FISCAL YEAR 2025-26 – SECOND QUARTER REPORT

Overview

This financial report provides an overview of the City's financial status through the second quarter of fiscal year (FY) 2025-26 (July 1 – December 31, 2025), including a review of the following:

1) The General Fund
2) Major enterprise operating funds
3) Revenues in other selected funds

The tables and graphs presented in this report illustrate cumulative operating revenues and expenditures through the second quarter and compare budgeted-to-actual revenues and expenditures. Additionally, the report includes forecasted revenues, historical revenue trends, explanations of significant variances, and key assumptions underlying the year-end forecast.

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 this revenue through the second quarter of each fiscal year due to the California Department of Tax and Fee Administration (CDTFA) processing timelines. Second-quarter revenues reflect taxable sales through October 2025 (received in December).

- **Property Tax** is the second largest General Fund revenue source. Most of this revenue is received from Placer County in the third (mid-January) and fourth (mid-May) quarters. As a result, second-quarter revenues do not reflect a significant portion of annual property tax collections.

- **Transient Occupancy Tax (TOT)**, or hotel tax, for the second quarter is derived from payments received through November; therefore, five months of activity are reflected in the year-to-date totals.

General Fund Year-End Forecast

General Fund revenues through the second quarter of FY2025-26 are trending to end the year in line with, or slightly above, the adopted budget. Economists and the City's sales tax consultant indicate that the California economy is expected to begin recovering in late 2026, with near-term conditions remaining constrained. The unemployment rate in California is projected to remain approximately at 5.5 percent in 2026. Employment growth is projected to remain near zero for non-farm payrolls through 2026 before rebounding to approximately 2 percent growth in 2027.

Consumer spending continues to be influenced by uncertainty related to inflation, tariffs, fuel costs, and global economic conditions, as well as rising household expenses such as insurance, groceries, healthcare, education, and energy.

These factors, in conjunction with cautious business and government spending, have affected the growth rate of sales tax revenues (both Bradley-Burns and Measure B). FY2025-26 growth is expected to be closer to long-term trends following elevated post-pandemic increases. The latest sales tax forecast indicates that revenues may finish the fiscal year approximately 3 percent ($3.1 million) above estimates, representing growth of approximately 2.5 percent ($2.5 million) compared to FY2024-25.

Recent County estimates indicate that property tax revenues will exceed projections by approximately $0.4 million. Hotel tax revenues are expected to come in slightly below the budget estimate based on the consultant's latest forecast. Despite a decline in single-family dwelling permits, building permit revenues are expected to end the year at or slightly below the FY2025-26 budget. Plan check revenues are tracking moderately below budget through the second quarter and are anticipated to remain slightly below projections for the fiscal year. Additionally, engineering inspection fee revenues have exceeded the budget through the second quarter. Recreation program revenues are continuing last year's positive trend and are also expected to meet the FY2025-26 budget.

General Fund expenditures are anticipated to end the year below estimates overall, with the use of General Fund contingency available to address any unanticipated overages. Staff will continue to monitor revenue and expenditure trends and keep the City Council informed throughout the remainder of the fiscal year.

General Fund Operating Revenues

The table below presents cumulative General Fund operating revenues through the second quarter along with a budget to actual comparison for FY2025-26.

BUDGET TO CUMULATIVE REVENUE COMPARISON
July 1, 2025 – December 31, 2025

Revenue Type	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget Collected
Sales and Use Tax – Bradley-Burns	$ 70,900,000	$ 23,602,450	$ (47,297,550)	33%
Sales and Use Tax – Measure B	29,500,000	9,994,597	(19,505,403)	34%
Sales and Use Tax – State Aid for Public Safety	1,616,000	701,112	(914,888)	43%
Property Tax	80,546,000	1,377,972	(79,168,028)	2%
Transient Occupancy Tax (TOT)	7,400,000	3,114,575	(4,285,425)	42%
Parks, Recreation & Libraries Programs	6,308,901	2,825,040	(3,483,861)	45%
Building Permits	3,277,178	1,422,111	(1,855,067)	43%
Plan Check Fees	3,242,691	1,415,612	(1,827,079)	44%
Engineering Inspection Fees	387,623	453,572	65,949	117%
Other Revenues	15,957,339	5,906,997	(10,050,342)	37%
TOTAL	**$ 219,135,732**	**$ 50,814,038**	**$ 168,321,694**	**23%**

General Fund operating revenues collected through the second quarter total 23 percent of the budget. This percentage is primarily driven by the timing of major revenue receipts, including property tax and sales tax, which are received later in the fiscal year. Notable variances are described below.

Bradley-Burns and Measure B Sales Tax

The City's Bradley-Burns and Measure B sales tax revenues through the second quarter total 33 percent of their respective budgets and reflect taxable sales through October 2025. Since then, the City has received sales tax distributions through the end of January totaling $42,383,699 (Bradley-Burns) and $18,464,683 (Measure B).

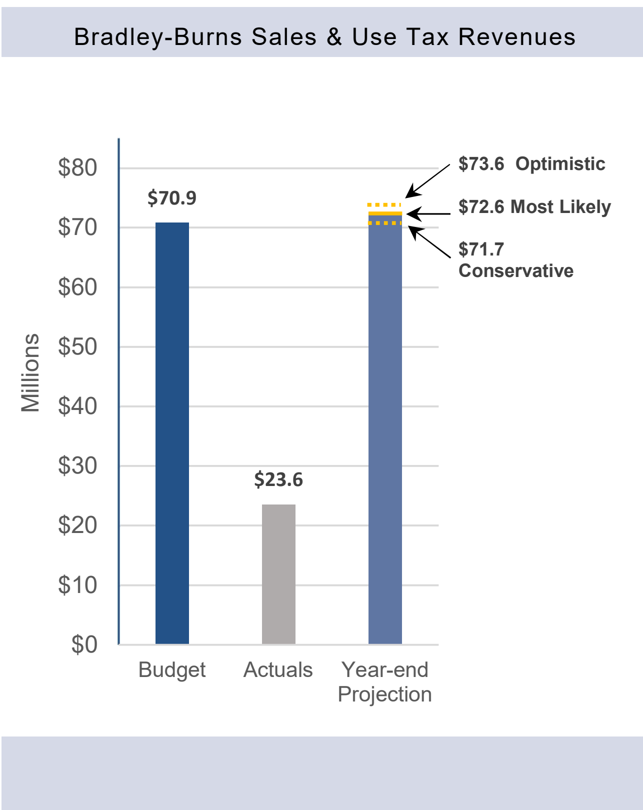
The City's sales tax consultant's most recent analysis includes a year-end forecast with conservative, most-likely, and optimistic scenarios (see chart below). The most-likely forecast indicates that sales tax revenues may end the year at $72.6 million for Bradley-Burns and $30.9 million for Measure B.

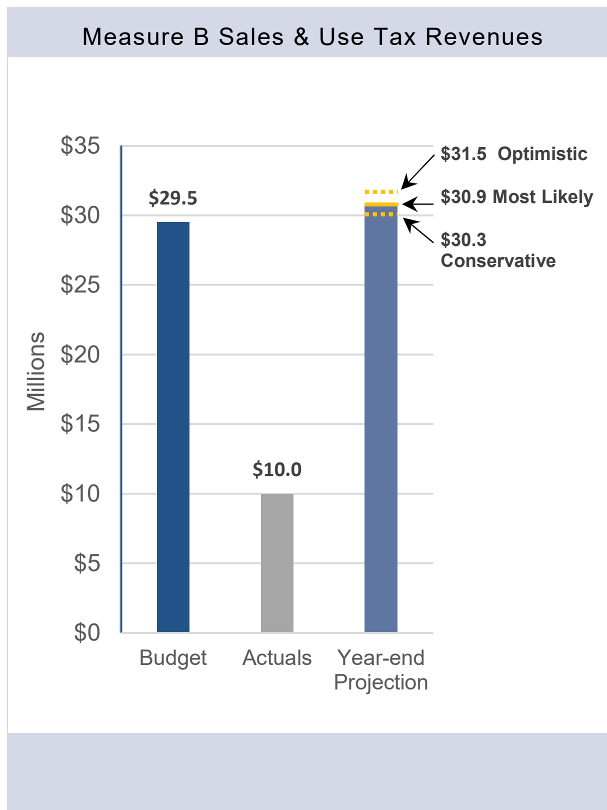
Revenue Type	Conservative		Most-Likely		Optimistic	
Sales and Use Tax – Bradley-Burns	$	71,638,245	$	72,604,853	$	73,571,545
Sales and Use Tax - Measure B		30,306,350		30,911,219		31,516,050
TOTAL	**$**	**101,944,595**	**$**	**103,516,072**	**$**	**105,087,595**

Based on the most-likely sales tax scenario, the General Fund is projected to end the year approximately $3.1 million above estimates, representing growth of approximately 2.5 percent ($2.5 million) compared to FY2024-25.

Budget Versus Updated Forecast	Amended Budget		Updated Forecast (Most-Likely)		Variance	
Sales and Use Tax - Bradley Burns	$	70,900,000	$	72,604,863	$	1,704,863
Sales and Use Tax - Measure B		29,500,000		30,911,219		1,411,219
TOTAL	**$**	**100,400,000**	**$**	**103,516,082**	**$**	**3,116,082**

The graphs below show Bradley-Burns and Measure B sales tax revenues through December compared to budget and projected year-end results.

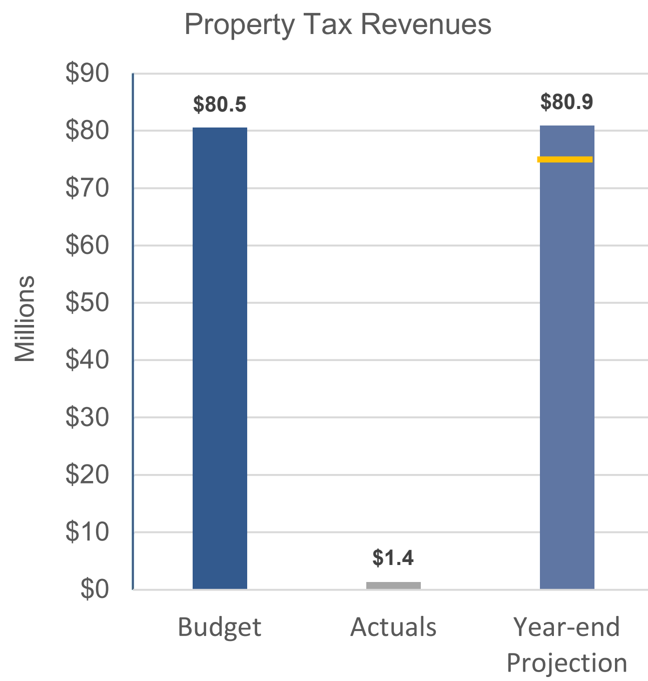




The City's sales tax consultant's detailed report (included at the end of this report) provides a list of the top 25 sales tax remitters, a cash receipts summary, and sales tax data by economic category.

Property Tax

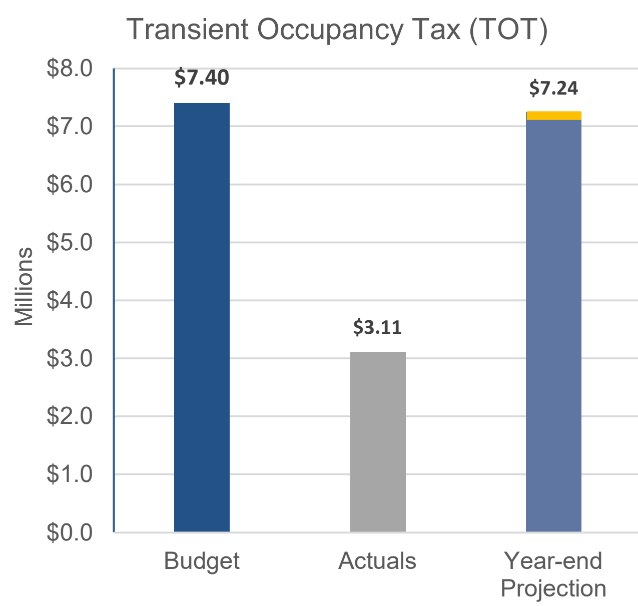
Property tax revenue for FY2025-26 is based on assessed valuation as of January 1, 2025. The City receives most of this revenue in the third and fourth quarters of the fiscal year, which is why only $1.4 million has been received through the second quarter. As of April 2026, the City has received $44.7 million. Based on data provided by the County Auditor-Controller's Office, staff anticipates property tax collections of $80.9 million, exceeding budget estimates by approximately $0.4 million.



Transient Occupancy Tax (TOT)

The City's TOT revenues (also known as hotel tax) are tracking on budget through the end of the second quarter with collections of $3.1 million through November. TOT collected through February totals $4.8 million (65 percent of the budget estimate).

According to the latest consultant forecast, hotel tax revenues are projected to end the year slightly below the FY2025-26 budget, at approximately $7.24 million.



Parks, Recreation & Libraries (PRL) Programs

PRL program revenues are at 45 percent through the second quarter, which is expected given that these revenues fluctuate throughout the year due to the seasonality of programming. Based on current trends, staff anticipates that PRL will meet its FY2025-26 revenue goals.

Building Permits, Plan Check Fees, Engineering Inspection Fees

Building permit revenue for the second quarter of FY2025-26 is slightly below budget, primarily due to a decrease in single-family and multi-family dwelling building permits. Single-family dwelling permits have declined as development continues toward buildout within the remaining west Roseville specific plans. Despite this decrease, staff anticipates building permit revenue will remain relatively consistent throughout the fiscal year, with revenues expected to end the year at or slightly below budget.

Plan check revenues are slightly below budget at the end of the second quarter, and staff anticipates they will remain steady throughout the fiscal year. Engineering inspection fee revenues are above budget through the second quarter. This is largely timing-related, with activity expected to taper off in the second half of the 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, franchise fees, interest, and other fees and charges. As of the end of the second quarter, revenue collections in this category represent approximately 37 percent of the budget estimate. Staff anticipates that collections will end the year on target as this level of revenue is consistent with historical collection patterns at this point in the fiscal year.

General Fund: Operating Expenditures

BUDGET TO CUMULATIVE EXPENDITURE COMPARISON
July 1, 2025 – December 31, 2025

Department	Amended Budget	Cumulative Expenditures	Variance	% of Budget Expended
Police	$ 68,730,422	$ 32,254,159	$ (36,476,263)	47%
Fire	53,656,835	24,532,128	(29,124,707)	46%
Parks, Recreation & Libraries	41,607,149	18,440,574	(23,166,575)	44%
General Government*	15,751,380	6,855,915	(8,895,465)	44%
Development Services	13,871,096	5,543,888	(8,327,208)	40%
Public Works	11,769,184	4,930,738	(6,838,446)	42%
Economic Development & Housing	1,031,686	900,582	(131,104)	87%
TOTAL	**$ 206,417,752**	**$ 93,457,984**	**$ (112,959,768)**	**45%**

**The General Government departments are City Council, City Manager's Office, City Attorney's Office, City Clerk, Finance, Public Affairs and Communications, and Human Resources.*

General Fund spending stands at 45 percent of the budget through the second quarter. This slower pace is consistent with the prior year and is primarily due to savings from unfilled positions as well as the timing of expenditures. Detailed department-specific information is provided below.

- **Police –** The second-quarter budget variance is largely due to the timing of major purchases and contract renewals, along with position vacancies that existed early in the fiscal year. Several costs typically occur later in the fiscal year, such as contract payments and other equipment purchases.

  An increase in the contract with the Society for the Prevention of Cruelty to Animals (SPCA) is expected to result in a budget overage of approximately $1.2 million. In addition, fewer vacancies in the second half of the fiscal year are expected to limit the Department's ability to achieve the salary savings assumed in the Police Department budget. Overall, staff anticipates that sufficient General Fund resources in other areas will be available to offset any year-end overages in the Police Department.

- **Fire –** Department expenditures are tracking 5 percent lower than budget due to the timing of technology-based subscription services, software purchases, and planned maintenance. Additionally, the Fire Academy began in the third quarter and carries significant costs (both labor and non-labor) that will be incurred throughout the remainder of the year. Based on these upcoming obligations, the Fire Department anticipates utilizing all remaining budgeted funds by the end of the fiscal year.

- **Parks, Recreation & Libraries** – Expenditures are at 44 percent of the budget due to temporary and full-time position vacancies and the seasonality of spending related to recreation programming. PRL expects to end the year below budget.

- **General Government -** General Government departments are anticipated to end the year on budget overall, with the use of General Fund contingency if necessary to offset any shortfall in salary savings.

- **Development Services –** Expenditures are 40 percent of the budget through the end of the second quarter due to savings in labor costs resulting from intermittent staffing vacancies, and a conservative approach to spending in materials, supplies, and services, in anticipation of fluctuating development trends. Staff anticipates ending the year on or under budget.

- **Public Works –** This department is under budget through the second quarter due to several factors, including vacancies in the Engineering Division, reduced reliance on materials for restoration and routine maintenance activities in the Streets Division, and timing differences in expenditures.

- **Economic Development and Housing –** Spending is 87 percent of the budget through the second quarter. The Economic Development Division, currently at 63 percent, is expected to remain within budget by year-end, as membership and lease payments are made at the beginning of the fiscal year. The Housing Division is trending higher due to the timing of reimbursements for labor costs. Housing Division staff are budgeted in the General Fund and subsequently reimbursed through various housing-related funds, including the Housing Authority, Housing Trust, and Community Development Block Grant.

Enterprise Funds: Operating Revenues

The table below presents operating revenues in the City's seven enterprise funds. Additional details for each fund are provided below.

BUDGET TO CUMULATIVE REVENUE COMPARISON
July 1, 2025 – December 31, 2025

	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget Collected
Electric	$ 234,632,929	$ 119,377,318	$ (115,255,611)	51%
Water Operations	46,682,122	23,299,088	(23,383,034)	50%
Wastewater Operations	61,452,750	27,160,912	(34,291,838)	44%
Waste Services Operations	44,260,451	21,358,235	(22,902,216)	48%
Transit	10,264,013	302,673	(9,961,340)	3%
Transportation	2,268,514	55,518	(2,212,996)	2%
Youth Development	9,939,695	3,716,856	(6,222,839)	37%

- **Electric Fund** – Operating revenues were slightly higher than budget through the second quarter and are projected to exceed budget estimates through the end of the fiscal year. This positive variance is primarily driven by a $6.2 million increase in utility sales revenues, reflecting higher electricity usage by both residential and commercial customers. This increase is partially offset by a $1.5 million unfavorable variance related to the hydroelectric adjustment and a $3.5 million decrease in electricity sales due to lower-than-expected load from a large industrial customer. Energy usage by this customer is expected to return to normal production levels by summer 2026.

- **Environmental Utilities** – Overall, revenues across Environmental Utilities funds are generally performing as expected, with timing differences in reimbursements and seasonal demand contributing to second-quarter variances.

  Water Operations Fund – Operating revenues are performing as expected, reaching 50 percent of the annual budget through the second quarter. Current projections indicate that these revenues will finish the year slightly above budget.

  Wastewater Operations Fund – Operating revenues ended the second quarter at 44 percent, which is lower than anticipated due to the timing of reimbursements from regional partners which are primarily collected during the third and fourth quarters. Recycled water sales revenue exceeds budget projections, driven by higher demand and seasonal variability associated with landscape irrigation. Overall, revenues are projected to end the fiscal year slightly above budget.

Waste Services Operations Fund – Operating revenues stand at 48 percent through the end of the second quarter, consistent with expectations and prior year performance. Scrap sales are anticipated to strengthen during the third and fourth quarters as activity increases. Staff anticipates meeting the budgeted revenue target by the end of the fiscal year.

- **Transit and Transportation Funds –** Significant budget-to-actual variances in these enterprise funds are primarily due to the timing of their primary funding streams, which is typical for these funds, as most revenues are recognized in the final two quarters of the fiscal year. At year-end, revenues are expected to align with expenditures for both funds.

- **Youth Development Fund** – Revenues are at 37 percent of the budget through the second quarter. Although lower than anticipated, more than 50 percent of Youth Development revenues are received in the last two quarters of the fiscal year. Staff estimates that revenues will end the year below the budget; however, expenditure controls are expected to offset the revenue shortfall. Registration is holding steady for preschool and grant-funded programs. Adventure Club registrations are beginning to climb slightly and are anticipated to continue with the addition of another Adventure Club planned to open for the 2026-27 school year and the addition of a new program offering for Transitional Kindergarten (TK) children.

Enterprise Funds: Operating Expenditures

The table below presents operating expenditures in the City's seven enterprise funds. Additional details for each fund are provided below.

BUDGET TO CUMULATIVE EXPENDITURE COMPARISON
July 1, 2025 – December 31, 2025

	Amended Budget	Cumulative Expenditures	Variance	% of Budget Expended
Electric	$ 208,379,007	$ 94,425,298	$ (113,953,709)	45%
Water Operations	53,155,786	19,965,631	(33,190,155)	38%
Wastewater Operations	63,669,684	26,342,339	(37,327,345)	41%
Waste Services Operations	50,657,587	18,949,088	(31,708,499)	37%
Transit	10,192,668	3,893,825	(6,298,843)	38%
Transportation	1,881,025	796,340	(1,084,685)	42%
Youth Development	9,066,108	3,992,231	(5,073,877)	44%

- **Electric Fund –** Expenditures are 5 percent under budget through the second quarter and are projected to remain under budget by fiscal year-end. Power supply costs are expected to be $3.6 million below budget, primarily due to lower Renewable Energy Credit (REC) costs. RECs are used to meet state renewable energy requirements, and while the quantity purchased remained generally consistent, market prices declined during the year. In addition, spending on public programs and contracted services is projected to be $0.4 million below budget, along with $3.8 million in salary savings from vacant positions. These favorable variances are partially offset by a $4.8 million increase in generation maintenance costs, primarily due to longer-than-planned scheduled outages at a major plant.

- **Environmental Utilities –** Overall, expenditures across Environmental Utilities funds are trending below budget through the second quarter, primarily due to vacancy savings and the timing of expenditures.

  Water Operations Fund – Expenditures are below budget at 38 percent through the second quarter. This variance is primarily due to vacancies in both full-time and temporary positions, as well as lower-than-anticipated spending on materials, supplies, and services. Water purchase costs are at 43 percent of budget when adjusted for PCWA (Placer County Water Agency) contract costs not yet reflected. These costs are currently below estimates due to lower-than-expected delivery expenses, but, along with chemical expenses, are anticipated to increase modestly in the second half of the fiscal year due to ASR (Aquifer Storage and Recovery) well injections. Due to the complexity of its operations, the Water Utility continues to face challenges in recruiting experienced staff for vacant positions. This has resulted in salary savings as well as reduced expenses for training and development. Professional services and repair and maintenance costs are also tracking under budget. Overall, expenditures are expected to increase during the third and fourth quarters but projected to remain under budget through the end of the fiscal year.

Wastewater Operations Fund – Expenditures are at 41 percent of budget through the second quarter, below the expected level, primarily due to ongoing vacancies and related savings. Like the Water Utility, Wastewater is also facing challenges in recruiting experienced staff due to the complexity of utility operations, resulting in salary and benefit expenditures slightly under budget. Professional services and repair and maintenance expenditures are also trending lower than anticipated. Remaining balances across these and other expense accounts are expected to be utilized by the end of the fiscal year. While spending is expected to increase in the second half of the fiscal year, total expenditures in the Wastewater Operations Fund are projected to remain slightly below budget at year-end.

Waste Services Operations Fund – Expenditures are below budget at 37 percent through the second quarter, primarily due to the timing of materials, supplies, and services expenses. For example, landfill disposal fees are at 30 percent of budget due to delayed billing. Fleet replacement and rent costs are at 26 percent and 29 percent, respectively because new residential solid waste collection trucks were not delivered until the third quarter. These costs are expected to increase in the second half of the fiscal year. Additional savings are attributable to staff vacancies and lower-than-expected operating costs. Fuel expenditures are at 25 percent of budget, tracking below projections due to the use of renewable natural gas (RNG) produced at the Pleasant Grove Wastewater Treatment Plant. Overall, expenditures are projected to end the fiscal year slightly under budget.

Staff plans to recommend that positive year-end results in all three Environmental Utilities operations funds be transferred to their rehabilitation funds for current and future projects (such as the new Utility Operations Center and fleet electrification) or to rate stabilization funds to mitigate future rate increases.

- **Transit Fund –** Expenditures ended the second quarter 12 percent under budget, primarily due to the deferred timing of bus shelter replacement costs and the implementation of new routes, which include printing and advertising expenses for the new transit service guides and bus shelter route maps. These items will be ordered once the new transit services are implemented. Transit expenditures are on track to finish the year as budgeted.

- **Transportation Fund –** Expenditures ended the second quarter at 42 percent of budget, similar to prior year percentages at this time. Transportation expenditures are on track to finish the year as budgeted.

- **Youth Development Fund** – Expenditures are at 44 percent through the second quarter of the fiscal year, as PRL staff continues to take measures to reduce operational costs to offset any revenue shortfall. Staff anticipates that the Youth Development Fund will not require the entire budgeted General Fund transfer for FY2025-26.

Other Revenues: Fire Facilities, Public Facilities, and Strategic Improvement

BUDGET TO CUMULATIVE REVENUE COMPARISON
July 1, 2025 – December 31, 2025

	FY2024-25	FY2025-26			
	Actuals	Amended Budget	Cumulative Revenues	Variance	% of Budget Collected
Fire Facilities	$ 2,165,102	$ 1,278,274	$ 382,749	895,525	30%
Public Facilities	7,634,139	4,153,251	1,675,629	2,477,622	40%
Strategic Improvement	3,997,060	1,373,871	602,155	771,716	44%

The table above presents revenues in the Fire Facilities, Public Facilities, and Strategic Improvement Funds through the second quarter of FY2025-26. The revenue estimates for these three funds are generally based on a multi-year trend analysis of forecasted single-family, multi-family, and commercial development, as well as prior-year revenue collections.

The Fire Facilities, Public Facilities, and Strategic Improvement Funds ended the second quarter below budget at 30 percent, 40 percent, and 44 percent, respectively. Staff anticipates that revenue in the Fire Facilities Fund will end the year slightly below budget, and that revenues in the Public Facilities and Strategic Improvement Funds will end the year on target.

City of Roseville

Quarterly Report on Sales Tax and Business Activity

Top 25 Sales Tax Remitters

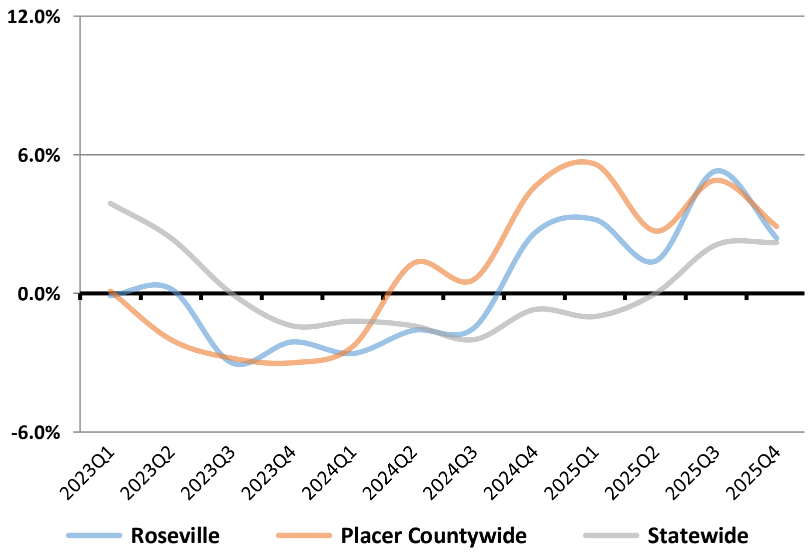
APPLE STORES
ARCO AM/PM MINI MARTS
AUTONATION HONDA
BMW OF ROSEVILLE
CARMAX AUTO SUPERSTORES
CHEVRON SERVICE STATIONS
COSTCO WHOLESALE
ECHOPARK AUTOMOTIVE
FUTURE FORD
GMC RELIABLE
HOME DEPOT
LEXUS OF ROSEVILLE
MACY'S DEPARTMENT STORE
MCKESSON MEDICAL -SURGICAL
NIELLO ACURA
NORDSTROM DEPARTMENT STORE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

4th Quarter 2025 in Review

California sales tax cash receipts increased by 2.5% from the same quarter last year. In this jurisdiction sales tax cash receipts increased by 0.8% from the same quarter last year due to a increase of $14,103,000 in Taxable Sales.

Cash Receipts	Quarter	Annual
Roseville	0.8%	2.4%
Placer Countywide Pool	19.4%	11.9%
Placer Countywide	4.1%	2.9%
Sacramento Valley Region	1.3%	2.4%
Statewide	2.5%	2.2%

Annualized Percent Change in Sales Tax Cash Receipts



Business Activity	Roseville Quarter	Roseville Annual	California Quarter	California Annual
General Retail	**2.4%**	**-1.6%**	-2.3%	-0.8%
Food Products	**4.7%**	**3.6%**	-1.2%	-1.1%
Transportation	**-7.7%**	**-1.5%**	-8.2%	-6.2%
Construction	**-11.7%**	**-5.7%**	-3.6%	-3.7%
Business To Business	**2.5%**	**-4.6%**	-6.2%	-4.2%
TOTAL LOCAL BUSINESS ACTIVITY	**-1.3%**	**-1.3%**	-4.0%	-2.9%
COUNTYWIDE POOL ACTIVITY	**15.6%**	**11.1%**	7.0%	8.6%

City of Roseville

News

- **Economic Activity:** Real Gross Domestic Product (GDP) increased at an annual rate of 1.4% in the fourth quarter of 2025. U.S. inflation ticked up to 2.7% in December of 2025, down 6.4 percentage points from its most recent peak of 9.1% in June 2022. California's headline inflation increased to 3.2% year over year as of December 2025. (DIR, BEA, BLS)

- **Employment:** The U.S. unemployment rate increased slightly to 4.4% in December of 2025. California's unemployment rate increased by 0.4 percentage point to 5.5% as of December of 2025. (EDD, BLS)

- **Personal Income:** U.S. personal income increased by 4.3% for the fourth quarter of 2025, compared to the same quarter previous year. Compensation of employees increased by 4.0%, while personal current taxes increased by 8.6% from the previous period, resulting in a net gain of 3.9% in disposable income. (BEA)