



Fiscal Year 2025-26 Third Quarter Report

FISCAL YEAR 2025-26 – THIRD QUARTER REPORT

Overview

This financial report provides an overview of the City's financial status through the third quarter of fiscal year (FY) 2025-26 (July 1 – March 31, 2026), 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 third quarter and compare budget-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 forecasts presented in this report are based on information available through the third quarter and will continue to be refined as additional information becomes available during the fiscal year-end closing process.

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 seven months of this revenue through the third quarter of each fiscal year due to the California Department of Tax and Fee Administration (CDTFA) processing timelines. Third quarter revenues reflect taxable sales through January 2026, with January sales tax received in March.
- **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. This distribution schedule is why property tax revenue is tracking low at 56 percent, as shown in the revenues table graph.
- **Transient Occupancy Tax (TOT)**, or hotel tax, for the third quarter is derived from payments received through March for hotel stays through February; therefore, the year-to-date totals reflect activity for the first eight months.

General Fund Year-End Forecast

General Fund revenues through the third quarter of FY2025-26 are trending to end the year at or slightly above the amended budget. The adopted budget was developed based on economic forecasts and the City's sales tax consultant's expectation that the California economy would remain relatively flat during 2026. Those forecasts projected that California's unemployment rate would remain at approximately 5.5 percent in 2026 and that employment growth would remain near zero for non-farm payrolls through 2026 before rebounding to approximately 2 percent growth in 2027.

The adopted budget assumed that consumer spending would continue 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, along with cautious business and government spending, were expected to moderate the growth of sales tax revenues (both Bradley-Burns and Measure B). Accordingly, the adopted budget assumed that the FY2025-26 sales tax growth would return closer to long-term trends following the elevated post-pandemic increases.

While the economic assumptions used to develop the adopted budget remain generally consistent with current economic conditions, taxable sales activity in Roseville has performed modestly better than anticipated. The latest sales tax forecast indicates that revenues may finish the fiscal year at approximately 2.7 percent (\$2.7 million) above the adopted budget, representing growth of approximately 2.1 percent (\$2.1 million) compared to FY2024-25.

Recent estimates from the County Auditor-Controller's Office indicate that property tax revenues are expected to exceed the budget estimate 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.

Development-related revenues continue to reflect a slower construction environment. Building permit revenues are expected to end the year at or below budget while plan check revenues are anticipated to remain moderately below projections. Inspection, planning, and engineering fee revenues continue to outperform the budget through the third quarter. Recreation program revenues continue last year's positive trend and are expected to meet the FY2025-26 budget.

General Fund expenditures are projected to end the fiscal year within budget, with General Fund contingency available to address any overages in individual departments.

Overall, staff currently anticipate a year-end surplus ranging from \$5 to \$10 million, reflecting expenditure savings of up to \$7 million and revenues exceeding estimates of up to \$3 million. Given the number of factors that can affect year-end results, the outcome remains difficult to predict with precision at this point in the year. Staff will continue to monitor revenue and expenditure activity and update the City Council when the year-end results are finalized.

General Fund Operating Revenues

The table below presents cumulative General Fund operating revenues through the third quarter, including a comparison of the FY2025-26 amended budget to actual revenues.

BUDGET TO CUMULATIVE REVENUE COMPARISON
July 1, 2025 – March 31, 2026

Revenue Type	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget Collected
Sales and Use Tax – Bradley-Burns	\$ 70,900,000	\$ 42,383,700	\$ (28,516,300)	60%
Sales and Use Tax – Measure B	29,500,000	18,464,684	(11,035,316)	63%
Sales and Use Tax – State Aid for Public Safety	1,616,000	1,136,557	(479,443)	70%
Property Tax	80,546,000	44,767,038	(35,778,962)	56%
Transient Occupancy Tax (TOT)	7,400,000	4,786,295	(2,613,705)	65%
Parks, Recreation & Libraries Programs	6,308,901	4,083,242	(2,225,659)	65%
Building Permits	3,277,178	2,103,192	(1,173,986)	64%
Plan Check Fees	3,242,691	2,111,211	(1,131,480)	65%
Inspection, Planning, and Engineering Fees	387,623	666,710	279,087	172%
Other Revenues	16,768,304	12,868,644	(3,899,660)	77%
TOTAL	\$ 219,946,697	\$ 133,371,273	\$ (86,575,424)	61%

General Fund operating revenues collected through the third quarter total 61 percent of the amended budget. This result is expected and in line with prior years due to the timing of receipt of some of the significant tax revenues. 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 third quarter total 60 percent and 63 percent of their respective budgets and reflect taxable sales through January

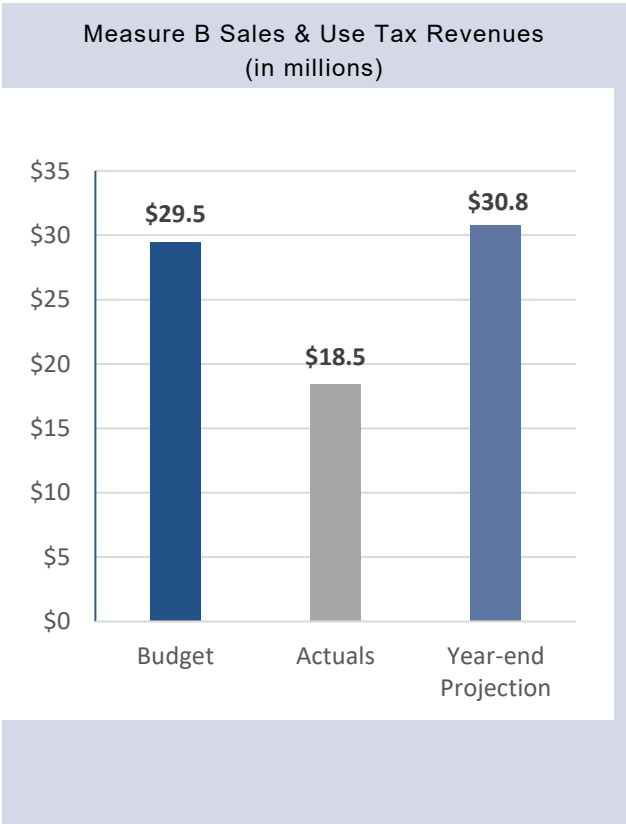
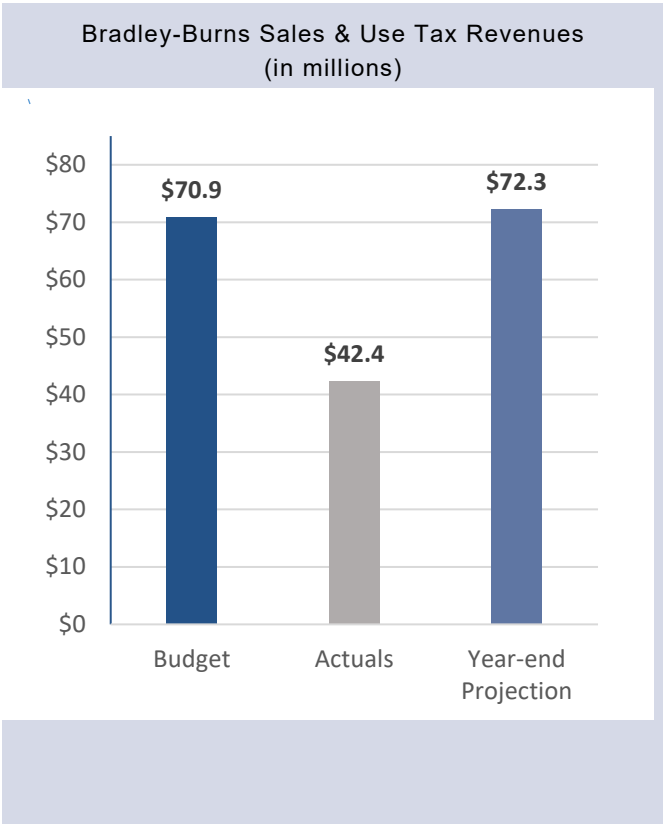
2026. Since then, the City has received sales tax distributions for sales through May totaling \$65,881,540 (Bradley-Burns) and \$28,482,001 (Measure B).

The City's sales tax consultant's most recent analysis includes a year-end forecast that indicates that sales tax revenues may end the year at approximately \$72.3 million for Bradley-Burns and \$30.8 million for Measure B.

Based on the sales tax forecast, the General Fund is projected to end the year approximately \$2.7 million above the amended budget, representing approximately 2.1 percent growth (\$2.1 million) compared to FY2024-25.

Budget Versus Updated Forecast	Amended Budget	Updated Forecast	Variance
Sales and Use Tax - Bradley Burns	\$ 70,900,000	\$ 72,311,504	\$ 1,411,504
Sales and Use Tax - Measure B	29,500,000	30,823,236	1,323,236
TOTAL	\$ 100,400,000	\$ 103,134,740	\$ 2,734,740

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



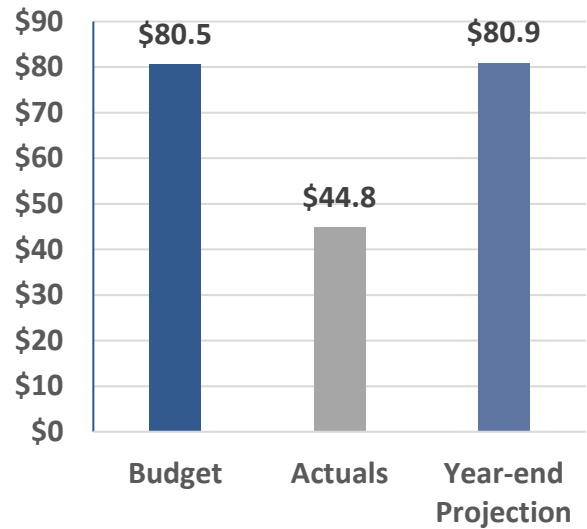
Property Tax

Property tax revenue for FY2025-26 is based on assessed valuation as of January 1, 2025.

Because most property tax payments are received during the third and fourth quarters of the fiscal year, only \$44.8 million has been collected through the third quarter. To date, the City has received \$76.7 million.

Based on the latest information provided by the County Auditor-Controller's Office, staff continues to anticipate property tax collections of approximately \$80.9 million, exceeding the amended budget by approximately \$0.4 million.

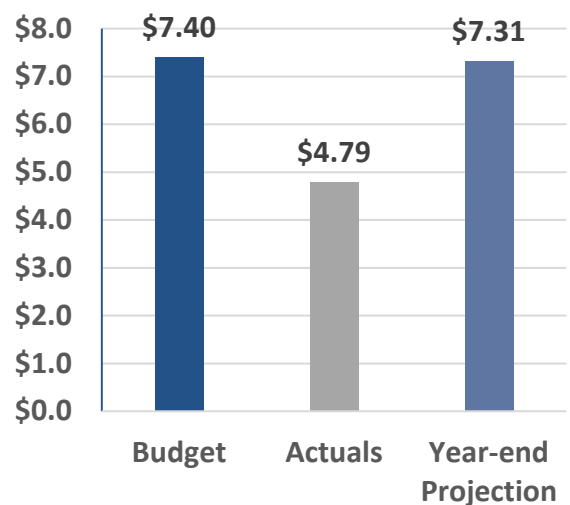
**Property Tax Revenues
(in millions)**



Transient Occupancy Tax (TOT)

The City's TOT revenues (also known as hotel tax) totaled \$4.8 million through the third quarter (July through March), which was in line with budget expectations. By June 2026, collections had increased to \$7.3 million.

**Transient Occupancy Tax (TOT)
(in millions)**



Parks, Recreation & Libraries (PRL) Programs

PRL program revenues are at 65 percent through the third 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 budget.

Building Permits, Plan Check Fees, Inspection, Planning, and Engineering Fees

Building permit revenue for the third quarter of FY2025-26 is slightly below budget, primarily due to a decrease in single-family and multi-family dwelling building permits. Although permit activity has begun to improve and single-family activity is expected to meet year-end targets, overall revenue is expected to end the year at or below budget.

Plan Check revenue follows similar patterns and remains moderately below budget. As permit volumes increase, staff expects Plan Check revenue to stabilize; however, it is still projected to end the year under budget estimates.

Engineering Inspection fees continue to outperform budget expectations, driven largely by strong inspection activity related to larger commercial projects.

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 third quarter, revenue collections in this category are approximately 77 percent of the budget. Staff anticipate that collections will end the year on budget.

General Fund: Operating Expenditures

BUDGET TO CUMULATIVE EXPENDITURE COMPARISON July 1, 2025 – March 31, 2026

Department	Amended Budget	Cumulative Expenditures	Variance	% of Budget Expended
Police	\$ 68,741,691	\$ 52,434,126	\$ (16,307,565)	76%
Fire	54,214,360	39,227,229	(14,987,131)	72%
Parks, Recreation & Libraries	41,607,149	27,816,688	(13,790,461)	67%
General Government*	15,751,380	11,202,722	(4,548,658)	71%
Development Services	13,871,096	9,169,474	(4,701,622)	66%
Public Works	11,769,184	7,895,927	(3,873,257)	67%
Economic Development & Housing	1,031,686	825,792	(205,894)	80%
TOTAL	\$ 206,986,546	\$ 148,571,957	\$ (58,414,589)	72%

*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 is tracking below budget, at 72 percent through the third quarter of the fiscal year. This slower pace – 72 percent instead of the expected 75 percent based on time elapsed – is primarily due to cost savings from unfilled positions. Detailed department-specific information is provided below.

- **Police** – Police Department expenditures are trending higher than anticipated in the third-quarter forecast, primarily due to fewer vacancies, higher employee leave payouts, and higher SPCA contract costs for animal care. Labor market compensation adjustments were anticipated and funded through the General Fund contingency. Based on the current General Fund forecast, available contingency and savings in other expenditure areas are expected to provide adequate resources to cover these costs.
- **Fire** – Department expenditures are tracking 3 percent below budget, primarily due to the timing of several large fourth-quarter expenditures. Start-up costs associated with the Fire Academy for new firefighters and software expenses for the incident and EMS reporting system have not yet been incurred. The Fire Department anticipates fully utilizing its remaining budget by the end of the fiscal year.
- **Parks, Recreation & Libraries** – Department expenditures are at 67 percent of budget through the third quarter, primarily due to temporary and full-time position vacancies and

the seasonal nature of recreation programming. Overall, PRL anticipates ending the year under budget.

- **General Government** – General Government departments are expected to end the year on budget overall. If necessary, General Fund contingency funding will be used to offset any shortfalls.
- **Development Services** – Department expenditures are at 66 percent of budget through the third quarter due to savings in labor costs resulting from intermittent staffing vacancies and a conservative approach to spending in anticipation of fluctuating development trends. Staff expects to end the year on or under budget.
- **Public Works** – Department expenditures are at 67 percent of budget through the third quarter due to higher-than-budgeted labor charged to capital projects, lower-than-anticipated leave payoffs, delayed training and development expenditures, and the timing of procurement, project schedules, and maintenance activities. Overall, Public Works expenditures are expected to end the year within budget.
- **Economic Development and Housing** – Department expenditures are at 80 percent of budget, slightly above the expected third-quarter spending level, due to the timing of contractual and program-related costs. The Housing Division is in the process of reimbursing the General Fund from other housing funds for eligible expenditures, which will reduce the department's net General Fund expenditures. Overall, department expenditures are expected to end the year within the approved budget.

Enterprise Funds: Operating Revenues

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

BUDGET TO CUMULATIVE REVENUE COMPARISON
July 1, 2025 – March 31, 2026

	Amended Budget	Cumulative Revenues	Balance Remaining	% of Budget Collected
Electric Operations	\$ 230,632,929	\$ 165,491,026	\$ (65,141,903)	72%
Water Operations	47,881,737	33,153,374	(14,728,363)	69%
Wastewater Operations	61,452,750	42,808,034	(18,644,716)	70%
Waste Services Operations	44,260,451	33,758,716	(10,501,735)	76%
Transit	10,264,013	673,999	(9,590,014)	7%
Transportation	2,268,514	123,624	(2,144,890)	5%
Youth Development	9,939,695	6,488,338	(3,451,357)	65%

- **Electric Fund** – Operating revenues are 3 percent below expectations through the third quarter but are projected to exceed budget by \$0.6 million by the end of the fiscal year. Electric sales revenues are forecasted to end the year on budget, as stronger-than-anticipated residential and commercial demand offset lower-than-expected load from a large industrial customer and a \$1.5 million hydroelectric adjustment charge. Other operating revenues are projected to exceed budget by \$0.6 million, primarily due to insurance claim reimbursements.
- **Environmental Utilities** – Overall, revenues across the Environmental Utilities funds are generally performing as expected, with timing differences in reimbursements, seasonal demand, and wheeling charges resulting in third quarter variances.

Water Operations Fund – Operating revenues reached 69 percent of the annual budget through the third quarter. Utility service charges, the primary revenue source, are at 70 percent of budget and are projected to end the year on target. Additionally, \$1.2 million in water wheeling charge revenues are expected in the fourth quarter. While meter and backflow device rentals, meter installation fees, and late payment penalty revenues are projected to fall below budget, overall Water Operations Fund revenues are expected to end the year on budget.

Wastewater Operations Fund – Revenues were at 70 percent of the annual budget through the third quarter, primarily due to reimbursements from regional

partners, which are typically received in the fourth quarter and are consistent with historical collection patterns. Recycled water sales are below budget due to seasonal fluctuations but are expected to increase during the fourth quarter. Overall, despite timing and seasonal impacts, Wastewater Operations Fund revenues are projected to end the fiscal year slightly above budget.

Waste Services Operations Fund – Operating revenues reached 76 percent of budget through the third quarter, consistent with expectations and prior-year performance. Scrap sales revenue is exceeding budget due to higher cardboard recycling collections. Based on current trends, Waste Services Operations Fund revenues are projected to meet or slightly exceed budget 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 year-end revenue recognition. Revenues are expected to align with expenditures once year-end accounting entries are completed.
- **Youth Development Fund** – Revenues are at 65 percent of budget through the third quarter of the fiscal year. Although lower than anticipated, more than 50 percent of Youth Development revenues are received in the last two quarters of the fiscal year. Registration is holding steady for preschool and grant-funded programs. Adventure Club registrations are beginning to climb slightly and are anticipated to continue following the opening of a new Adventure Club site for the 2026-27 school year and the addition of a new summer program offering for children in Transitional Kindergarten. Staff estimates that revenues will end the year above budget.

Enterprise Funds: Operating Expenditures

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

BUDGET TO CUMULATIVE EXPENDITURE COMPARISON
July 1, 2025 – March 31, 2026

	Amended Budget	Cumulative Expenditures	Variance	% of Budget Expended
Electric Operations	\$ 208,379,007	\$ 144,562,896	\$ (63,816,111)	69%
Water Operations	53,155,786	30,461,931	(22,693,855)	57%
Wastewater Operations	63,669,684	42,221,118	(21,448,566)	66%
Waste Services Operations	50,657,587	33,259,903	(17,397,684)	66%
Transit	10,192,668	6,586,142	(3,606,526)	65%
Transportation	1,881,025	1,250,663	(630,362)	66%
Youth Development	9,066,108	6,046,051	(3,020,057)	67%

- **Electric Fund** – Operating expenditures are 6 percent under budget through the third quarter and are projected to end the fiscal year \$5.3 million below budget. Power supply expenses are expected to be \$0.2 million under budget, mainly due to purchasing Renewable Energy Credits (RECs) at lower-than-expected prices. Additional favorable variances include \$1.0 million in lower public benefit program and contract service expenses, \$5.4 million in salary savings primarily due to vacant positions, and \$0.3 million in contract service and maintenance savings. These savings are partially offset by a \$1.6 million increase in generation maintenance costs, primarily due to longer-than-planned scheduled outages at a major power plant.
- **Environmental Utilities** – Overall, expenditures across the Environmental Utilities funds are trending below budget through the third quarter, primarily due to vacancy savings and the timing of planned expenditures.

Water Operations Fund – Operating expenditures are at 57 percent of budget through the third quarter, primarily due to vacancies in full-time and temporary positions resulting from recruitment challenges, as well as lower-than-anticipated materials, supplies, and services costs. Water purchase costs are at 54 percent of budget, with Placer County Water Agency (PCWA) contract charges expected to be recorded in the fourth quarter. While water purchase costs have been lower due to reduced water deliveries, expenses are expected to increase slightly with continued

Aquifer Storage and Recovery (ASR) well injections and higher seasonal water demand. Chemical costs will also increase to support ASR operations but are projected to remain below budget. Overall, ongoing vacancies and favorable spending trends are expected to result in Water Operations Fund expenditures ending the fiscal year under budget.

Wastewater Operations Fund – Expenditures reached 66 percent of budget through the third quarter, below the expected third-quarter spending level due to continued vacancies and related salary savings. Like the Water Operations Fund, recruitment challenges for specialized utility positions have contributed to lower salary and benefit expenditures, which were at 67 percent of budget. Savings in professional services, chemicals, utilities, and repairs have also contributed to the favorable variance. However, spending is expected to increase in the fourth quarter as operational needs rise. The fund is projected to end the year under budget.

Waste Services Operations Fund – Expenditures are at 66 percent of budget through the third quarter, primarily due to the timing of materials, supplies, and services expenses. Landfill disposal fees are at 61 percent of budget due to delayed billing, and fleet replacement expenditures are at 66 percent of budget as the new residential collection trucks were not delivered until the middle of the third quarter. These costs are expected to increase in the fourth quarter. Professional services expenditures are also below budget due to the timing of expenditures, including delayed camera service subscriptions associated with the new collection trucks. While these costs are expected to increase in the fourth quarter, professional services are expected to end the year below budget. Additional savings from staff vacancies, lower operating costs, and reduced fuel expenditures—supported by the use of renewable natural gas from the Pleasant Grove Wastewater Treatment Plant—are contributing to the fund ending the fiscal year below 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 were ten percent under budget through the third quarter, primarily due to the deferred timing of bus shelter replacement costs and the implementation of new transit routes, including printing and advertising expenses for the new transit service guides and bus shelter route maps. These costs are expected to be incurred once the new routes are implemented in FY2026-27. In addition, the replacement of several diesel buses with new zero-emission vehicles has reduced fuel costs. Overall, Transit Fund expenditures are projected to remain slightly below budget through the end of the fiscal year.
- **Transportation Fund** – Expenditures were at 66 percent of budget through the third quarter due to the timing of planned expenditures, consistent with prior-year performance. Expenditures are projected to remain within budget through the end of the fiscal year.
- **Youth Development Fund** – Expenditures are at 67 percent of budget through the third 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 Funds

BUDGET TO CUMULATIVE REVENUE COMPARISON
July 1, 2025 – March 31, 2026

	FY2024-25	FY2025-26			
	Actuals	Amended Budget	Cumulative Revenues	Variance	% of Budget Collected
Fire Facilities	\$ 2,165,102	\$ 1,278,274	\$ 706,578	571,696	55%
Public Facilities	7,634,139	4,153,251	2,989,821	1,163,430	72%
Strategic Improvement	3,997,060	2,574,724	1,045,611	1,529,113	41%

The table above presents revenues in the Fire Facilities, Public Facilities, and Strategic Improvement Funds through the third 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.

Through the third quarter, revenues in all three funds remained below the full-year budget projections. However, as of June 2026, revenues totaled \$1.1 million (89% of budget collected) in the Fire Facilities Fund, \$5.1 million (123% collected) in the Public Facilities Fund, and \$2.7 million (106% collected) in the Strategic Improvement Fund.