Fiscal Year 2015-16
Annual Operating Budget
&
Capital Improvement Program

City Council Workshop
May 27, 2015
Budget Workshop Agenda

- Introduction

- FY2015-16 Highlights
  - 5-Year Capital Improvement Program
  - Annual Operating Budget
  - Temecula Community Services District

- 5-Year Financial Plan

- Discussion
Introduction

• City Profile

- Population: 108,920 (up 2.5%)
- Median Age: 34 years old
- Number of Households: 33,869 (up 1% from prior year)
- Average Household Income: $85,839 (up 6.3%)
- April Median Home Price: $452,976 (up 6% from March 2014)
- Number of Jobs: 49,292 (up 15%)
- Temecula Unemployment: 4.5% (down from 5.6% in April 2014)
Introduction

• Quality of Life Master Plan Core Values
  1. Healthy and Livable Community
  2. Economic Prosperity
  3. A Safe and Prepared Community
  4. A Sustainable City
  5. Transportation Mobility and Connectivity
  6. Accountable and Responsive City Government
Capital Improvement Program
Fiscal Years 2016-2020

Highlights:

• 50 Capital Projects

• $454.4M in Total Project Costs
  • $321.7M programmed to complete projects
  • $132.7M spent-to-date
    • $221.8M funded

• $22.9M appropriated in FY15-16

• $49.7M carried over from prior years
# Capital Improvement Program

**Fiscal Years 2016-2020**

<table>
<thead>
<tr>
<th>Type of Project</th>
<th>Number of Projects</th>
<th>Cost to Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Circulation</td>
<td>16</td>
<td>$280,956,429</td>
</tr>
<tr>
<td>Infrastructure/Other</td>
<td>25</td>
<td>$28,973,826</td>
</tr>
<tr>
<td>Parks and Recreation</td>
<td>8</td>
<td>$6,570,233</td>
</tr>
<tr>
<td>SARDA/Housing</td>
<td>1</td>
<td>$5,206,873</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>50</strong></td>
<td><strong>$321,707,361</strong></td>
</tr>
</tbody>
</table>

- **Circulation**: 87%
- **Infrastructure/Other**: 9%
- **Parks and Recreation**: 2%
- **SARDA/Housing**: 2%

![Pie chart showing the distribution of project types by percentage and cost to completion.](chart.png)
Circulation Projects

16 Projects totaling $280,956,429

- French Valley Parkway/ I-15 Phase II ($216M)
- I-15/State Route 79 Ultimate Interchange ($50.6M)
- Murrieta Creek Bridge & Overland Dr. Extension ($19.3M)
Circulation Projects

16 Projects totaling $280,956,429

- French Valley Parkway/I-15 Phase II ($216M)

- I-15/State Route 79 Ultimate Interchange ($50.6M)

- Murrieta Creek Bridge & Overland Dr. Extension ($19.3M)
Circulation Projects

16 Projects totaling $280,956,429

- French Valley Parkway/ I-15 Phase II ($216M)
- I-15/State Route 79 Ultimate Interchange ($50.6M)
- Murrieta Creek Bridge & Overland Dr. Extension ($19.3M)
Capital Improvement Program
Fiscal Years 2016-2020

Circulation Projects
16 Projects totaling $280,956,429

- Pavement Rehabilitation Program ($7.3M)
  - Old Town Front Street ($520k)
  - Temecula Parkway ($550k)
  - Margarita Road - Phase I ($2M)

- Traffic Signal Equipment Replacement Program ($330k)
Circulation Projects

16 Projects totaling $280,956,429

- Pavement Rehabilitation Program ($7.3M)
  - Old Town Front Street ($520k)
  - Temecula Parkway ($550k)
  - Margarita Road - Phase I ($2M)

- Traffic Signal Equipment Replacement Program ($330k)
Circulation Projects
16 Projects totaling $280,956,429

- Pavement Rehabilitation Program ($7.3M)
  - Old Town Front Street ($520k)
  - Temecula Parkway ($550k)
  - Margarita Road - Phase I ($2M)

- Traffic Signal Equipment Replacement Program ($330k)
Infrastructure Projects

25 Projects totaling $28,973,826

- City Sidewalks ($167k)
- Bike Lane & Trail Program ($508k)
- City Facilities Rehabilitation ($468k)
- Library Parking – Phase II ($2.8M)
Capital Improvement Program
Fiscal Years 2016-2020

Infrastructure Projects
25 Projects totaling $28,973,826

- City Sidewalks ($167k)
- Bike Lane & Trail Program($508k)
- City Facilities Rehabilitation ($468k)
- Library Parking – Phase II ($2.8M)
Infrastructure Projects

25 Projects totaling $28,973,826

- City Sidewalks ($167k)
- Bike Lane & Trail Program ($508k)
- City Facilities Rehabilitation ($468k)
- Library Parking – Phase II ($2.8M)
Infrastructure Projects

25 Projects totaling $28,973,826

- City Sidewalks ($167k)
- Bike Lane & Trail Program ($508k)
- City Facilities Rehabilitation ($468k)
- Library Parking – Phase II ($2.8M)
Capital Improvement Program
Fiscal Years 2016-2020

Infrastructure Projects

25 Projects totaling $28,973,826

- Temecula Park & Ride ($2.7M)
- Former YMCA Repair & Remediation ($1.5M)
- Evaluation of Disabled Access to City Facilities & ROW ($350k)
- Fire Station #73 Living Quarters Upgrade ($1.8M)
- Theater Remediation ($3.8M)
Capital Improvement Program
Fiscal Years 2016-2020

Infrastructure Projects

25 Projects totaling $28,973,826

- Temecula Park & Ride ($2.7M)
- Former YMCA Repair & Remediation ($1.5M)
- Evaluation of Disabled Access to City Facilities & ROW ($350k)
- Fire Station #73 Living Quarters Upgrade ($1.8M)
- Theater Remediation ($3.8M)
**Capital Improvement Program**

**Fiscal Years 2016-2020**

**Infrastructure Projects**

- 25 Projects totaling $28,973,826
  - Temecula Park & Ride ($2.7M)
  - Former YMCA Repair & Remediation ($1.5M)
  - Evaluation of Disabled Access to City Facilities & ROW ($350k)
  - Fire Station #73 Living Quarters Upgrade ($1.8M)
  - Theater Remediation ($3.8M)
Infrastructure Projects

- Temecula Park & Ride ($2.7M)
- Former YMCA Repair & Remediation ($1.5M)
- Evaluation of Disabled Access to City Facilities & ROW ($350k)
- Fire Station #73 Living Quarters Upgrade ($1.8M)
- Theater Remediation ($3.8M)
Infrastructure Projects

25 Projects totaling $28,973,826

- Temecula Park & Ride ($2.7M)
- Former YMCA Repair & Remediation ($1.5M)
- Evaluation of Disabled Access to City Facilities & ROW ($350k)
- Fire Station #73 Living Quarters Upgrade ($1.8M)
- Theater Remediation ($3.8M)
Parks & Recreation Projects

8 Projects totaling $6,570,233

- Pennypickle’s Workshop Exhibit/Enhancement Project ($114k)

- Parks Improvement Program ($356K)

- Playground Equipment & Safety Enhancement ($630k)
Capital Improvement Program
Fiscal Years 2016-2020

Parks & Recreation Projects
8 Projects totaling $6,570,233

- Pennypickle’s Workshop Exhibit/Enhancement Project ($114k)
- Parks Improvement Program ($356K)
- Playground Equipment & Safety Enhancement ($630k)
Capital Improvement Program
Fiscal Years 2016-2020

Parks & Recreation Projects
8 Projects totaling $6,570,233

- Sam Hicks Monument Park
  Playground Renovation ($614k)
Capital Improvement Program
Fiscal Years 2016-2020

New CIP Projects

- City Hall Exterior LED Lighting ($67.5k)
- Emergency Operations Center ($117k)
- Theater LED Lighting ($30.6k)
Capital Improvement Program
Fiscal Years 2016-2020

New CIP Projects

- City Hall Exterior LED Lighting ($67.5k)
- Emergency Operations Center ($117k)
- Theater LED Lighting ($30.6k)
Capital Improvement Program
Fiscal Years 2016-2020

New CIP Projects

- City Hall Exterior LED Lighting ($67.5k)
- Emergency Operations Center ($117k)
- Theater LED Lighting ($30.6k)
Capital Improvement Program
Fiscal Years 2016-2020

SARDA/Housing Projects
Available Funding $5,206,873

○ Affordable Housing
  ✷ Remaining 2010 bond proceeds
  ✷ Specific Project(s) to be identified
    ○ RFP going out in June to solicit interest
Capital Improvement Program
Fiscal Years 2016-2020

Next Steps...

Community Services Commission  May 11, 2015
Planning Commission  May 20, 2015
City Council, Formal Adoption  June 9, 2015
Questions/Discussion
Fiscal Year 2015-16
Annual Operating Budget
## FY15-16 Annual Operating Budget

### General Fund

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$65,853,760</td>
</tr>
<tr>
<td>Expenditures</td>
<td>$65,365,521</td>
</tr>
<tr>
<td>Revenue – Expenditures</td>
<td>$488,239</td>
</tr>
</tbody>
</table>

### Transfers Out:

- Capital Improvement Projects                    | $1,248,326   |
- Workers’ Compensation Fund                       | $250,000     |
- City & Parks Facility Rehabilitation              | $420,000     |
- Intern Fellowship Program                        | $19,645      |
- Business Incubator Fund                          | $187,127     |

Total Transfers Out                                | $2,125,098   |
FY15-16 Annual Operating Budget

General Fund

• 7/1/15 Beginning Fund Balance $24,356,478

• 6/30/16 Ending Fund Balance $22,719,619
  • Reserved for Economic Uncertainty (20%) $13,073,104
  • Secondary Reserve (5%) $3,268,276
  • Assigned to Capital Projects $1,018,648
  • Non-Spendable (Inventory/Prepaids) $4,383
  • Available Fund Balance $5,355,208
FY15-16 Annual Operating Budget

General Fund Revenue = $65,853,760

- Property Tax 11%
- Sales and Use Tax 48%
- Intergovernmental Revenues 11%
- Special Tax (Measure C) 3%
- Transient Occupancy Tax 5%
- Franchise Fees 6%
- Operating Transfers In 4%
- Other Revenue 12%
- Property Tax 11%
## FY15-16 Annual Operating Budget

General Fund Revenue = $65,853,760

<table>
<thead>
<tr>
<th>Revenue Type</th>
<th>FY15-16</th>
<th>% Chg</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax</td>
<td>7,157,977</td>
<td>5.6%</td>
<td>Increased Property Values</td>
</tr>
<tr>
<td>Sales and Use Tax</td>
<td>31,982,496</td>
<td>2.0%</td>
<td>Growth in most sectors</td>
</tr>
<tr>
<td>Franchise Fees</td>
<td>3,888,177</td>
<td>4.1%</td>
<td>Projected inflation</td>
</tr>
<tr>
<td>Transient Occupancy Tax</td>
<td>3,251,835</td>
<td>9.3%</td>
<td>Projected inflation</td>
</tr>
<tr>
<td>Special Tax (Measure C)</td>
<td>1,867,639</td>
<td>0%</td>
<td>Flat compared to prior year</td>
</tr>
<tr>
<td>Intergovernmental Revenues</td>
<td>7,055,799</td>
<td>4.2%</td>
<td>Increased Property Values</td>
</tr>
<tr>
<td>Operating Transfers In</td>
<td>2,912,992</td>
<td>-9.0%</td>
<td>Less Gas Tax transferred</td>
</tr>
<tr>
<td><strong>Other Revenue</strong></td>
<td>7,736,845</td>
<td>-8.6%</td>
<td>Deferred Development revenue</td>
</tr>
<tr>
<td><strong>General Fund Revenue</strong></td>
<td>$65,853,760</td>
<td>1.0%</td>
<td></td>
</tr>
</tbody>
</table>
FY15-16 Annual Operating Budget

General Fund Expenditures = $65,365,521
FY15-16 Annual Operating Budget

General Fund Expenditures:

• Police Department (39% of General Fund)
  • Operating Budget = $25,694,620
  • Includes replacement of 1 Motorcycle ($28k)

• Total staffing = 135
  • 100 Sworn Officers, 19 CSOs, 16 Administrative

• 7.5% increase in Sheriff Contract, offset by:
  • Continuation of 3 vacant positions ($832k)
    • SET Officer, Motorcycle Officer, Accident Investigator

• Continued cost sharing arrangement with TVUSD
  • 50% for 5 School Resource Officers
FY15-16 Annual Operating Budget

General Fund Expenditures:

• Fire Department (9.6% of General Fund)
  - Total Staffing = 65
  - Operating Budget = $13,932,812
    - Less Fire Tax Credit of $7,645,222
    - General Fund impact of $6,287,590
  - 11% increase in Fire Contract in anticipation of Cal Fire labor negotiations which begin July 1st
  - Maintaining staffing ratio of 4 personnel/engine
General Fund Expenditures:

- Community Support Grants (non-profits) = $88,000
  - $60,000 annual allocation
  - $3,000 additional from 2015 Rod Run proceeds
  - $25,000 Council Discretionary funding

- TCSD Funding Contribution = $5,636,876
  - Recreation = $4,601,783
  - Library = $644,205
  - Service Level B – Residential Street Lights = $390,888
Other Expenditures

• Capital Outlay
  • 5 Public Works Trucks ($203k or $20.3k/yr for 10 yrs)
  • 1 Vactron ($60k or $4k/yr for 15 yrs)
  • 1 new Mid-Size Truck for TCSD ($25K or $2.5k/yr for 10 yrs))

• Technology Investment
  • Lease of new SAN/Server ($120k/year for 5 yrs)
  • Library Firewall Replacement ($30k or $6k/yr for 5 yrs))
  • Wi-Fi Upgrade for Old Town ($15k or $3k/yr for 5 yrs)
  • Wi-Fi Upgrade for Civic Center ($35k or $7k/yr for 5 yrs)
  • Annual Computer Equipment Lifecycle Program ($50k)
Staffing/Salaries & Benefits

- Consistent staffing levels – 158.2 Authorized Positions (including 5 Council Members)
  - Reassignments of vacant positions
    - Sr. Debt Analyst -> Management Analyst (Finance)
    - Custodian -> Maintenance Worker (Public Works)

- 2 Part-Time Office Specialists increased from 20 to 24 hours per week

- Project staffing costs held constant to FY14-15 levels
FY15-16 Annual Operating Budget

Staffing/Salaries & Benefits

• Memorandum of Understanding (MOU) impacts included
  • 1% Wage Increase swap for 1% EPMC, effective 7/1/15
  • 3.5% Cost of Living Adjustment negotiated in 2014 Re-Opener

• Intern Fellowship Program funded at $19,645
  • “Just Add One” campaign to partner with private sector, augmented with $7,892 of Community Development Block Grant
Questions/Discussion
Temecula Community Services District (TCSD)
FY15-16 Annual Operating Budget

TCSD Revenue = $19,853,738

- Rates & Charges, $9,671,168
- GF Contribution (Recreation), $4,601,783
- GF Contribution (Street Lights), $390,888
- GF Contribution (Library), $644,205
- Special Tax, $1,867,639
- Other Revenues, $2,678,055
- Special Tax, $1,867,639
- Other Revenues, $2,678,055
FY15-16 Annual Operating Budget

TCSD Expenditures = $20,074,504

- Street Lighting, $1,032,272
- Landscape/ Slope Maintenance, $1,782,952
- Refuse & Recycling, $7,188,836
- Road Maintenance, $9,843
- Harveston Lake Park Maintenance, $244,617
- Library, $859,976
- Intern Fellowship, $19,645
- Recreation, $8,936,363
FY 15-16 Annual Operating Budget

TCSD Per Capita Funding

• Special Tax (Measure C) was set in 1997 at $74.44/Household

Note: TCSD Funding reduced in FY 12-13 due to Parks Maintenance moving to General Fund
Temecula Community Services District (TCSD)

• Program Highlights
  • Eagle Soar Playground & Splash Pad inclusive play structure dedicated to the Special Needs community
  • Renovation of CRC gym floor and scoreboards
  • City’s 25th Anniversary Celebration
Temecula Community Services District (TCSD)

• Program Highlights
  • Cultural Arts Special Events
    • 1st Friday Art events in Old Town
    • Movies in the Park
    • Summer Concert Series
    • Street Painting
  • Award-winning Video Exhibit of the Oral History of WWII Veterans
Temecula Community Services District (TCSD)

- Program Highlights
  - 2015 Rod Run event in Old Town

- Signature Special Events
  - 4th of July Parade
  - Fireworks show
  - Santa’s Electric Light Parade
  - Temecula On Ice

- Collaboration with Old Town Temecula Association and Visit Temecula Valley on seasonal attractions
Temecula Community Services District (TCSD)

- Program Highlights
  - Continuing Theater renovation
- Ongoing programming
  - Recreation
  - Sports
  - Active Adults
  - Special Needs
- Senior Services Needs Assessment
Successor Agency to the Redevelopment Agency (SARDA)
FY 15-16 Annual Operating Budget

SARDA Operating Budget

• Debt Service $7,204,269

• Enforceable Obligations $1,250,433
  • Abbott OPA
  • Abbott DDA
  • Affordable Housing Obligations
Next Steps

The proposed Operating Budget along with the CIP will be presented to the City Council for formal adoption on June 9th
Questions/Discussion
5-Year Financial Plan
5-Year Financial Plan

General Fund

• Long-range fiscal planning serves as a valuable tool to evaluate the City’s ability to fund programs and services
  • Alerts decision makers early enough to course-correct if trends indicate financial concerns

• 5-Year projections are prepared for the General Fund and TCSD

• Last year the Strategic Fiscal Planning Ad Hoc committee was established to review the financial outlook for the City and discuss measures to ensure ongoing fiscal solvency
5-Year Financial Plan

General Fund Trends – as of FY15-16
5-Year Financial Plan

General Fund Trends – as of FY15-16

In FY16-17, Expenditures begin to exceed Revenue
5-Year Financial Plan

General Fund

• Operating Revenues are projected at a realistic growth rate, based on known trends and information

• Expenditures are outpacing revenues due to:
  • Rising Public Safety Contracts
    • Police ~8% growth per year
    • Fire ~11% growth in FY15-16
  • Rising CalPERS Pension Costs
    • City’s rates projected to increase by 8% in next 5 years
    • Law Enforcement pension costs projected to increase by 11% in next 5 years
5-Year Financial Plan

City of Temecula
Public Safety Expenditure Trends

Actual Expenditures

Projected Expenditures

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Expenditure</th>
<th>Projected Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2009-10</td>
<td>24,333,713</td>
<td></td>
</tr>
<tr>
<td>FY2010-11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2011-12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2012-13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2013-14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2014-15 Proj</td>
<td></td>
<td>40,243,870</td>
</tr>
<tr>
<td>FY2015-16 Proj</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2016-17 Proj</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2017-18 Proj</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2018-19 Proj</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2019-20 Proj</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
5-Year Financial Plan

City of Temecula
Public Safety Expenditure Trends

2009 - 2014 Actual Increase

- Police: 13% ($2.6M)
- Fire: 17% ($741k)
- Total Safety: 14% ($3.3M)

Projected Expenditures

Public Safety Total

FY2009-10: 24,333,713
FY2010-11:
FY2011-12:
FY2012-13:
FY2013-14:
FY2014-15 Proj:
FY2015-16 Proj:
FY2016-17 Proj:
FY2017-18 Proj:
FY2018-19 Proj:
FY2019-20 Proj:

40,243,870
5-Year Financial Plan

City of Temecula
Public Safety Expenditure Trends

FY09-10 to FY19-20 Projected
- Police: 68% ($13.6M)
- Fire: 54% ($2.3M)
- Total Safety: 65% ($15.9M)

Actual Expenditures vs. Projected Expenditures
5-Year Financial Plan

General Fund Balance

• With projected trends, General Fund reserves would need to be utilized starting in FY18-19
5-Year Financial Plan

Balancing the 5-Year

• Limited Options:
  • Decrease expenditures (service delivery) to fit within available resources
    • Maintaining vacancies
    • Evaluate potential savings of 3:0 staffing model for Fire

• Increase revenues to keep pace with projected expenditure growth over next 5 years
  • Updated Fee Study to be completed in FY15-16
  • Collection of Education & Government (EG) Fees
  • Evaluate Measure C, Sales Tax and Utility Users’ Tax
5-Year Financial Plan

Additional Impacts

• Implementation of Employee Classification and Compensation Plan

• Development of Old Town Parking Strategies
  • Enlisted KMA to begin analysis of alternatives

• Reduction of Unfunded Liabilities (Retiree health & Pension)
  • Pre-paying annual PERS liability
  • Commissioned consultant to develop strategies on reducing future liabilities

• Water

• Public Safety costs
  • Initiated discussions amongst contract cities
Special Thanks To...

All Department Directors & Analysts &
Temecula’s Budget Team

Jennifer Hennessy, Rudy Graciano, Pascale Brown, Erica Russo, Shirley Robinson, Monica Jorgenson, & Evelyn Watson