Fiscal Year 2014-15
Annual Operating Budget
&
Capital Improvement Program

City Council Meeting
June 10, 2014
FY14-15 Annual Operating Budget

• City Profile

  – Population: 106,289 (1.3% increase from 2013)
  – Median Age: 34
  – Number of Households: 33,535
  – 2013 Temecula Average Household Income: $80,729
  – Median Existing Home Sales Price: $427,009 (March 2014)
  – 2013 Number of Jobs: 42,983
  – Temecula Unemployment: 5.6% (April 2014)
FY14-15 Annual Operating Budget

• Quality of Life Master Plan Core Values
  – Healthy and Livable Community
  – Economic Prosperity
  – A Safe and Prepared Community
  – A Sustainable City
  – Transportation Mobility and Connectivity
  – Accountable and Responsive City Government
FY14-15 Annual Operating Budget

• QLMP Progress

[Diagram showing various projects and initiatives for FY14-15, including the opening of CSUSM at Temecula, UHS, and other projects like the initiation of community education models, median enhancement & street revitalization, and the commencement of construction for various facilities and projects.]
FY14-15 Annual Operating Budget

• QLMP Progress

9 projects completed!
FY14-15 Annual Operating Budget

- QLMP Progress
  - 6 additional projects in progress

![Diagram showing various projects in progress and completed]
Temecula Community Services District (TCSD)
FY14-15 Annual Operating Budget

TCSD Revenue = $18,718,242

- Contract Classes, $1,029,400
- Assessments, $9,242,991
- Special Tax, $1,861,767
- TCSD Funding, $5,094,696
- Recreation Fees, $1,437,743
- Other, $51,645
FY14-15 Annual Operating Budget

TCSD Expenditures = $19,364,299

- Street Lighting, $1,011,932
- Recreation, $8,345,889
- Intern Fellowship, $12,000
- Road Maintenance, $9,650
- Harveston Lake Park Maintenance, $239,322
- Library, $868,555
- Refuse & Recycling, $6,802,406
- Landscape/Slope Maintenance, $2,074,545
FY14-15 Annual Operating Budget

TCSD Per Capita Funding
• Special Tax (Measure C) fixed at $74.44/Household

Note: TCSD Funding reduced in FY 12-13 due to Parks Maintenance moving to General Fund
FY14-15 Annual Operating Budget

Temecula Community Services District (TCSD)

• 2014-15 Program Highlights
  • Re-opening of Temecula Community Center (TCC)
  • Full-time utilization of Jefferson Recreation Center (JRC)
  • Human Services/Special Needs Programs
  • Cultural Arts
    • Movies in the Park, Summer Concert Series, Street Painting
Temecula Community Services District (TCSD)

• 2014-15 Program Highlights, continued
  • Old Town/Signature Events
    • Rod Run, Western Days, 4th of July Fireworks Show & Parade, Santa’s Electric Light Parade, Temecula On Ice
  • Recreation/Sports
  • Active Adult/Senior Programs
5/21/14 Budget Workshop Action Item

• Evaluation of Non-Resident Fees
  • Currently assessed on impacted programs provided by City staff
  • Resident prioritization minimizes non-resident participation
  • Not assessed on Contract Classes
Successor Agency to the Temecula Redevelopment Agency (SARDA)
Capital Improvement Program - SARDA

SARDA/Housing Projects
Available Funding $5,356,744

- Affordable Housing
  - Remaining 2010 bond proceeds
  - Specific Project(s) to be identified
FY14-15 SARDA Annual Operating Budget

SARDA Operating Budget

- Debt Service  $6,615,533
- Enforceable Obligations  $1,231,000
  - Abbott OPA
  - Abbott DDA
- Affordable Housing Obligations
Successor Agency to the RDA
City of Temecula
Fiscal Years 2015-2019
Capital Improvement Program
## Capital Improvement Program
### Fiscal Years 2015-2019

<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>17</td>
<td>$285,451,085</td>
</tr>
<tr>
<td>Infrastructure/ Other</td>
<td>22</td>
<td>$28,368,905</td>
</tr>
<tr>
<td>Parks and Recreation</td>
<td>9</td>
<td>$7,024,462</td>
</tr>
<tr>
<td>SARDA/ Housing</td>
<td>1</td>
<td>$5,356,744</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>49</strong></td>
<td><strong>$326,201,196</strong></td>
</tr>
</tbody>
</table>

- **Circulation**: 87%
- **Infrastructure/ Other**: 9%
- **Parks and Recreation**: 2%
- **SARDA/ Housing**: 2%
Capital Improvement Program
Fiscal Years 2015-2019

Highlights:

• $451.9 million in Total Project Costs
  • $326.2 million programmed to complete projects
  • $125.7 million spent-to-date
    • $221.8 million funded

• 49 Capital Projects

• $12.3 million appropriated in FY14-15

• $48.3 million carried over from prior years
Capital Improvement Program
Fiscal Years 2015-2019

Circulation Projects
17 Projects totaling $285,451,851

- French Valley Parkway/
  I-15 Phase II
- I-15/State Route 79
  Ultimate Interchange
- Murrieta Creek Bridge &
  Overland Dr. Extension
- Pavement Rehabilitation Program
- Traffic Signal Equipment Replacement Program
Infrastructure Projects

22 Projects totaling $28,368,905

- City Sidewalks
- Bike Lane & Trail Program
- City Facilities Rehabilitation
- Library Parking – Phase II
- Pauba Road Sidewalks
- Citywide Surveillance Cameras
Capital Improvement Program
Fiscal Years 2015-2019

Infrastructure Projects, continued

22 Projects totaling $28,368,905

- Temecula Park & Ride
- Theater Remediation
- Former YMCA Repair & Remediation
- Evaluation of Disabled Access to City Facilities
- Fire Station #73 Living Quarters Upgrade
Parks & Recreation Projects

9 Projects totaling $7,024,462

- Pennypickle’s Workshop Exhibit/Enhancement Project
- Parks Improvement Program
- Playground Equipment & Safety Enhancement
Parks & Recreation Projects

9 Projects totaling $7,024,462

- Sam Hicks Monument Park Playground Replacement
- Senior Citizen Outdoor Fitness Lot
- Special Needs Playground
CIP Presentations

- Planning Commission – May 21, 2014
  - Determined compliance with General Plan


- Community Services Commission – June 9, 2014
Capital Improvement Program
Fiscal Years 2015-2019
FY2014-15
City of Temecula
Annual Operating Budget
FY14-15 Annual Operating Budget

General Fund Highlights:

Revenue $61,977,909
Expenditures $61,639,375
Revenue – Expenditures $338,534

Transfers Out:
- Capital Improvement Projects $1,069,902
- Advance to DIF-Fire (Fire Station #73) $817,400
- Intern Fellowship Program $12,000
- Affordable Housing Fund $23,307
- Business Incubator Fund $39,693
$1,962,302
FY14-15 Annual Operating Budget

General Fund Highlights:

- **7/1/14 Beginning Fund Balance**: $23,437,974
- **6/30/15 Ending Fund Balance**: $22,630,609
  - Reserved for Economic Uncertainty (20%): $12,327,875
  - Assigned to Capital Projects: $4,506,333
  - Assigned to Unrealized Gains: $250,000
  - Non-spendable (Inventory/Prepays): $4,383
- **Available Fund Balance**: $5,542,018
General Fund Revenue:
Revenue = $61,977,909

- Sales and Use Tax: 47%
- Property Tax: 10%
- Franchise Fees: 6%
- Transient Occupancy Tax: 4%
- Special Tax (Measure C): 3%
- Intergovernmental Revenues: 11%
- Operating Transfers In: 5%
- Other Revenue: 14%

FY14-15 Annual Operating Budget
### General Fund Revenue:

<table>
<thead>
<tr>
<th>Revenue Type</th>
<th>FY14-15</th>
<th>% Chg</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax</td>
<td>$6,332,015</td>
<td>4.2%</td>
<td>Increased Property Values</td>
</tr>
<tr>
<td>Sales and Use Tax</td>
<td>$29,273,980</td>
<td>2.7%</td>
<td>Growth in most sectors</td>
</tr>
<tr>
<td>Franchise Fees</td>
<td>$3,736,896</td>
<td>2.7%</td>
<td>Projected inflation</td>
</tr>
<tr>
<td>Transient Occupancy Tax</td>
<td>$2,766,390</td>
<td>2.2%</td>
<td>Projected inflation</td>
</tr>
<tr>
<td>Special Tax (Measure C)</td>
<td>$1,861,767</td>
<td>-0.1%</td>
<td>Higher allocation to TCSD</td>
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<tr>
<td>Intergovernmental Revenues</td>
<td>$6,560,736</td>
<td>3.5%</td>
<td>Increased Property Values</td>
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<tr>
<td>Operating Transfers In</td>
<td>$2,973,923</td>
<td>1.0%</td>
<td>Increased Gas Tax</td>
</tr>
<tr>
<td><strong>Other Revenue</strong></td>
<td><strong>$8,472,202</strong></td>
<td><strong>-2.9%</strong></td>
<td>Reduced Reimbursements</td>
</tr>
<tr>
<td><strong>Total General Fund Revenue</strong></td>
<td><strong>$61,977,909</strong></td>
<td><strong>1.9%</strong></td>
<td></td>
</tr>
</tbody>
</table>
General Fund Expenditures:

Expenditures = $61,639,375
FY14-15 Annual Operating Budget

General Fund Expenditures:

• Police Department (39% of General Fund)
  • Operating Budget = $23,870,353

• Total staffing = 134
  • 100 Sworn Officers, 19 CSOs, 15 Administrative

• 6% 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
General Fund Expenditures:

- Fire Department (8% of General Fund)
  - Total Staffing = 65
- Operating Budget = $12,131,288
  - Less Fire Tax Credit of $6,974,780
  - General Fund impact of $5,156,508
- 5.6% increase in Fire Contract, offset by:
  - Chief vacancy, 6 months ($138k)
  - Command structure will maintain 2 Battalion Chiefs & 1 Fire Safety Supervisor
- Maintaining staffing ratio of 4 personnel/engine
FY14-15 Annual Operating Budget

General Fund Expenditures:

• Community Support Grants (non-profits) = $76,000
  • $60,000 annual allocation
  • $16,000 additional from 2014 Rod Run proceeds

• TCSD Funding Contribution (formerly called “REST”) = $5,094,696
  • Recreation = $4,074,216
  • Library = $649,932
  • Service Level B – Residential Street Lights = $370,548
General Fund Expenditures:

• Recommended Over Target Requests:
  • Update to City Website ($60k)
  • Cost Allocation Plan and Fee Study ($75k)
  • Update of KMA Study of Old Town/Infill Projects ($100k)
  • Classification & Organizational Efficiency Study ($11k)
  • Replacement of 3 Public Works vehicles ($82.5k)
  • Election costs, allocated by Riverside County ($119k)
  • Maintenance for Skyview Park (Roripaugh) for six months ($25k)
Staffing/Salaries & Benefits:

• No additional full-time/benefitted staff

• Project staff held constant to FY13-14 levels
  • Unless offset by operational savings

• CalPERS rate increase included

• Memorandum of Understanding (MOU) impacts included

• Intern Fellowship Program funded at $12,000
  • “Just Add One” campaign to partner with private sector
5-Year Financial Plan

5-Year Planning

• Forecast Revenue & Expenditures
  • Economic trends
  • Known contractual increases
  • Development projects on the horizon

• Historical trends and fiscal decisions

• 5-Year planning assists policy makers to see long term impacts of current-year decisions
5-Year Financial Plan

General Fund - Ending Fund Balance Trend

- Ending Fund Balance
- 20% Required Reserve
5-Year Financial Plan

General Fund - Ending Fund Balance Trend

Accumulation of Resources
5-Year Financial Plan

General Fund - Ending Fund Balance Trend

Investment of Resources

Ending Fund Balance
20% Required Reserve

<table>
<thead>
<tr>
<th>Year</th>
<th>Ending Fund Balance</th>
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<tbody>
<tr>
<td>2001-02</td>
<td>$25,000,000</td>
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<tr>
<td>2002-03</td>
<td>$30,000,000</td>
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<tr>
<td>2003-04</td>
<td>$35,000,000</td>
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<td>2004-05</td>
<td>$40,000,000</td>
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<tr>
<td>2005-06</td>
<td>$45,000,000</td>
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<tr>
<td>2006-07</td>
<td>$50,000,000</td>
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<td>2007-08</td>
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<td>2008-09</td>
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<td>2009-10</td>
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<tr>
<td>2010-11</td>
<td>$70,000,000</td>
</tr>
<tr>
<td>2011-12</td>
<td>$75,000,000</td>
</tr>
<tr>
<td>2012-13</td>
<td>$80,000,000</td>
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</table>
5-Year Financial Plan

General Fund Historical Perspective

• Accumulation of resources has allowed for the creation of outstanding City facilities/programs/service levels

• Strong fiscal management carried City through the Great Recession

• Significant investments have been made since 2008-09
  • Facilities
  • Road Maintenance
  • Infrastructure
5-Year Financial Plan

Transition from a Growth-City

- City is transitioning into “maintenance mode”

- Shift focus to:
  - Preservation/replacement of City assets
    - roads, facilities, infrastructure, technology
  - Long-term strategic planning
  - Fiscally sustainable programs/services
    - Minimize subsidies
5-Year Financial Plan

Future Projections – status quo

General Fund 5-Year Projections
Revenues over Expenditures

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditures</th>
<th>Revenues</th>
</tr>
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<tbody>
<tr>
<td>FY12-13</td>
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<td></td>
</tr>
<tr>
<td>FY13-14</td>
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<td>FY14-15</td>
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<tr>
<td>FY15-16</td>
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<tr>
<td>FY16-17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY17-18</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

FY12-13: 48,000,000
FY13-14: 52,000,000
FY14-15: 56,000,000
FY15-16: 60,000,000
FY16-17: 64,000,000
FY17-18: 68,000,000
5-Year Financial Plan

Future Projections – status quo

Expenditures projected to exceed Revenue by FY17-18

General Fund 5-Year Projections
Revenues over Expenditures

Expenditures
Revenues
5-Year Financial Plan

5-Year Challenges

• Identify ongoing funding sources for Pavement Management Program
  • Secondary Reserve is a finite source of funds

• Adequate cost recovery for City services
  • Fund subsidies are not sustainable
    • TCSD, Service Levels, Affordable Housing

• Maintain Temecula’s high quality of life
  • Amenities, service levels, programs
Proposed Budget Policies

Policy Modification

• 20% Reserve for Economic Uncertainty eligible uses:
  • Local disasters/acts of nature
  • Loss of major revenue source(s) due to financial hardship or economic downturn
  • State-imposed revenue reduction or mandated payments
  • Significant unanticipated expenditures
  • Substantial payout of Comprehensive Annual Leave
Proposed Budget Policies

Proposed New Policy

• Establish a “Secondary Reserve for Contingencies”
  • Additional reserve equal to 5% of General Fund Expenditures

• Use of funds limited to:
  • Cover annual revenue shortfall (operating deficit)
  • One-time Capital investments that create long-term savings
  • Leverage grant funds
  • Funding that creates economic benefit to City
Proposed Budget Policies

Proposed New Policy

• Contingency Planning
  • Provides for a measured response to potential fiscal challenges

• Outlines the hierarchy of utilizing reserve funds
  • Dictated by type of fiscal challenge

• One-time events (i.e. disaster or State mandated payment)
  • Appropriate to use Secondary Reserve first
  • Use Reserve for Economic Uncertainty as last resort
Proposed Budget Policies

Proposed New Policy

• Contingency Planning, continued
  • Ongoing fiscal constraints (i.e. loss of major revenue source)
    • Secondary Reserve shall be utilized first
    • Use of Reserve for Economic Uncertainty shall not exceed two budget cycles
      • Provides Management time to implement reduction measures
      • Limits dependency on reserves to cover Operations
  • Implementation of Contingency Plan requires Council approval
Proposed Budget Policies

Proposed New Policy

• Replacement Funds
  • Vehicles & Equipment Fund
    • Establishes criteria for asset replacement
      • 3+ year useful life with cost in excess of $10,000
  • Technology Replacement Fund
    • New fund
    • Establishes criteria for technology equipment/software replacement
      • Annual lifecycle replacement
      • 3+ year useful life with cost in excess of $3,000
Special Thanks!

To all Department Directors & Analysts

&

Temecula’s Budget Team
Heidi Schrader, Rudy Graciano, Pascale Brown, Shirley Robinson, Evelyn Watson