Fiscal Year 2016-17
Annual Operating Budget
&
Capital Improvement Program

City Council Meeting
June 14, 2016
Budget Workshop Agenda

• Introduction

• FY2016-17 Highlights
  • 5-Year Capital Improvement Program
  • Annual Operating Budget
  • Temecula Community Services District

• 5-Year Financial Plan
• Join the Conversation Update
• Discussion
Introduction

• FY2016-17 is Fiscally Balanced
  • Improving revenues
  • Concerned about fiscal outlook

• FY2015-16 Recap
  • Noted Looming Structural Budget Challenge
  • Council Subcommittee Formed
  • Community Feedback
Introduction

• History of Balanced Budgets
  • Strategic Decisions
  • Reduced expenditures to match expected revenues
    • Reduced 52.5 benefitted positions
    • Maintain vacant positions in Police
  • Preserved Economic Uncertainty reserves

• Balancing Future Budgets
  • Necessary cuts are contrary to Preliminary Community Feedback
Introduction

• City Profile

  – Population: 109,064 (up 0.13% from 2015)
  – Median Age: 34.5 years (up from 34 in prior year)
  – Number of Households: 34,559 (up 2% from prior year)
  – Average Household Income: $94,001 (up 9.5% from prior year)
  – April Median Home Price: $435,000 (up 8% from April 2015)
  – Number of Jobs: 50,493 (up 2.4% over prior year)
  – Temecula Unemployment (April): 4.1% (down 0.4% from prior year)
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
Fiscal Years 2017-21
Capital Improvement Program
Capital Improvement Program
Fiscal Years 2017-21

Highlights:

• 49 Capital Projects

• $485.4M in total project costs
  • $352.9M programmed to complete projects
  • $132.5M spent-to-date
  • $194.8M funded

• $32.5M appropriated in FY16-17

• $66.5M carried over from prior years
## Capital Improvement Program

**Fiscal Years 2017-21**

<table>
<thead>
<tr>
<th>Type of Project</th>
<th>Number of Projects</th>
<th>Cost to Completion</th>
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<tbody>
<tr>
<td>Circulation</td>
<td>19</td>
<td>$299,177,754</td>
</tr>
<tr>
<td>Infrastructure/Other</td>
<td>23</td>
<td>$35,031,390</td>
</tr>
<tr>
<td>Parks and Recreation</td>
<td>6</td>
<td>$6,206,943</td>
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<tr>
<td>SARDA/Housing</td>
<td>1</td>
<td>$12,480,632</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>49</strong></td>
<td><strong>$352,896,719</strong></td>
</tr>
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</table>
New CIP Projects

- Ynez Road Improvements ($3.4M)
  - Road widening from Rancho Vista to La Paz

- Fiber Optic Communications System Upgrades ($1.3M)
  - $1.2M grant-funded (HSIP)

- 6th Street Sidewalks Improvements ($93k)
  - $73k grant-funded (BEYOND)

- Teen Center ($8.7M unspecified funding)
  - Design ($645k) to be funded in FY17-18

- Public Safety Tribute/Memorial (unfunded)
Capital Improvement Program
Fiscal Years 2017-21

Circulation Projects

19 Projects totaling $299,177,754

- French Valley Parkway/
  I-15 Phase II ($52.7M)

- I-15/State Route 79
  Ultimate Interchange ($50.7M)

- Pechanga Parkway
  Widening ($5.0M)
Capital Improvement Program
Fiscal Years 2017-21

Circulation Projects
19 Projects totaling $299,177,754

- Pavement Rehabilitation Program (FY16-17 = $6.1M)
  - Overland Drive ($450k)
  - Temecula Parkway ($550k)
  - Margarita Road ($4M)
Capital Improvement Program
Fiscal Years 2017-21

Infrastructure Projects
23 Projects totaling $35,031,390

- Library Parking – Phase II ($2.9M)
- Temecula Park & Ride ($2.7M)
- Technology Projects ($2.1M)
  - Fiber Optic Communications
  - Citywide Surveillance
- Sidewalk Projects ($951k)
- Bike Lane & Trail Program ($464k)
- City Facilities Rehabilitation ($365k)
- ADA Transition Plan ($250k)
Capital Improvement Program
Fiscal Years 2017-21

Parks & Recreation Projects
6 Projects totaling $6,206,943

- Pennypickle’s Workshop Enhancement Project ($83.9k)
- Flood Control Channel Reconstruction and Repair ($370k)
- Park Improvement Program ($321k)
- Playground Equipment Enhancement and Safety Surfacing ($1M)
- Sam Hicks Monument Park Playground Enhancement ($714k)
Capital Improvement Program
Fiscal Years 2017-21

**SARDA/Housing Projects**
Available Funding $12,480,632

- Affordable Housing
  - Remaining 2010 & 2011 bond proceeds
  - Specific Project(s) to be identified
    - RFP closed in May
    - Staff to review proposals with the Supportive Housing Subcommittee
Capital Improvement Program
Fiscal Years 2017-21

CIP Presentations:

- May 26th - Public Traffic Safety Commission
- June 1st - Planning Commission
- June 13th - Community Services Commission

Tonight, staff recommends that the City Council adopt Fiscal Years 2017-21 Capital Improvement Program
Questions/Discussion
Fiscal Year 2016-17
Annual Operating Budget
FY16-17 Annual Operating Budget

General Fund Highlights

Revenue $69,409,540
Expenditures $69,139,252
Revenue – Expenditures $270,288

General Fund Contributions:
- Capital Improvement Projects $1,050,973
- Pavement Rehabilitation $250,000
- City & Parks Facility Rehabilitation $295,000
- Business Incubator Fund $295,045
Total Contributions to Other Funds $1,891,018
**FY16-17 Annual Operating Budget**

**General Fund**

- **7/1/16 Beginning Fund Balance** $27,507,235
- **6/30/17 Ending Fund Balance** $25,886,506
  - Reserved for Economic Uncertainty (20%) $13,827,850
  - Secondary Reserve (5%) $3,456,963
  - Assigned to Pechanga-funded Police Support $312,120
  - Assigned to Capital Projects $847,000
  - Available Fund Balance $7,442,573
# FY16-17 Annual Operating Budget

General Fund Revenue = $69,409,540

<table>
<thead>
<tr>
<th>General Fund Revenue</th>
<th>FY16-17 Budget</th>
<th>% Change</th>
<th>Assumptions</th>
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<tbody>
<tr>
<td>Property Tax</td>
<td>7,684,429</td>
<td>2.3%</td>
<td>Increased property values</td>
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<tr>
<td>Sales and Use Tax</td>
<td>34,612,665</td>
<td>-1.6%</td>
<td>One-time adjustment in prior year</td>
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<tr>
<td>Franchise Fees</td>
<td>3,864,951</td>
<td>2.4%</td>
<td>Anticipated inflation</td>
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<tr>
<td>Transient Occupancy Tax</td>
<td>3,540,414</td>
<td>8.2%</td>
<td>Increased Occupancy and Rates</td>
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<td>Special Tax (Measure C)</td>
<td>1,852,879</td>
<td>0.0%</td>
<td>Flat compared to prior year</td>
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<tr>
<td>Licenses, Permits and Service Charges</td>
<td>4,227,424</td>
<td>-1.2%</td>
<td>Less Planning Permits &amp; Parking Citations</td>
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<tr>
<td>Property Tax in Lieu of VLF</td>
<td>7,391,297</td>
<td>3.8%</td>
<td>Increased property values</td>
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<tr>
<td>Reimbursements</td>
<td>2,855,780</td>
<td>21.8%</td>
<td>Addition of Pechanga IGA ($312k)</td>
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<td>Operating Transfers In</td>
<td>2,341,365</td>
<td>-22.4%</td>
<td>Lower Gas Tax transfer</td>
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<tr>
<td>Other Revenue</td>
<td>1,038,336</td>
<td>57.9%</td>
<td>Prior year adj for loss in investments</td>
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<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>69,409,540</strong></td>
<td><strong>-0.2%</strong></td>
<td></td>
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Absent the Triple Flip payment in FY15-16, Revenue is projected to increase 4.6% over the prior year.
FY16-17 Annual Operating Budget

General Fund Revenue = $69,409,540
FY16-17 Annual Operating Budget

General Fund Expenditures = $69,139,252
FY16-17 Annual Operating Budget

General Fund Expenditures:

• Police Department (40.2% of General Fund)
  • Operating budget = $27,782,478
  • Includes replacement of motorcycle ($30k) & Police service dog ($21k)

• Total staffing = 135
  • 100.5 sworn officers
  • 19 community service officers
  • 16 administrative
  • Includes 1 new sworn officer
    • Added 1/1/17 (per Pechanga IGA)
FY16-17 Annual Operating Budget

General Fund Expenditures:

• Police Department (continued)
  • Assumes 8% increase in Sheriff Contract

• Continuation of 5 vacant dedicated positions ($1.2M)
  • SET Officer
  • Motorcycle Officer
  • Accident Investigator
  • 2 Community Service Officers

• Continued cost sharing arrangement with TVUSD ($356k)
  • 50% for 5 School Resource Officers
General Fund Expenditures:

- Fire Department (9% of General Fund)
  - Total Staffing = 65
- Operating Budget = $13,137,797
  - Less Fire Tax Credit of $8,280,101
  - General Fund impact of $6,011,237
- 2% increase over prior year
- Maintaining staffing ratio of 4 personnel/engine
FY16-17 Annual Operating Budget

General Fund Expenditures:

• Community Support Grants (non-profits) = $89,108
  • $60,000 annual allocation
  • $4,108 additional from 2016 Rod Run proceeds
  • $25,000 Council discretionary funding

• TCSD Funding Contribution = $5,879,245
  • Recreation = $4,848,307
  • Library = $649,542
  • Service Level B – Residential Street Lights = $381,396
FY16-17 Annual Operating Budget

Other Expenditures

• Capital Outlay
  • Public Works crack-seal machine - $63k (Gas Tax funded)

• Technology Investment ($187.5k from Replacement Fund)
  • Library firewall replacement - $50k
  • UPS (power supply) for library - $7.5k
  • Public Wi-Fi upgrade - $50k
  • UPS battery replacement Civic Center - $30k
  • Annual computer equipment lifecycle program - $50k

• Public, Education & Government (PEG) Investment
  • $250k in equipment to support PEG-eligible activities
FY16-17 Annual Operating Budget

Maintain Reduced Staffing/Salaries & Benefits

• Staffing levels – 158.2 Authorized Positions
  • including 5 Council Members

![Graph showing City of Temecula Authorized Positions with 25% Reduction (52.55 positions) since 2008]
FY16-17 Annual Operating Budget

Maintain Staffing/Salaries & Benefits, continued

• Implementation of Reclassification Plan recommendations and Salary Schedule B through the filling of vacant positions
  • 26 positions on Salary Schedule B

• CalPERS pension increase of $296k
  • Actuarial assumptions changed by CalPERS Board
  • Employer Contribution rate increased from 23.8% to 26%
FY16-17 Annual Operating Budget

Maintain Staffing/Salaries & Benefits, continued

- Pre-payment of CalPERS Pension liability
  - Annual savings of $124k

- Contribution to Workers’ Compensation Fund of $646k
  - Increases the Self-Insured Retention (SIR) reserve to $810k
  - Target reserve level is $1.5M

- Memorandum of Understanding expires 6/30/17
Questions/Discussion
Temecula Community Services District (TCSD)
FY16-17 Annual Operating Budget

TCSD Revenue = $20,517,431
FY16-17 Annual Operating Budget

TCSD Expenditures = $20,840,867

- Refuse & Recycling, $7,691,515
- Road Maintenance, $9,482,103
- Street Lighting, $1,025,362
- Harveston Lake Maintenance, $245,445
- Library, $822,916
- Public Art, $19,858
- Landscape/Slope Maintenance, $1,543,825
- Recreation, $9,482,103
**FY16-17 Annual Operating Budget**

**TCSD Per Capita Funding**
- Measure C was set in 1997 at $74.44/household
- FY2016-17 projected cost = $177.89/household
FY16-17 Annual Operating Budget

Temecula Community Services District (TCSD)

• Program Highlights
  • Rod Run event in Old Town
  • Signature, Special & Community Events
    • 4th of July parade
    • Fireworks show
    • Santa’s Electric Light parade
    • Temecula on Ice
    • Veterans Day event
    • 9/11 ceremony

• Collaboration with Old Town Temecula Association and Visit Temecula Valley on seasonal attractions
FY16-17 Annual Operating Budget

Temecula Community Services District

• Program Highlights
  • Utilization of former YMCA facility to offer additional contract classes

  • Continuation of Human Services programs
    • Expanded programming at Eagle Soar Playground & Splash Pad
    • Explore recommendations from the Senior Services Master Plan process

  • Expand Museum outreach to elementary schools
    • Temecula Treasures program
FY16-17 Annual Operating Budget

Temecula Community Services District (TCSD)

• Program Highlights
  • Quality sports, recreation and aquatics programs
  • Safeguarding of our parks and open spaces through the Park Ranger program
  • “Responsible Compassion” program administration
Successor Agency to the Redevelopment Agency (SARDA)
FY16-17 Annual Operating Budget

SARDA Operating Budget

• Debt Service  $6,608,559

• Enforceable Obligations  $1,246,499
  • Abbott OPA

  • Abbott DDA

• Affordable Housing Obligations
Recommendation

Staff recommends adoption of the Fiscal Year 2016-17 Operating Budgets and the Fiscal Years 2017-21 Capital Improvement Program
5-Year Financial Plan
5-Year Financial Plan

Long Range Financial Plan

• Long-range, responsible 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
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 costs
    • Police ~5-8% growth per year
    • Fire ~2-7% growth per year
  • 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

General Fund

• A structural deficit is projected to occur beginning in Fiscal Year 2017-18
  • Revenues over Expenditures = ($723,691)

• Fall short of meeting Policy-level reserves of 25% in FY 2018-19

• By Fiscal Year 2020-21, the projected structural deficit will reach $4.5 million/year unless budget-balancing measures are not implemented within the next year
  • Fund Balance will fall from $25.9M to $13.4M
5-Year Financial Plan

General Fund Trends – as of FY2016-17

General Fund 5-Year Projections
Revenues over Expenditures

- Actuals
- Projected

$4.3M Gap

Beginning of Structural Deficit

Expenditures
Revenues
5-Year Financial Plan

City of Temecula
Public Safety Expenditure Trends

Actual Expenditures
Projected Expenditures

FY2009-10: 20,000,000
FY2010-11: 21,000,000
FY2011-12: 22,000,000
FY2012-13: 23,000,000
FY2013-14: 24,000,000
FY2014-15: 25,000,000
FY2015-16 Proj: 26,000,000
FY2016-17 Proj: 27,000,000
FY2017-18 Proj: 28,000,000
FY2018-19 Proj: 29,000,000
FY2019-20 Proj: 30,000,000
FY2020-21 Proj: 44,806,373

Public Safety Total
5-Year Financial Plan

City of Temecula
Public Safety Expenditure Trends

Police
FY09-10 to FY14-15
$ Chg 3,460,512
% Chg 17.3%

Fire
$ Chg 885,124
% Chg 20.6%

Actual Expenditures
Projected Expenditures
44,806,373
5-Year Financial Plan

City of Temecula
Public Safety Expenditure Trends

Includes the Opening of Fire Station No. 95 (Roripaugh Ranch)

Temecula is 9 officers below what is recommended for its population
5-Year Financial Plan

General Fund Balance

- With the projected structural deficit, the General Fund will be $7.9M short in meeting its Policy-Level Reserves of 25% by 2020.
5-Year Financial Plan

General Fund Balance

- If the City maintained the 1:1000 ratio for Public Safety, General Fund Balance would be depleted by year 5
  - $6.6M negative balance, $28.8M short of Policy-level Reserves
5-Year Financial Plan

Balancing the 5-Year

• Limited Options:
  • Continue to decrease expenditures (service delivery) to fit within available resources, including potential cuts to Public Safety services affecting paramedic, police and fire response
    • Staff has identified a variety of alternative reduction measures to balance the 5-Year projection

• Increase revenues to keep pace with projected expenditure growth over next 5 years
  • Fee Study update is underway to ensure adequate cost recovery for development-related fees
# 5-Year Financial Plan

## 10-Year History of Cost Containment Measures

### % Change from Fiscal Year 2007-08 to 2016-17

(10-Year Period)

<table>
<thead>
<tr>
<th>Population</th>
<th>Authorized Positions</th>
<th>GF Operating Budget</th>
<th>Non-Safety Budget</th>
<th>CalPERS Rates</th>
<th>CalPERS $</th>
<th>Non-Safety per Capita</th>
<th>Police Services per Capita</th>
<th>Sworn Officers</th>
<th>Police Budget</th>
<th>Fire Personnel</th>
<th>Fire Budget</th>
<th>COLAs</th>
<th>Annual CPI</th>
<th>GF Revenue</th>
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5-Year Financial Plan

10-Year History of Cost Containment Measures

% Change from Fiscal Year 2007-08 to 2016-17
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5-Year Financial Plan

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5-Year Financial Plan

10-Year History of Cost Containment Measures

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5-Year Financial Plan

10-Year History of Cost Containment Measures

% Change from Fiscal Year 2007-08 to 2016-17 (10-Year Period)

- Population: 11%
- Authorized Positions: -25%
- GF Operating Budget: 20%
- Non-Safety Budget: 2%
- CalPERS Rates: 87%
- GF Non-Safety per Capita: 26%
- CalPERS $: -8%
- Police Services per Capita: 33%
- Fire Services per Capita: 27%
5-Year Financial Plan

10-Year History of Cost Containment Measures

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- Non-Safety Budget: 2%
- CalPERS Rates: 87%
- CalPERS $ per Capita: 26%
- Non-Safety per Capita: 33%
- Police Services per Capita: 27%
- Sworn Officers: 0%
- Police Budget: 49%
5-Year Financial Plan

10-Year History of Cost Containment Measures

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- Fire Services per Capita: 27%
- Sworn Officers: 0%
- Police Budget: 49%
- Fire Personnel: 0%
- Fire Budget: 41%
- COLAs: -8%
- Annual CPI: 0%
- GF Revenue: 0%
- GF Operating Budget: 0%
5-Year Financial Plan

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- Sworn Officers: 0%
- Police Budget: 49%
- Fire Personnel: 41%
- Fire Budget: 3.5%
- COLAs: 9%
- Annual CPI: 0%
- GF Revenue: 0%
- GF Operating Budget: 0%
# 5-Year Financial Plan

## 10-Year History of Cost Containment Measures

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<tr>
<td>GF Operating Budget</td>
<td>20%</td>
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(Values rounded for clarity)
5-Year Financial Plan

10-Year History of Cost Containment Measures

- Staffing reductions
- Strategic debt management
- Operational efficiencies
- Deferred maintenance on facilities, parks & technology

*Estimated Annual Savings = $23.1 million*
5-Year Financial Plan

Additional Considerations

• Maintenance and reinvestment in the City’s infrastructure
  • Parks/playgrounds/fields
  • Streets & roads
  • Aging facilities

• General Plan Update
  • Fiscal Impact Analysis for General Plan Amendments

• Opening Roripaugh Fire Station No. 95
5-Year Financial Plan

Additional Considerations

• Continued expenditure reductions

• Take advantage of savings opportunities
  • CalPERS prepayment option ($124k/year)

• Explore new/different law enforcement delivery models (Joint Powers Authority)
Questions/Discussion
“Join the Conversation”
Update
“Join the Conversation” - Update

2015 Budget Workshop / Post-Budget Meeting
Engage community to obtain feedback on priorities for maintaining quality of life and essential services

• Community Prioritization workshops
• Professional independent survey and results
• Additional education and engagement direction
“Join the Conversation” - Update

• Survey Monkey, social media, general television and print media, City newsletters, City and school district e-blasts, City and Chamber guides, speakers bureaus, community leaders meetings, etc.

• Over **180,000** impressions in the community
“Join the Conversation” - Update

• Community Priorities include:
  – Maintaining 911 emergency and police response times
  – Preventing cuts to paramedic services, local police and fire protection
  – Maintaining school safety patrols
  – Addressing traffic congestion on local streets
  – Preventing cuts to services for the disabled & seniors
  – Maintaining vital services and the quality of life residents have come to expect
“Join the Conversation” - Update

• Next Steps...
  • Ongoing outreach efforts in June/July

• June 14, 2016 City Council meeting
  • Consider award for 2\textsuperscript{nd} independent community opinion survey

• July 26, 2016 City Council meeting
  • Presentation on 2\textsuperscript{nd} community opinion survey
  • Additional City Council direction
In Conclusion...

Also, Special Thanks To...

All Department Directors & Analysts & Temecula’s Budget Team

Jennifer Hennessy, Rudy Graciano, Pascale Brown, Shawn Jones & Shirley Robinson
Questions/Discussion