenues in other selected funds will be included beginning with the second quarter report.

General Fund operating revenues collected through the first quarter are at seven percent of the budget. This result is expected and in line with prior years due to the timing of 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 first 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 one month of sales tax revenue in the first quarter of each fiscal year due to the California Department of Tax and Fee Administration (CDTFA) processing timelines. First-quarter revenues are derived from taxable sales through July 2024, received in September.

**Property Tax** is the second largest General Fund revenue source, but most of this tax is received from Placer County in the third (mid-January) and fourth (mid-May) quarters. This distribution schedule is why there are no significant property tax revenues to report.

**Transient Occupancy Tax** (TOT or hotel tax) for the first quarter is derived from payments received through August; therefore, the following charts only reflect two months of TOT revenues.

**Other Revenues**, including reimbursements from the state, property transfer tax, business license tax, and a variety of fees and charges, are tracking eight percent lower than estimates through the end of the first quarter, which is expected and in line with prior years due to the timing associated with receiving the revenues in this category.

### Year-End Forecast

General Fund revenues through the first quarter of FY2024-25 are trending to end the year slightly under budget estimates. The impacts of inflation, shifting consumer spending habits toward areas that were constrained during the pandemic, and limited access to credit, have led to lower consumption of high-cost items, such as in the transportation and construction sectors. These

factors have directly affected the growth rate of sales tax revenues (both Bradley Burns and Measure B). Additionally, rising home and car insurance premiums, coupled with increased household costs, have left less capacity for discretionary spending. While property values have increased, high interest rates have limited access to equity, further restraining spending on taxable goods. Initial forecasts suggest that sales tax revenues may finish the fiscal year at six percent, or \$6 million, below estimates. This represents a six percent decline, or \$5.8 million, compared to the sales tax revenue received in FY2023-24.

Recent County estimates indicate that property tax revenues will exceed projections by \$1.3 million. Hotel tax revenues are expected to meet the budget target by the end of the fiscal year. As anticipated, development activity is returning to pre-pandemic levels, with permit fees, plan check fees, and engineering inspection fees expected to meet or slightly exceed the budget. Recreation program revenues are continuing last year's positive trend and are also expected to meet the FY2024-25 budget target.

As in the previous year, staff will closely monitor General Fund revenues and work with the City's sales tax consultant to refine sales tax estimates as new information becomes available. Like FY2023-24, revenues in other categories may exceed projections, helping to offset the anticipated sales tax shortfall. Additionally, staff expect General Fund expenditure savings (in labor, materials, services, and supplies) to help address any remaining revenue gaps.

As a precaution, staff will continue to delay the \$4.6 million Additional Discretionary Payment (ADP) to CalPERS, which was originally appropriated in FY2023-24, until later in the fiscal year. Similarly, the \$1.8 million ADP appropriated for FY2024-25 will also be delayed.

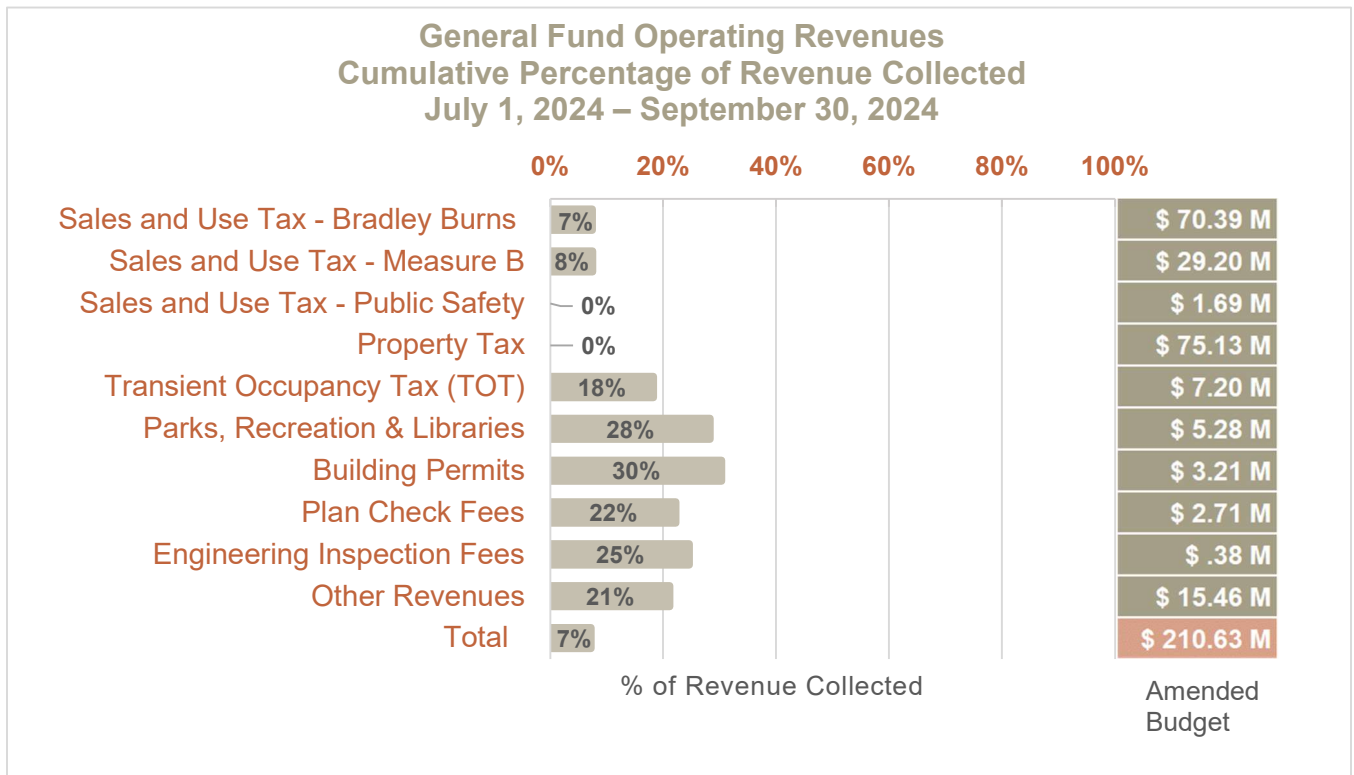
Staff will keep the City Council updated on the sales tax forecast throughout the year and provide updates on the status of the ADP payments.

## General Fund Operating Revenues

The following table displays cumulative General Fund operating revenue through the first quarter and a revenue budget to actual comparison for FY2024-25.

**BUDGET TO CUMULATIVE REVENUE COMPARISON**  
**July 1, 2024 – September 30, 2024**

Revenue Type	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget Collected
Sales and Use Tax - Bradley Burns	\$ 70,385,000	\$ 5,237,412	\$ (65,147,588)	7%
Sales and Use Tax - Measure B	29,200,000	2,196,752	(27,003,248)	8%
Sales and Use Tax - State Aid for Public Safety	1,687,000	-	(1,687,000)	0%
Property Tax	75,126,000	-	(75,126,000)	0%
Transient Occupancy Tax (TOT)	7,200,000	1,314,992	(5,885,008)	18%
Parks, Recreation & Libraries Programs	5,279,735	1,494,078	(3,785,657)	28%
Building Permits	3,212,920	975,655	(2,237,265)	30%
Plan Check Fees	2,705,700	602,524	(2,103,176)	22%
Engineering Inspection Fees	380,450	93,766	(286,684)	25%
Other Revenues	15,456,069	3,272,495	(12,183,574)	21%
<b>TOTAL</b>	<b>\$ 210,632,874</b>	<b>\$ 15,187,673</b>	<b>\$ 195,445,201</b>	<b>7%</b>



General Fund operating revenues collected through the first quarter are seven percent of the budget primarily due to the timing associated with receiving some of the more significant tax 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. 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 through the first quarter are at seven percent and eight percent of their respective budgets. These revenues reflect taxable sales through July 2024. Since then, the City has received sales tax distributions through the end of October totaling \$21,671,467 in Bradley Burns Sales Tax and \$9,452,258 in Measure B Sales Tax distributions.

The latest analysis and forecast by the City's sales tax consultant indicate a decline in sales tax revenues compared to the previous fiscal year. The decrease is primarily due to the ongoing impact of high interest rates and a shift in consumer spending towards service-related purchases, which are not taxable. The consultant's more conservative growth forecast is influenced by several factors, including broader economic risks arising from potential changes in federal policies, geopolitical instability, and trade tensions. Additionally, constraints on consumer, business, and government spending on taxable goods are contributing to the decline, with factors such as rising unemployment, increasing household costs (including insurance premiums and grocery prices), higher healthcare and education costs, and increasing energy prices.

The consultant provides a year-end forecast that includes conservative, most-likely, and optimistic scenarios (see chart below). The most-likely forecast indicates that revenues may end the year at \$65.8 million for Bradley Burns and \$27.7 million for Measure B.

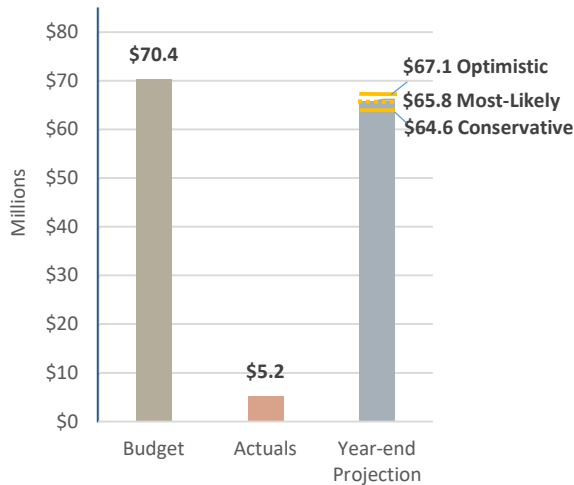
Revenue Type	Conservative	Most-Likely	Optimistic
Sales and Use Tax - Bradley Burns	\$ 64,603,300	\$ 65,844,158	\$ 67,085,000
Sales and Use Tax - Measure B	27,087,600	27,712,829	28,338,000
<b>TOTAL</b>	<b>\$ 91,690,900</b>	<b>\$ 93,556,987</b>	<b>\$ 95,423,000</b>

Assuming that Sales tax ends the year under the most-likely scenario, the General Fund would end the year with a sales tax shortfall of approximately \$6 million.

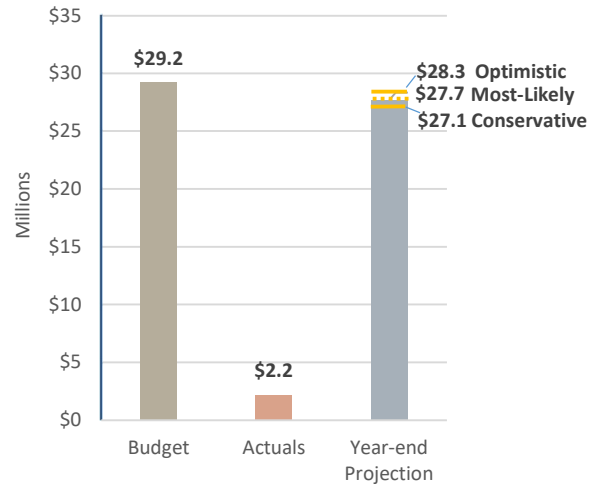
Budget Versus Updated Forecast	Amended Budget	Most-Likely	Variance
Sales and Use Tax - Bradley Burns	\$ 70,385,000	\$ 65,844,158	\$ (4,540,842)
Sales and Use Tax - Measure B	29,200,000	27,712,829	(1,487,171)
<b>TOTAL</b>	<b>\$ 99,585,000</b>	<b>\$ 93,556,987</b>	<b>\$ (6,028,013)</b>

The graphs provided below show Bradley Burns and Measure B Sales and Use Tax revenues for July as compared to the budget and the projected year-end results.

Bradley Burns Sales & Use Tax Revenues



Measure B Sales & Use Tax Revenues

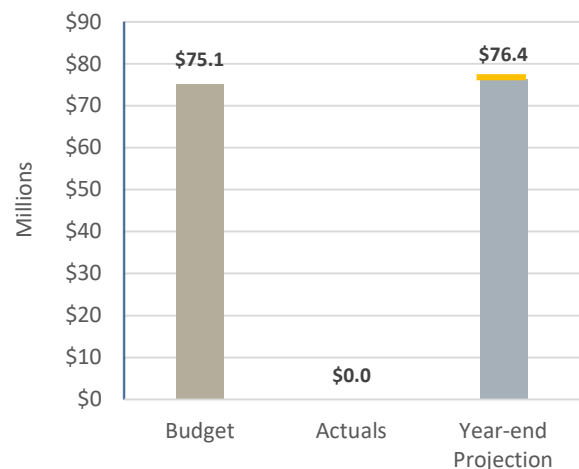


Additional Sales Tax Information: The City's sales tax consultant has prepared a detailed sales tax and business activity report (attached at the end of this report). The report provides a list of the top 25 sales tax remitters, a summary of cash receipts, and sales tax data by economic category.

## Property Tax

Property tax revenue for FY2024-25 is based on the assessed valuation as of January 1, 2024. The City receives most of this funding in the third and fourth quarters of the fiscal year, which explains why no revenue has been received yet. Based on the information provided by the County Auditor-Controller's Office, staff anticipates property tax collections of \$76.4 million, exceeding budget estimates by approximately \$1.3 million.

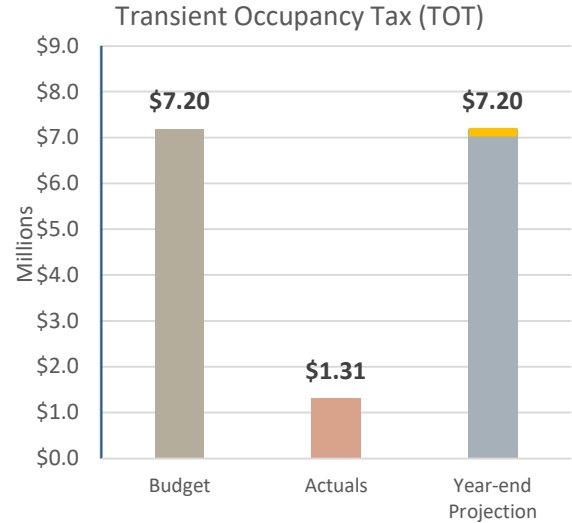
Property Tax Revenues



## Transient Occupancy Tax (TOT)

The City's transient occupancy tax (TOT) revenues, also known as the hotel tax, are tracking on budget through the end of the first quarter with collections of \$1.3 million for the months of July and August. TOT collected through November 2024 totals \$3 million, 42 percent of budget estimates.

In November 2022, Roseville voters approved Measure C, increasing the City's TOT rate from six to 10 percent, effective January 1, 2023. Staff expect that hotel tax revenues will meet the budget target for FY2024-25.




## Parks, Recreation & Libraries (PRL) Programs

Parks, Recreation & Libraries program revenues are above 25 percent for the first quarter at 28 percent because PRL revenues fluctuate throughout the year due to the seasonality of programming. Based on the current results, staff anticipates PRL is on track to meet its FY2024-25 revenue goals.

## Building Permits, Plan Check Fees, Engineering Inspection Fees

Building permit revenues for the first quarter of FY2024-25 slightly exceeded the budget, primarily due to above-average submittals for multi-family and commercial building permits. However, the volume of single-family dwelling permits is slightly decreasing and returning to pre-pandemic levels. Staff anticipates that building permit revenue will slow as the year progresses, although it is predicted to remain above budget through year-end.

Plan check revenue is slightly below budget at the end of the first quarter. However, staff anticipates that revenues will increase during the remainder of the year and will ultimately end the



year on budget, as projects currently in the pipeline continue to move forward. Engineering Inspection Fees are on target through the first quarter and are expected to remain steady as development continues in the Amoruso Ranch, Creekview, and Sierra Vista Specific Plans, and at the Baseline Marketplace retail project.

## 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 and charges. As of the end of the first quarter, revenues in this category are 21 percent of budget estimates. This rate of collection is in line with expectations.



## Quarterly Report on Sales Tax and Business Activity

### Top 25 Sales Tax Remitters

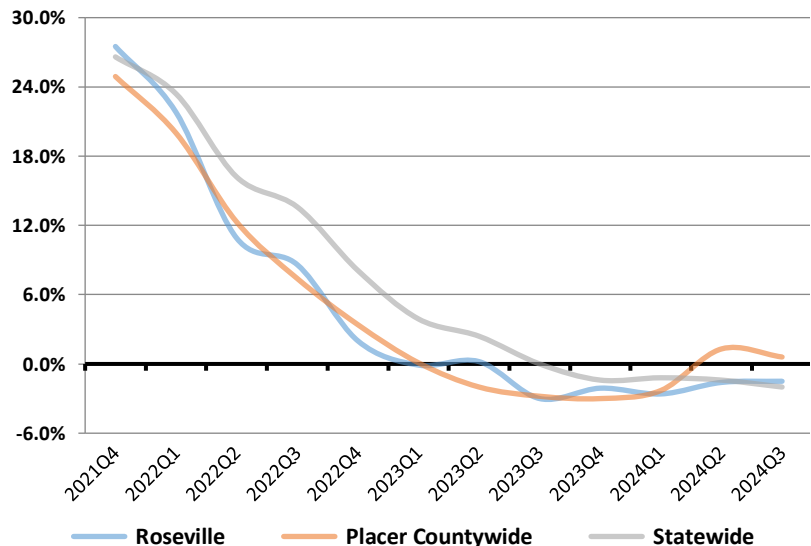
- ARCO AM/PM MINI MARTS
- AUTONATION HONDA
- CARMAX AUTO SUPERSTORES
- CHEVRON SERVICE STATIONS
- COSTCO WHOLESALE
- ECHOPARK AUTOMOTIVE
- FEDEX OFFICE
- FUTURE FORD
- FUTURE NISSAN
- GMC RELIABLE
- HOME DEPOT
- LEXUS OF ROSEVILLE
- MACY'S DEPARTMENT STORE
- MCKESSON MEDICAL -SURGICAL
- NIELLO ACURA
- NORDSTROM DEPARTMENT STORE
- ROBERT BOSCH SEMICONDUCTOR
- ROSEVILLE CHEVROLET
- ROSEVILLE HYUNDAI
- ROSEVILLE KIA
- ROSEVILLE TOYOTA & SCION
- SAM'S CLUB
- TARGET STORES
- VANDERBEEK MOTORS
- WAL MART STORES

### 3rd Quarter 2024 in Review

California sales tax cash receipts decreased by 4.2% from the same quarter last year. In this jurisdiction sales tax cash receipts decreased by 5.9% from the same quarter last year due to a decrease of \$102,345,000 in Taxable Sales.

Cash Receipts	Quarter	Annual
<b>Roseville</b>	-5.9%	-1.5%
<b>Placer Countywide Pool</b>	-9.0%	-9.7%
<b>Placer Countywide</b>	-3.8%	0.6%
<b>Sacramento Valley Region</b>	-3.5%	-0.9%
<b>Statewide</b>	-4.2%	-2.0%

### 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
<b>TOTAL LOCAL BUSINESS ACTIVITY</b>	-3.9%	-0.3%	-3.0%	-2.5%
<b>COUNTYWIDE POOL ACTIVITY</b>	-11.0%	-11.7%	-13.2%	-5.6%



## News

- Economic Activity:** Real Gross Domestic Product (GDP) increased at an annual rate of 2.8% in the third quarter of 2024. U.S. inflation ticked up to 2.6% in October of 2024, down 6.5 percentage points from its most recent peak of 9.1% in June 2022. California's headline inflation decreased to 2.7% year over year as of August 2024, down from 3.5% in December of 2023. (DIR, BEA, BLS, November Finance Bulletin)
- Employment:** The U.S. unemployment rate decreased slightly to 4.1% in October of 2024. California's unemployment rate increased slightly to 5.4% in October of 2024, 0.4 percentage point higher than September of 2023 rate of 5.0%. (EDD, BLS, November Finance Bulletin)
- Personal Income:** U.S. personal income increased by 5.2% for the third quarter of 2024, compared to the same quarter previous year. Compensation of employees increased by 5.5%, while personal current taxes increased by 6.7% from the previous period, resulting in a net gain of 5.0% in disposable income. The increase in personal income has reduced the percent decrease in personal savings quarter over quarter for the third quarter of 2024 to 0.9%, as opposed to 29.9% decrease in the second quarter of 2024. (BEA)

## Roseville

### Annual Per Capita Sales Tax

Adjusted for Inflation

(Constant 2020 \$)

