

City Manager's Budget Message



STABILITY IN THE MIDST OF UNCERTAINTY

Economic headwinds strengthen

The economy recovered much faster than anticipated, following the global effects of the pandemic the past two years. With widespread access to vaccines in the US and a loosening of pandemic restrictions that affected everything from the workplace to transportation to education, the future looks bright. However, the pandemic lens is just one of many that create the full view of what's affecting the global and national economy.

Many factors are causing concern for the future stability of the economy:

- The pace of inflation has accelerated and the federal government began raising interest rates after an extended period of historically low rates.
- Supply chain issues, from material sourcing to manufacturing to distribution, are becoming more severe.
- Labor shortages have remained a challenge as businesses reopen and face increased demand for products and services.

- Russia's invasion of Ukraine has brought economic sanctions that also impact the US economy, particularly oil prices.
- The effects of wild and unprecedented weather patterns are damaging and have intensified the focus on ways to mitigate climate change.

These factors permeate to the local level and combine with others that add complexity to the City's ability to deliver services:

- **Talent loss** has resulted from a competitive labor market and an expanded ability to work remotely has enticed staff to take jobs elsewhere. The pension benefits that once incentivized longevity were changed by PEPRA legislation in 2013 and we're seeing shorter tenures in some areas. Pandemic fatigue accelerated retirement plans for some staff.
- **Recruitment challenges** have arisen, also due to the competition in the labor market for staff. This puts more burden on existing staff and delays our ability to focus and deliver on new and expanded priorities.
- **Inflation** is increasing the costs of contracts for materials and services, reducing the availability of funds for other items.

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- **Supply chain disruption** has caused delays in development and operations throughout the community, from obtaining transformers to power new subdivisions to obtaining parts needed to operate a water feature at a new park.
- **Increasing regulations and looming deadlines** for compliance are adding costs and complexity to the way we plan and operate.
- **Aging infrastructure** for which replacement costs were underfunded during the Great Recession needs attention.
- A **historical drought** that persists with the driest start to the first quarter of 2022 despite a very wet end to 2021.

On a positive note, several factors have strengthened Roseville's ability to weather the circumstances:

General Fund surplus

- **Underspending** in the General Fund due to a variety of pandemic-related factors.
- **Historically higher sales tax revenues** due to a variety of factors, including the Supreme Court's Wayfair decision, increased number of retail storefronts choosing Roseville for their regional presence, and the closing of storefronts in areas outside Roseville, such as Nordstrom.
- **Higher property tax revenues** due to higher home prices and a competitive housing market fueled by low-interest rates and the ability to work remotely.

Fully funded reserves

- Measure B revenue and conservative budgeting due to pandemic uncertainty have contributed to Roseville's ability to fully fund our reserves in accordance with Council policies. This further strengthens our ability to withstand the inevitable, cyclical downturn in the economy.

Federal funding

- Roseville has received **\$17.6 million in one-time funds** from the American Rescue Plan Act of 2021 to assist with City and community needs.

Proactive planning

- Even with historic weather extremes, Roseville will be able to **meet efficient water demands** for the community for the rest of 2022, through a combination of available surface water supplies, ample groundwater

supplies through the City's Aquifer Storage and Recovery (ASR) wells, and continued commitment by the Roseville community to use water efficiently and conserve water where needed.

The City of Roseville continues to adapt to the times with a focus on the future. We work to ensure stability in our local economy and in our ability to provide both essential and quality-of-life services in our community.

We continue to plan for contingencies and to position ourselves to leverage opportunities for funding at the state and federal level to address critical issues in our community such as transportation and affordable housing.

COUNCIL PRIORITIES

Council updates priorities in its four-year strategic plan

In October 2019, the City Council held a public workshop to set the long-term vision for our City and our top priorities for Fiscal Year 2020-21 through Fiscal Year 2023-24. Annual updates to the plan are held each spring during the budget-development process for the upcoming fiscal year.

A sign of a well-developed strategic plan is its ability to withstand the test of time and changing circumstances. This proved true throughout the pandemic and in the challenges that have emerged since, whether they are economic, social, or environmental. The strategic plan has remained relevant and an important policy document to guide budget decisions.

Following are the priorities and strategies that emerged from the Council's February 2022 workshop, at which it updated the plan to reflect changing circumstances, work accomplished and underway, and evolving focus areas.

Maintain a safe and healthy community

- Ensure public safety service levels are maintained with real-time crime monitoring and staffing as the City grows.
- Address homelessness through stronger regional partnerships with desired expectations and outcomes.
- Strengthen inclusiveness, equality and justice efforts for all in partnership with the community.

Remain fiscally responsible in a changing world

- Explore new and diverse revenue streams to ensure those who use city services help fund them, including visitors who stay in hotels and short-term rentals.

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- Balance utility services, unfunded legislative mandates, costs and customer rates.
- Increase funding for CIP rehabilitation to prevent erosion of infrastructure.
- Seek ways to reduce pension liabilities to maintain high quality services.
- Seek increased transportation funding and revenues.

Enhance economic vitality

- Advance sports tourism opportunities, including destination-type amenities.
- Support conditions that promote and retain retail, commercial, and industrial opportunities to include Baseline Marketplace.
- Consider strategic reserves and other funding for job growth incubators, vacant storefronts, façade improvements, and other economic development opportunities.
- Finalize updated Economic Development Strategy.

Invest in well-planned infrastructure and growth

- Reinvest in core neighborhoods, with a focus on Weber Park.
- Increase funding for CIP rehabilitation to prevent erosion of infrastructure.
- Prioritize completion of the long-field sports park complex and crucial corridors.
- Invest in water resiliency and increase capacity of the electric utility.
- Pilot an on-demand transportation option with Roseville Transit.

Support community engagement and advocacy

- Remain focused on community engagement and education about City services and the budget.
- Explore opportunities to engage increasingly diverse audiences in relevant ways.
- Increase outreach to and engagement with younger populations.
- Explore volunteer opportunities for employees.

Deliver exceptional city services

- Explore ways to strengthen code enforcement efforts, including graffiti and blight abatement.
- Remain an employer of choice through expanded recruitment and attraction efforts, a focus on retention, new labor agreements, and a strong culture.
- Implement greater community-based and volunteer cleanups.
- Implement a new and more efficient way to process increasing Public Records Act requests.

Overview of the past year's accomplishments

As the City Council refines the Strategic Plan each year, an important part of its assessment is reviewing work to date on the previous year's plan. Following is an overview of accomplishments related to last fiscal year's strategic plan:

Remain fiscally responsible in a changing world

1. Address pension costs and other liabilities

- **Additional Discretionary Payment** – After reaching the Council's General Fund reserve targets, the FY2021-22 Adopted Budget included a \$6.1 million additional payment to CalPERS to lower future pension costs by over \$400,000 per year for 20 years and increase the funded status of the City's CalPERS plans.

2. Seek increased transportation funding and revenues

- **Zero Emission Buses** – Roseville Transit purchased the City's first five Zero Emission Buses and obtained almost \$700,000 in competitive grants to help pay for the purchase.
- **Placer County Transportation Planning Agency (PCTPA)** – Worked in partnership with PCTPA to incorporate research findings, align and coordinate messaging, and determine opportunities for a local funding source match to address regional transportation needs.

3. Balance utility mandates, costs, and customer rates

- Roseville has long held a **strategic regional/statewide advantage** in terms of delivering highly

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reliable utility services at the lowest reasonable cost. **Near and longer-term challenges threaten the City's continued ability to achieve this strategy:**

- SB 1383 will profoundly affect how organic wastes are collected and processed. Roseville is piloting changes in waste collection practices and investigating alternative disposal options that seek regulatory compliance while controlling near and long-term costs.
- **Commercial fleet electrification regulations in the near future pose a significant challenge for utilities:** 1) electric-powered heavy equipment is unproven; 2) commercial equipment operates on extended duty cycles that are well beyond the performance of current battery technology; 3) converting the existing diesel/CNG powered fleet to electric will require the effective doubling of fleet vehicles at a 50 percent per unit price premium; 4) there is not sufficient electric distribution infrastructure to recharge these commercial vehicles.
- **Water conservation regulations continue to tighten** as drought conditions persist, amidst a regulatory backdrop that will require reduced water for cities and farms and more water for the environment. Residential and commercial water use targets and increased efforts in leak detection will result in additional costs, the benefit of which is difficult to explain and justify to the public.
- **Federal lead and copper rule changes** and implementation of the federal rule by the State of California will result in a significant city effort to inventory all lead and copper materials on the service line on the customer side of the water meter and work towards mitigation. This required inventory and subsequent mitigation efforts will likely be costly for the City of Roseville, depending upon the results of the required field survey.
- **Changes in upcoming National Pollutant Discharge Elimination System (NPDES) permit requirements for total toxicity** will require monthly testing/monitoring with the potential to substantially increase the

possibility that wastewater dischargers will be out of compliance and incur costly Toxicity Reduction Evaluation studies, often with no resolution without providing any clear benefit to water quality.

Additional accomplishments related to Remaining Fiscally Responsible in a Changing World

- **Dissolved the Roseville Community Development Corporation (RCDC)** - Worked with the Board and the CEO to successfully dissolve the RCDC, limiting future financial liabilities.
- **Electronic Content Management** - Replaced the enterprise-wide electronic content management system, Sire, which was 15 years old. The updated system includes advanced functionality for form creation and workflows and will allow for public access to city public records.
- **Development Services Cost Recovery** - Achieved 88 percent cost recovery. This is the highest on record since the formation of the Development Services Department in 2013, and is the result of a combination of increased workload and efficiencies gained through continuous process improvements.
- **Congested Corridors Program Grant** - Obtained over \$12 million in competitive grant funding through the Solutions for Congested Corridors Program, evenly split between the Dry Creek Greenway Phase 1 (Riverside to Rocky Ridge Trail) and the South Placer Express Transit Project.
- **Financial Transparency** - Recognized by the Government Finance Officers Association (GFOA) and the California Society of Municipal Finance Officers (CSMFO) with Distinguished Budget Presentation Awards for the FY2021-22 Approved Budget.
- **Financial Accountability** - Recognized by the GFOA with the Certificate for Excellence in Financial Reporting for the FY2019-20 Annual Comprehensive Financial Report.
- **Financial Policies** - Updated the Council-adopted financial policies to include a new Federal Stimulus Reserve Fund Policy, as well as a new Internal Service Funds - Operating and Replacement Reserves Policy to formalize existing operating reserve practices and document long-term replacement reserve funding processes.

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- **Emergency Medical Services First Responder Fee** - On October 7, 2020, Council adopted the Emergency Medical Services First Responder Fee. This allows the City to collect fees related to the cost of providing emergency medical services that require transportation to the hospital by ambulance. The fee was implemented July 1, 2021 and is anticipated to generate over \$1 million to help offset costs of service.

Support community engagement and advocacy

1. Increase communications regarding legislative advocacy efforts and the impacts of unfunded mandates on City services

- **Reached out to customers explaining the rationale for utility rate increases**, highlighting how unfunded mandates increase costs.
- **Included focus in legislative platform** to ensure residents and customers' interests are protected and promoted in legislative advocacy efforts.
- **Provided updates to Law and Regulation committee and regional Chamber government relations meetings on City's focus** on cost avoidance and containment in advocacy efforts with state and federal legislative and regulatory bodies.

2. Increase communications and education about City finances

- **Produced Budget in Brief brochure** to provide a high-level overview and education of the City budget, for use at community meetings, including Council Coffees.
- **Assisted Local Sales Tax Oversight Committee** in developing an initial draft scorecard of expenditures of half-cent sales tax.
- **Provided in-depth presentations about the City budget and finances** at Council meetings and with community groups, including Chamber, Roseville Coalition of Neighborhood Associations (RCONA), and Rotary.

3. Focus on increased outreach to and engagement with younger populations

- **Showcased city jobs** through a virtual Careers in Government Day to over 500 local high school students and at local career fairs.

- **Conducted recruitments of high school students** to serve on city boards and commissions.
- **Established City TikTok channel** and developed content to gain familiarity among younger populations.
- **Developed recruitment videos highlighting seasonal job opportunities** with the City targeted to younger populations.
- Produced "We Are Roseville" signage specific to **each high school's name and colors** to celebrate graduating classes during pandemic restrictions.

Additional accomplishments related to *Supporting Community Engagement and Advocacy*

- **Created the Experience PRL magazine and the What's Happening in PRL video series**, extensive outreach for community input into PRL's new strategic master plan and the design and development of three new parks, and public workshops to provide information regarding the North West Lighting & Landscape District (NWLLD) ballot issue.
- **Recruited and seated the 16-member Independent Redistricting Commission.** Extensive outreach and engagement include a website with recordings of meetings and all public comments along with two rounds of in-district meetings. The facilitation of the Commission is ongoing.

Maintain a safe and healthy community

1. **Address homelessness through stronger regional partnerships with defined expectations and outcomes** (*note: affordable housing accomplishments listed with corresponding strategy below*)
 - **Expanded the interdepartmental homelessness partnership** between Police, City Open Space Division, and County Health and Human Services (HHS), addressing this issue every day. The City added a social worker to its team of three in the Police Social Services Unit (SSU) this year, along with a Homelessness Outreach Worker from HHS, and now a new code enforcement officer. The city added two new positions to the Open Space division dedicated to this issue. In 2021, the combination of Patrol and SSU responded to close to 4,000 resident- or officer-initiated complaints about homeless issues and Open Space removed

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187 tons of debris. Through 2021, the City addressed close to 250 camp cleanup issues through this partnership.

- **Participating in Regional Homelessness Task Force** with Placer County, cities, and nonprofit agencies to develop and coordinate regional opportunities to address and prevent homelessness.
- **Developed a communications strategy** related to homelessness to provide context and inform the community of the efforts underway to address this issue, to provide information to people experiencing homelessness about resources available, and to guide the community in ways they can most effectively support efforts to prevent and address homelessness.

2. Ensure public safety service levels are maintained as the City grows

- **Completed Police Department Strategic Plan** – including an updated mission, vision and goals. The details were presented to Council in October.
- **Implemented the FLOCK camera system**, which has resulted in the recovery of close to 100 stolen vehicles or alerted us to vehicles where the owner was wanted on felony warrants in other jurisdictions as these stolen vehicles or felony suspects enter our city. Funding was secured for ten additional cameras, which are in the process of being added.
- **Completed Phase I of the Union Pacific Rail Car Derailment Training Prop**, which is utilized for training hazardous materials specialists and technicians throughout the state.
- **Placed four new Type I fire engines in service** to replace ones that were 15 years old.
- **Deployed Lucas Devices** – Two automatic compression devices were acquired through grant funding and placed in service at fire stations three and five, allowing for safer, more efficient CPR to be performed.

3. Strengthen inclusiveness, equality, and justice efforts for all in partnership with the community

- **Diversity and Inclusion** – Partnered with Placer County-based nonprofit Global Marketplace to

conduct four nine-week sessions of Conversations on Racial Healing for city staff and community members with Roseville Police Department representatives sharing and listening to perspectives as well. The Police Department has continued these outreach efforts in further developing our Procedural Justice training program in coordination with community members of diverse backgrounds.

- **Developed Diversity Statement** by citywide Inclusion Committee to accompany all recruitments and be shared on the city website.
- **Worked with various communities** to ensure access to city services such as transportation, housing, and police social services unit.
- **Ensured diversity in experience and perspectives** among participants in interview panels for key city staff leadership roles.
- **Maidu Fitness Court** was installed in partnership with the California Parks and Recreation Society and the National Fitness Campaign, providing residents an equitable and accessible way to improve their health and fitness.
- **Facilitated meetings between community groups and staff** delivering police, transportation, and housing services to strengthen awareness of needs and opportunities to improve access.

4. Deploy Police body-worn cameras

- **Police Body Cameras** were deployed for all officers, including associated cloud storage and data management.

Additional accomplishments related to *Maintaining a safe and healthy community*

- **Be Well Roseville citywide wellness initiative** was introduced to highlight the many opportunities provided by Parks, Recreation & Libraries that improve the health and wellness of residents and our community. The program kicked-off with Fitness in the Park events held in various parks and a large Be Well Roseville event at Mahany Park. Hundreds of residents attended these numerous events.

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Enhance economic vitality

1. Advance sports tourism opportunities, including destination-type amenities

- **Roseville Sports Complex** – Verde Design to research and design a 6-10 field regional soccer complex in West Roseville.
- **Sports Tourism Strategy** – Working with Pros Consulting to develop a sports tourism strategy, to include data to assist in decision-making for the proposed Roseville Sports Complex.
- **Feasibility Study** was developed to assess the financial feasibility of the proposed Roseville Sports Complex.
- **Continued investment in existing facilities**, including the renovation of the Maidu Soccer Fields, and construction of seven new ballfields at Central Park, Crabb Park, and Pistachio Park.

2. Pursue increased transient occupancy tax revenues

- **Explored regional comparative data related to hotel tax** along with awareness and perspectives related to having visitors increase their share of funding toward city services.
- **Evaluated how a Roseville Sports Complex can effectively generate additional transient occupancy tax revenues**, included in the Sports Tourism Strategy being drafted by Pros Consulting.

3. Consider strategic reserves and other funding for job growth incubators, vacant storefront façade improvements, and other economic development opportunities

- **Completed Key Real Estate Transactions** – Sold three surplus properties, generating a total of \$7 million:
 - 1) Galilee Road/Industrial Avenue site (for Green Acres Nursery and Supply)
 - 2) 290 Conference Center Drive (Old Hotel Conference Center site)
 - 3) 320 Vernon Street (old Downtown Roseville Post Office site)

Development of these parcels will include a variety of uses consisting of commercial/retail

and residential. Also initiated the sale of three additional surplus properties - Roseville Industrial Park; 505 Royer Street; and 401 & 403 Oak Street (anticipated to generate \$10 million).

- **Roseville Industrial Park** – Entered into an agreement with Panattoni to develop a large regional jobs center on 236 acres of City surplus land. Panattoni proposes a 127-acre multi-building complex with approximately two million square feet of commercial industrial use, generating an economic value of \$950 million and 6,700 jobs.
- **Downtown Revitalization** – Awarded \$60,000 in financial assistance to seven property and business owners from the Downtown Roseville Façade Program in association with the Downtown Roseville Partnership.
- **Small Business Assistance** – Disbursed \$200,000 in funding from the Placer Share's Community Collaborative Impact Grant to Roseville restaurants in partnership with the Roseville Area Chamber.

Deliver exceptional City services

1. Address staffing turnover due to retirements and succession planning challenges

- **Employee Relations** – Successful negotiations including 25+ meet and confers on classification/salary recommendations, side letter agreements to clarify Memorandum of Understanding (MOU) provisions current payroll practices and bargaining with four labor groups for successor MOUs.
- **Recruitments** – Conducted dozens of recruitments for departments citywide, including for key leadership roles in Police, Economic Development, City Clerk, and Electric departments.
- **Offered staff training opportunities in key areas** of professional development, through the Roseville 100 series (e.g., customer service, business writing, effective communications), diversity and inclusion programs, and topics responding to pandemic stresses.
- **Conducted citywide surveys regarding employee recognition and wellness** and instituted a first-ever all-city Pride of Roseville recognition in 2021 to recognize city staff who served during the March-December 2020 pandemic timeframe.

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2. Increase code enforcement and beautification efforts (e.g., graffiti and blight abatement)

- **Enhanced Code Enforcement Abilities** in the Social Services Unit to assist with eliminating blight in problem areas.
- **Conducted extensive outreach with residents in Northwest LLD** to increase funding from 1989 levels to improve lighting, landscaping, and irrigation, but residents voted to keep the funding at 1989 levels despite the degradation of landscaping and significant cost increases that erode the effectiveness of funding.

3. Explore greater community-based and volunteer cleanups

- **Park Ambassador Program** – was implemented to enlist residents as volunteers to assist with a variety of PRL activities, including organized park and open space cleanup efforts. Two cleanup events have been held to date, with a good turnout from the community.
- **Bulky Waste Cleanup** – Developed and funded a citywide bulky waste pickup program in partnership with RCONA volunteers to bring neighbors together and help beautify neighborhoods.

Additional accomplishments related to *Delivering Exceptional City Services*

- **ACTIVE Network Registration Software** was implemented to provide a more user-friendly experience and improve efficiencies. This new system more easily facilitates the registration and reservation system for all PRL programs and facilities, as well as provides a point of sale solution for Alternative Transportation, the Utility Exploration Center, and the City's passport services.
- **2021 Municipal Information Systems Association of California (MISAC) Excellence in IT Practices Award** was received for the sixth year in a row. Every year this award recognizes government agencies utilizing technology to enhance services, strengthen cybersecurity and more.
- **Record permit activity** continued to accelerate throughout 2021, contributing to the third-highest year on record since 1988 for single-family permit issuance. Staff issued nearly 7,100 permits

(including 1,807 single family) totaling more than \$500 million in building valuation, conducted 41,000 building inspections, pursued 1,425 code enforcement cases, and oversaw the construction of millions of dollars of infrastructure growth in the new development areas.

- **Leading Fleet Award** was presented by Government Fleet Magazine, which ranked Roseville at 85 in The 100 Best Fleets in the Americas.
- **COVID-19 Response** ensured the health and safety of staff, in compliance with state law. Issued Exposure Control Plan updates, implemented COVID-19 vaccination self-attestation tracking process, offered remote work and stress management tools/webinars, and managed COVID-19 leaves and contact tracing for the City.
- **National Community Survey** was conducted in partnership with the International City/County Management Association to benchmark and track satisfaction levels and priorities over time in our community on a bi-annual basis. This will inform the City's strategic plan, budget, and shed light on perceptions about city and community services. The survey was mailed to 1,500 Roseville households, and emailed to another 1,500 and offered in both English and Spanish. In addition, an open-participation survey was promoted through social media, the Chamber, and RCONA. Results were compared with benchmarks compiled from surveys conducted across the U.S. that draw from a resident opinion database representing well over 30 million US residents. Data showed higher satisfaction levels with city services across almost all categories, with particularly significant satisfaction related to city utilities.

Invest in well-planned infrastructure and growth

1. Support more affordable housing

- **Completed Main Street Plaza Apartments**, adding 65 affordable units to Old Town. All of the units are currently leased.
- **Funded Junction Crossing Apartment Project** by loaning \$4.36 million in affordable housing funds to St. Anton to begin development of Junction Crossing in Old Town Roseville, which will contain 80 affordable units.

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- **Rent Help Placer Program** – Disbursed \$4.5 million in Emergency Rental Assistance (ERA) funding to assist 400 low-income households with rent and utility payments in an effort to help prevent housing instability and potential eviction.
- **Approved Housing Element** – Concluding a two-year effort, staff completed the City's housing element and presented it for City Council approval on August 16, 2021. The City received its letter of substantial compliance from the state Department of Housing and Community Development (HCD) on November 17, 2021. Roseville was one of only a handful of jurisdictions to receive certification on its initial submittal to HCD.
- **Local Housing Trust Fund** – Submitted a successful application to California Housing and Community Development Department's (HCD) Local Housing Trust Fund (LHTF) Program and received an award of \$1 million in match funds. Funds will support future affordable rental housing development in Roseville.
- **Project Based Vouchers** – Awarded 60 Project Based Vouchers to six projects to assist with the development of over 800 affordable units throughout Roseville.

2. Revitalize core neighborhoods

- **Sidewalk planning** – Senior city leaders and RCONA leaders discussed fiscal, operational, planning, and legal considerations related to a desire to build sidewalks in several core neighborhoods. Public Works is developing a process to help neighborhoods understand and engage in the requirements to build sidewalks.
- **Johnson Pool's 100th year** was celebrated throughout the summer, providing free admission to the pool and culminating with an event on August 7. The pool saw its highest attendance in several years.

FISCAL OVERVIEW

The City budgets conservatively to maintain the level of services delivered to residents and businesses while strategically increasing or expanding services as growth and demand warrant. With its primary tax revenues recovered from the pandemic-induced recession, the City remains focused on **managing labor costs,**

maintaining its reserves, addressing its underfunded pension liabilities, accelerating funding to its capital rehabilitation program, spending its Rescue Plan funding, and pursuing new revenue opportunities.

Pension liabilities - To address the City Council's strategic plan goal to address pension liabilities after General Fund reserve targets are met, the City plans to implement a Section 115 pension trust fund to act as a reserve against rising pension costs in the future. Following action taken last fiscal year, the City will also make another additional discretionary payment to CalPERS to reduce future pension costs and pay down its underfunded liabilities, totalling \$409 million based on the latest actuarial valuations. CalPERS pension contributions are legally required payments and cannot be avoided, so the City is proactively managing these costs and reducing its liabilities.

Capital rehabilitation program - The City's Capital Improvement Program (CIP) Rehabilitation funding has been inadequate to proactively maintain and replace the City's General Fund assets used to deliver City services. These assets include park amenities, public facilities, IT hardware and software, and various types of equipment used primarily by the Police, Fire, and Parks, Recreation, and Libraries departments. With this budget, the City is accelerating the funding for this program and adding street maintenance to the program because its funding sources leave a gap that must be filled by the General Fund.

American Rescue Plan Act funding - The City received approximately \$17.6 million from the American Rescue Plan Act and has until December 31, 2024, to spend the federal stimulus, or program the funding into a CIP and spend it by December 31, 2026. The funding will be used to restore the City's lost revenue due to the pandemic and address the economic impacts of the pandemic on the City's residents and businesses. Childcare services offered through Adventure Clubs throughout the City were closed as schools were closed and health guidelines restricted operations. The Rescue Plan funding will replenish the Youth Development Fund for the lost revenue of the Adventure Club program. Rescue Plan funding is also planned to rehabilitate Johnson Pool, improve Weber Park, and jump-start the City's downtown Entrepreneur Center.

Updating revenues - The City continues to determine where revenues need to be updated, and costs need to be fairly allocated. This year, the City is considering giving voters the option to increase the hotel tax paid by overnight visitors, technically known as the transient occupancy tax (TOT). Roseville's hotel tax rate was last updated 47 years

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ago in 1975 and is the lowest in Placer County and the region at a time when demand for events at sports tourism venues such as the new facilities @theGrounds will soon ramp up. Visitors would then help offset the costs to a greater extent of maintaining amenities that they are using such as fields, roads, and public facilities. At the same time, residents would receive a benefit that they don't have to pay for since visitors pay the TOT.

Fiscal trends

National economists cite a variety of factors that are causing uncertainty about the economy's future and are increasing the risk of a recession in the next couple of years, including inflation, consumer confidence, and supply chain disruption.

Inflation - The U.S. Labor Department reported that its consumer price index jumped 8.5 percent in March 2022 from 12 months earlier, the biggest year-over-year increase in 40 years. Prices have been driven up by bottlenecked supply chains, strong consumer demand, and disruptions to global food and energy markets worsened by Russia's war against Ukraine. The City is experiencing the effects of inflation from cost increases in services, supplies and equipment, and construction projects.

To combat the high inflation, the Federal Reserve is expected to adopt restrictive economic policies, including raising short-term interest rates. In March 2022, the Federal Reserve approved its first interest rate increase in more than three years, with additional rate hikes expected in May and June. If the Federal Reserve raises interest rates too aggressively, the economy could enter into another recession, with a potential negative impact on the local economy and the City's tax revenues.

Consumer confidence – While national consumer confidence indices have declined over the past six months, regional consumer sentiment has plummeted, as reported by the Sacramento Business Review/SAFE Credit Union Consumer Sentiment Survey. Consumer expectations for inflation have increased over the past year and most expect that their income will not keep pace with prices over the next year. According to the survey, consumer sentiment continues to vary substantially by household income, with a notable drop in sentiment in some of the higher income categories.

Supply chain disruption – The COVID-19 pandemic brought significant supply chain disruptions, which continue to affect manufacturing, construction, retail, and many other industries. These disruptions have significantly lengthened delivery lead times and brought about abrupt

price increases for goods in short supply. The City has experienced these challenges procuring various supplies and equipment, including IT hardware, vehicles, electric transformers, and construction materials.

The City monitors these fiscal trends and considers the potential implications when estimating revenues and expenditures for the next fiscal year and long-term forecasting for future fiscal years.

Fiscal Year 2022-23 Budget

The proposed FY2022-23 budget incorporates the costs of the City's recently negotiated labor agreements and unavoidable cost increases in other spending categories, but it includes only the most critical augmentations to maintain service levels and address Council priorities given the uncertainty surrounding the economy.

In accordance with the Council's financial policies, the FY2022-23 General Fund budget matches budgeted expenses with projected revenues, with resources available to increase reserves up to Council-adopted targets, address underfunded pension liabilities, and transfer funding to new capital reserve and pension reserve trust funds. Although the City's General Fund budget is balanced for FY2022-23, many underfunded needs remain. Council adopted financial policies ensure that future revenues are allocated to move towards fully funding these obligations, including the use of one-time resources to accelerate paying down long-term liabilities.

With an overall City budget of \$767 million, only \$212 million comprises the proposed FY2022-23 General Fund operating budget, a 20 percent growth over FY2021-22. The majority of the remaining \$555 million in funding is dedicated toward electric, water, wastewater, and waste services utility operations.

Major areas of increase include:

- **New positions:** 67 were requested by departments, and 43 are being recommended. Of the 43 positions recommended, 24.5 are predominately funded by the General Fund, 10.5 are funded by the utilities funds, and eight are funded by a mix of other funding sources. (See table below). This equates to a 3.4 percent growth.
- **Materials, services, and supplies:** The unavoidable cost increases include utility costs, fleet costs (including fuel), increase in contract with SPCA for animal control, new citywide park maintenance, contracts, and chemicals.

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- **Labor market adjustments:** To remain competitive in the labor market, an estimate of \$1,014,000, equating to six months of a 3 percent increase, is included in the proposed General Fund budget.
- **Paying down retirement obligations:** To lower future pension costs and increase the funded status of the CalPERS plan, the budget includes using one-time General Fund resources to participate in the CalPERS Additional Discretionary Payments (ADP) Option.
- **Pension Reserve Benefit Trust Fund:** The budget includes a transfer of \$8 million (\$2 million from FY2020-21 budget surplus and \$6 million of FY2022-23 resources) from the General Fund to a new Section 115 Pension Trust Fund to act as a reserve to guard against future pension cost increases to maintain service levels during future economic downturns.
- **Capital Reserve Fund:** The budget includes a transfer of \$10 million from the General Fund to a new Capital Reserve Fund for significant underfunded capital projects, potentially including the Roseville Sports Complex.

In the \$212 million General Fund, \$39 million is restricted, coming from grants, specific fees, and taxes tied to specific projects. After spending \$22 million on non-discretionary expenses, Council has discretion over \$151 million that is unrestricted. Almost half of this unrestricted funding—about \$77 million—goes toward public safety, the Council's top priority. The rest funds parks, recreation, libraries, museums, streets, floodplain management, code enforcement, and general government such as finance, legal, human resources, public records, website, broadcasting, and legislative advocacy.

Revenues and Expenses

Despite the continued uncertainty about the economy's future, the City's primary tax revenues have recovered from their pandemic impacts. For the FY2022-23 budget, the City is projecting \$103.8 million in sales tax revenues, including \$28.1 million for the Measure B local sales tax, and \$64.4 million in property tax revenues. Sales and property tax revenues will account for 80 percent of the City's FY2022-23 General Fund revenues.

Utility franchise fees from electric, natural gas, and cable companies comprise 5 percent of General Fund revenues. The remaining 15 percent of revenues come from development-related fees, recreation programs, business license taxes, TOT, grants, etc.

City of Roseville - General Fund Three-Year Operating Revenue (in millions)			
	Actual FY2020-21	Amended FY2021-22	Budget FY2022-23
Sales Tax	\$89.5	\$81.8	\$103.8
Property Tax	\$56.3	\$57.9	\$64.4
Subtotal	\$145.8	\$139.7	\$168.2
Other Operating Revenue	\$38.9	\$38.3	\$43.2
Total	\$184.7	\$178.0	\$211.4

With the City's forecasted General Fund revenue, the City must prudently manage the inflationary pressures on its expenditures while addressing its significant underfunded obligations. Continuing pressures on the expense side include the increasing costs of salaries, health benefits, CalPERS retirement costs, and state minimum wage increases, which affect the City's costs of temporary employees and contracts with suppliers.

The expenditures in the following table include transfers to reserves and one-time investments from year-end budget savings. The FY2022-23 expenditures include transfers to reserves up to the Council policy target levels and an additional discretionary payment to CalPERS and transfers to a new capital reserve fund and pension reserve trust fund.

City of Roseville Three-Year Operating Expense Trend (in millions)			
	Actual FY2021-22	Amended FY2021-22	Budget FY2022-23
Operating Expenditures	\$159.4	\$178.7	\$211.8

Positions

To remain fiscally responsible, given the current economic uncertainty and the City's underfunded obligations, proposed staffing augmentations have been limited to only address the following: the growth of the city, service level enhancements to address City Council priorities, and the requirements of new legislation and regulations. The FY2022-23 budget includes recommendations for a net increase of 43 full-time equivalent (FTE) positions to address critical service delivery requirements; however, 67 positions were requested by departments. The recommended positions are due to a variety of factors, including the following:

- **Servicing a growing city** - The City population has grown 25 percent since 2010. With the population growth, the City has added park acreage, streets, buildings, and other infrastructure, increasing the workload and demands on limited resources. With the growth of the city and the continued loss of experienced staff, it is not sustainable to maintain service levels without adding employees. The City

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enjoyed a high degree of service-level efficiency for many years due to employees' long-term institutional knowledge. The ripple effect of retirements and retention challenges are even more pronounced as a result of the pandemic-induced Great Resignation. Notably, this budget adds four police officers to complete the staffing of Police Beat 7, which was created in FY2019-20.

- **Complying with increased regulations** - In the Environmental Utilities department, the City is dealing with state regulations that require additional staff to maintain service levels.
- **Increasing service levels in high-priority areas** - To advance the City Council's priority of providing a safe and healthy community and the associated strategy of addressing blight, more staff is needed to address blight-related issues quickly.

The following tables summarize the recommended positions by department and by City Council priority/factor:

Department	Positions
City Attorney	1.00
Development Services	1.00
Electric	3.50
Environmental Utilities	6.00
Finance	2.00
Fire	1.00
Information Technology	4.00
Police	12.00
Parks, Recreation & Libraries	7.00
Public Works	5.50
Total	43.00

City Council Goal/Factor	Positions
Maintain a safe and healthy community	19.00
Growth	11.00
Enhanced Service Levels	7.00
State/Federal Mandates	1.00
Deliver exceptional City services	13.50
Growth	5.00
Enhanced Service Levels	8.50
Invest in well-planned infrastructure and growth	8.50
Growth	3.50
Enhanced Service Levels	5.00
Remain fiscally responsible in a changing world	2.00
Growth	2.00
Total	43.00

Economic Indicators

Year in review

Roseville's economic resiliency is evidenced by strong growth and investment from businesses, visitors, and residents.

The city's reputation as a trade hub continues to draw new retailers. Residents' healthy spending power also attracts distinctive brands, cementing Roseville as a destination for visitors outside the region. Shoppers can look forward to the newly expanded Peloton storefront and the addition of Amazon Fresh, Gucci, Saint Laurent, and Tonal.

More retail and restaurant openings are on the horizon, including a Raley's One Market at the corner of Blue Oaks Boulevard and Fiddymont Road. Ace Hardware is joining the growing list of shopping and food offerings at Campus Oaks. A new Safeway-anchored shopping center is proposed at the northeast corner of Pleasant Grove Boulevard and Fiddymont Road.

Investments in Downtown Roseville are accelerating. The adjacent parcels at **401 and 403 Oak Street** are expected to see new development. The parking lot and vacant building previously housing Fire Station 1 were cleared to make way for the purchase of the site for a proposed mixed-use building.

In addition to planned senior affordable living at **505 Royer Street**, several sites on Vernon Street will see development adding to downtown retail and housing options. These locations include **129, 200, and 330 Vernon Street**. Over the past few decades, significant City planning and improvements for public amenities, transportation, and infrastructure have laid the foundation for private sector investment.

Tower Theatre in Downtown Roseville was acquired by Michigan-based Hillsdale College in support of regional higher education opportunities. The college recently purchased nearly 1,000 acres west of Roseville city limits for a future campus.

Medical services continue to grow in the city, with several new projects planned. **Kaiser** Roseville's campus is anticipating a nearly \$300 million addition, expanding health care services in our area. **Sutter Health** is planning an additional building at its hospital campus to house a new residency program to ease California's physician shortage by retaining qualified professionals locally.

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Roseville was named the **eighth Best Place to Live in America** in 2021 by Livability.com. Specifically highlighted is Roseville's low cost of living compared to other parts of California. Affordable city-owned utilities were cited as a significant benefit. Placer County ranked fourth in California with the most incoming investments and second in business growth, according to a study by SmartAsset. Roseville also saw accolades as a leading landing spot for the tech workforce, military retirees, and one of the nation's top real estate markets.

As California sees challenges with housing shortages, **housing production** in Roseville is at record highs - including much-needed affordable housing options. In 2021, Roseville saw increases in housing production, including 700 affordable units approved or constructed. Approximately 1,800 single-family and 1,200 multi-family building permits were issued in the last year. These numbers were both nearly double the 10-year averages. Residential development valuation stands at about \$431 million.

Placer's **Emergency Rental Assistance Program**, a joint effort of the City of Roseville Housing Division and the Placer County Housing Authority, provided quick and efficient delivery of cash assistance to those struggling to pay rent or utilities due to pandemic-related income loss. While many communities throughout the state experienced difficulties disbursing historic levels of federal financial support, Placer's two local housing authorities partnered to share funding and develop a single online application to quickly assist eligible residents.

Main Street Plaza in Old Town Roseville is a new place to call home for 65 apartment residents. The location adds to Roseville's significant **affordable housing inventory**, with units at the corner of Washington Boulevard and Main Street. The community serves low-income families, veterans, and individuals with special needs. Main Street Plaza also offers specialized on-site services and 3,000 square feet of convenient retail space.

Strong demand

Development activity remains robust in most sectors despite strengthening economic headwinds. At the close of FY2021-22, single-family residential home production is expected to finish nearly 67 percent higher than the City's historical annual average of 900 permits as new subdivisions in the Sierra Vista, Fiddymont Ranch, Creekview, and Amoruso plan areas continue to come online.

Initial projections for FY2022-23 indicate a slightly slower pace as a result of economic uncertainty resulting from rising interest rates, historically high inflation, and persistent supply-chain issues resulting in shortages of construction-related commodities such as garage doors and windows.

Of particular note is a significant increase in lead times for the production and delivery of high-voltage electric transformers as a result of raw material shortages. Until recently, transformer lead times during the pandemic had been manageable, albeit longer than normal. However, current lead times have more than doubled, which has required Roseville Electric to reassess how it manages its inventory of transformers.

Approximately 1,200 finished lots are currently energized and ready for new home construction; however, Roseville Electric does not have sufficient transformers in stock to install in new subdivisions currently under construction until more are received. Development Services will continue to approve plans and issue permits as requested and at the developer's risk, with the caveat that final occupancy may be delayed until transformers are installed, and electricity can be made available to the home. The City will continue to work with the development community to examine a variety of options to mitigate delays until the necessary equipment can be secured, including phased occupancy of subdivisions, allowing builder-provided transformers, and alternative electrical designs to maximize the use of available transformers. Given these market risks, and consistent with past practice, the budget conservatively assumes the issuance of 900 single-family residential building permits.

According to the City's Economic Development Department's early 2022 demographics, the region sees healthy industrial demand, with space 95.6 percent filled. Even with fluctuations surrounding in-person work, the office sector is 88.7 percent filled, and retail space showed a strong 94.2 percent occupancy.

Roseville's top five private-sector employers remain Sutter Health, Kaiser Permanente, Adventist Health, Pride Industries, and Top Golf.

The City shows strong employment numbers with 92,281 jobs and an unemployment rate of 2.8 percent. The latest statistics available from California's Employment Development Department show 4.9 percent unemployment statewide as of March 2022.

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Looking Ahead

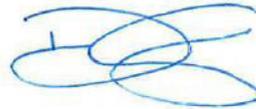
Our City continues to assess changing circumstances and be prepared for the effects they may have on our ability to deliver services.

While much remains out of our control, we have a strong grip on what we do control. Sound, conservative financial planning is at the core of our budget development efforts. This puts the City in a position of strength that allows us to weather storms and leverage the opportunities that emerge.

Our residents and businesses have been valuable partners in this ongoing quest, as have the great people we have on staff who play an undeniable role in our City's success. As we come back together in a more traditional office-based environment, we are reinvigorating the culture that draws

high performers to our organization. As an employer of choice, we will remain open to new ways to support our employees' success so we can continue to ensure the kind of quality of life our community values so deeply.

While one of the constants in life is change, we know that uncertainty is change's close companion. Our resiliency lies in our preparation for uncertain times. Roseville will effectively forge new paths to remain ready to deal with whatever else may lie ahead.



Dominick Casey
City Manager

