

June 13, 2023

Honorable Mayor and Members of the City Council:

I am pleased to submit the Annual Operating Budget for the Fiscal Year 2023-24. This budget document was developed to serve as the financial plan for the City's programs and policies. It reflects the resources necessary to meet the goals, programs, and service priorities that the City Council is committed to providing its citizens.

The Fiscal Year 2023-24 Annual Operating Budget has been developed after a considerable review process. Departmental budget submittals were prepared and reviewed by line item in connection with projected revenues. Detailed performance objectives and accountability measures were developed consistent with the City's Quality of Life Master Plan. Five-year revenue and expenditure projections were developed to identify the future impacts of proposed staffing and program changes, as well as the impact of proposed capital improvement projects. The resulting budget is realistic and balanced and continues to provide quality services to the community while effectively utilizing available resources.

As you will read below, the City's General Fund is not only balanced for the ensuing fiscal year, but also projected to be balanced for the next five fiscal years. Additionally, the City's reserve funds are fully funded across all five years of the long-range financial forecast.

CITY OF TEMECULA PROFILE

The City of Temecula is a dynamic community comprised of approximately 108,899 citizens. The City maintains 42 parks on 337 developed acres throughout the community, which provide recreation opportunities for both the citizens of Temecula, as well as surrounding communities. Police and Fire protection services are provided through contracts with Riverside County. The Temecula Valley Unified School District provides 29 schools with 26,981 students at the kindergarten through 12th grade levels within the City. The City of Temecula prides itself on its community focus and quality of life.

Temecula's residents enjoy one of the finest lifestyles Southern California has to offer. Environmental and residential factors create a beautiful setting that attracts young, well-educated families to upscale homes that are relatively inexpensive by Southern California standards. Geography contributes to the City's population and retail growth from San Diego and Orange Counties.



Temecula's leadership has approached economic growth from a qualitative standpoint, providing the City with a favorable share of the region's higher paying and high technology career opportunities. The City's average income levels are higher than the surrounding region, the educational performance of its young people is above the state average, and Temecula has been recognized as one of Nation's safest cities.

ECONOMIC INDICATORS

The City of Temecula monitors several economic and demographic indicators, which play a role in the development of revenue projections.



- Estimated Population: down 0.5% from 2022 (Source: State Department of Finance)
- Median Age: no change from 2022 (Source: Claritas360 Report – 12/12/22)
- Number of Households: up 0.7% from 2022 (Source: Claritas360 Report – 12/12/22)
- Average Household Income: down 2.3% from 2022 (Source: Claritas360 Report – 12/12/22)
- March Median Home Price: down 2.5% from 2022 (Source: Southwest Riverside County Association of Realtors)
- Number of Jobs: up 2.9% from March 2022 (Source: EDD)
- March Unemployment Rate: up from 3.4% in March 2022, Riverside County: 4.6%, CA: 4.8%, Nation: 3.6% (Source: EDD & BLS)

Temecula has experienced mixed results in the City's economic indicators since this time last year. Population has decreased for the second year in a row Statewide, as well as locally. Statewide migration out of the state is reportedly due to the availability of remote work opportunities. While Temecula's average household income has declined, the number of jobs has increased by 2.9% over the prior year. Unemployment has increased slightly, however remains lower than the County and the State.

LOCAL ECONOMY AND LEGISLATIVE IMPACTS

Local Economy

As the economic indicators noted above fluctuate, the impact to the local economy is evident in the retail activity and sales tax trends. Despite a flattening of Sales Tax revenue, both national retailers and local entrepreneurs continue to invest in Temecula by opening businesses, undergoing expansion projects and starting new construction.

With Temecula's regional shopping mall, Old Town district, and auto mall, shoppers from the entire Temecula Valley region contribute to the City's sales tax base. Temecula residents generated \$38,886 in sales tax per capita in 2022, which far outpaced neighboring cities and statewide averages.



The Temecula economy continues to attract new businesses, with several new establishments that have recently opened or are expected to open soon. Both national franchises and local establishments alike will be a welcomed addition to the local economy.

Manufacturing/Industrial

Skorpios Technologies (semiconductor wafer/chip manufacturer)
Symbio North America (hydrogen fuel cell vehicle power assembly)
Remington Building (33,927 square feet)
Mountain View Buildings (20 building complex)
Winchester/Diaz Buildings (2 building complex)

Hotel Development

Everhome Suites (117 room hotel)

Expansions

Temecula Valley Hospital - Behavioral Health Center
U-Haul Expansion

Other

Residential Care Facility (34 units, 24,400 square feet)
Parker Medical Center II

Restaurants/Bar

Archibald's Burgers and More
Benihana
Corbeaux Wine and Tea House
Kompoocha Brewery
Krispy Kreme
Longhorn Steakhouse
Ono Hawaiiin BBQ
Rally's Burger
Texas Roadhouse

Retail/Entertainment

Aldi (2nd location)
Esporta Pickleball Club
Kennedy Meat Co.
Portals Entertainment
The Sugar Spot Candy Store

Legislative Impacts

The City of Temecula actively follows state and federal legislative proposals each year and works closely with the League of California Cities and the National League of Cities to stay informed and engaged to ensure the City supports legislation that aligns with the City's local legislative platform guiding principles:

I. Preservation of Local Control - Support measures that preserve and protect the City's general law powers and duties to enact legislation and policy direction concerning local affairs. Oppose measures that preempt local authority.

II. Promotion of Fiscal Stability - Support measures that promote fiscal stability, predictability, and financial independence. Support measures that preserve and promote the City's revenue base. Oppose measures that mandate costs with no guarantee of local reimbursement or offsetting benefit. Oppose measures that shift local funds to the county, state, or federal government, without offsetting benefit.

III. Support Funding Opportunities - Support measures that allow the City to compete for its fair share of regional, state and federal funding including competitive grants and other funding programs. Support measures that promote dedicated funding streams at the regional, state and federal levels allowing the City to maximize local revenues, offset and leverage capital expenditures, and maintain City goals and standards.

The City is collectively supporting a State investment of \$3 billion in ongoing funding for cities to increase the supply of affordable housing and reduce homelessness and \$1 billion to reimburse cities for unfunded

mandates. In addition, the City is opposing efforts to reduce, eliminate or divert essential local revenue sources to offset the State’s significant budget shortfall.

Recent legislation that potentially impacts the City’s operations include the following:

Initiative 21-0042 (The Taxpayer Protection and Government Accountability Act) – This ballot measure has qualified for the November 2024 ballot. The provisions of the measure make it more difficult for voters to pass measures needed to fund local services and infrastructure by increasing the threshold for passage and prohibiting local advisory measures. If passed, the measure would require the City to do an in-depth analysis of any new revenue sources and existing revenues streams subject to increases, Consumer Price Index adjustments or otherwise, to determine whether the revenue streams would be subject to voter approval. This would include new or increasing fees related to parks and recreation, community development, public safety, and public works.




GOALS AND OBJECTIVES

The City Council recently adopted the Temecula 2040 Quality of Life Master Plan (QLMP) in November 2022. The Temecula 2040 Plan is a living document that reflects the vision and long-term goals of the City. As Temecula continues to grow and mature, the Temecula 2040 Plan will be a crucial part of not only maintaining the City’s quality of life, but to take a proactive approach and identify specific community needs, goals, and possible improvements. The City of Temecula utilizes the QLMP to formulate and budget Citywide projects. In addition, the QLMP is used to guide planning, investment decisions, to provide vision and continuity for the next phase of the City's journey, and for continuous process improvement in partnership with Temecula's residents.



In an effort to incorporate the QLMP into the City’s budget process, the QLMP includes specific goals based on the Core Values of the QLMP. These goals are used by each department to develop short-term objectives and performance measures for completion in the upcoming fiscal year and are reflected in the Department Information and Performance Measures sections of the budget document.

The QLMP outlines 7 Core Values:

-  Healthy & Livable City
-  Sustainable & Resilient City
-  Economic Prosperity
-  Transportation Mobility & Connectivity
-  Safe & Prepared Community
-  Accountable & Responsive City Government
-  Equity

GENERAL FUND ANALYSIS

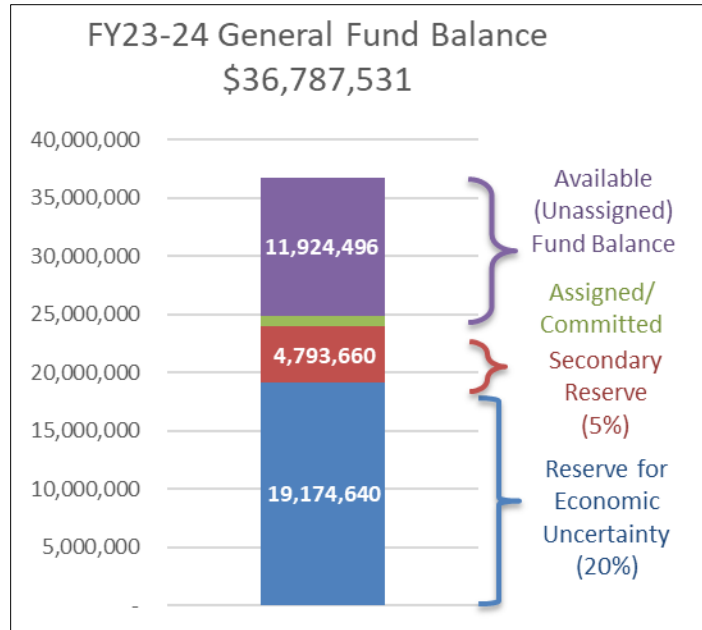
The General Fund forecast over the coming five years is balanced, with its Reserve for Economic Uncertainty and its Secondary Reserve fully funded in all five years.

Ending fund balance for Fiscal Year 2023-24 is projected to be \$36,787,531, of which \$23,968,300 is committed to fulfilling the Fund’s policy-level reserves of 25% of Operating Expenditures. A total of \$894,735 of fund balance is committed to cover the costs of a Police Officer position funded by the Pechanga Tribe and future Capital Improvement Projects.

A total of \$11,924,496 in fund balance is unassigned and available for one-time appropriations.

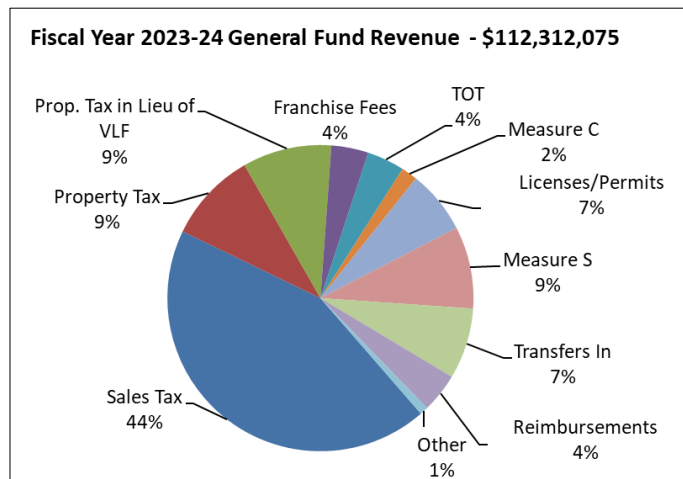
General Fund Revenue Highlights

General Fund revenue is projected to remain flat compared to the prior year with a total of \$112,312,075. Tax revenues are projected to increase by 6.6% due to growth in Property Tax and transfers in from the Measure S Fund to support public safety.



The Fiscal Year 2023-24 General Fund major revenue sources are summarized below:

- **Sales Tax (\$50,281,000)** is projected to increase by 0.3% over the prior fiscal year as taxable retail sales activity is leveling off within the local economy and concerns of a weakening economy.
- **Property Tax (\$10,735,507)** is projected to increase by 4.7%, due to a stable housing market. Property Tax revenue for Fiscal Year 2023-24 is based on assessed valuation from the year prior, so with the decreasing median home values currently occurring in the housing market, Property Tax projections for the following fiscal year will reflect this trend.

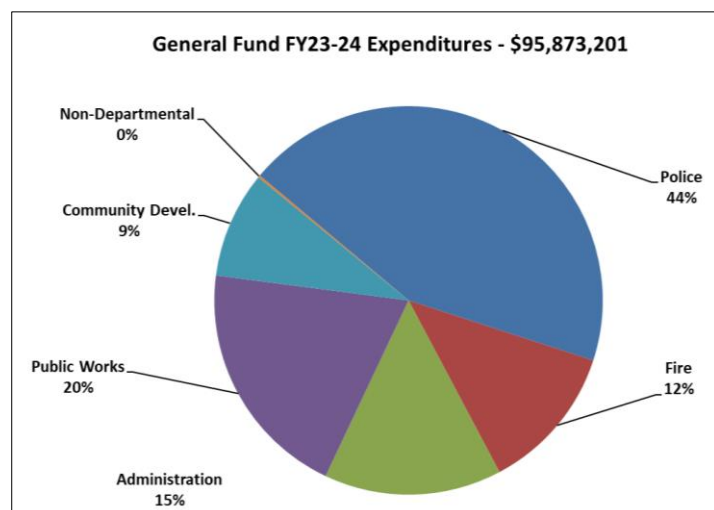


- **Franchise Fees (\$4,397,000)** are projected to increase 16.5% due to anticipated increases in utility rates charged for electricity, gas, and refuse services.
- **Transient Occupancy Tax (\$4,442,549)** is projected to remain flat compared to the prior year. While occupancy rates are currently higher than the previous year, the average daily hotel rates charged have decreased.
- **Licenses, Permits & Service Charges (\$7,532,557)** are projected to increase by 2% due to the continuation of development activity within the City.
- **Intergovernmental Revenues (\$10,563,244)** are projected to increase by 5.3% due to the increases expected in Property Tax In Lieu of Vehicle License Fees which is driven by property value assessments within the City.
- **Operating Transfers In (\$8,417,675)** are projected to increase by 1.6% due primarily to growth in the Gas Tax Fund, which is anticipated to transfer \$3,137,675 for street and road maintenance. The Supplemental Law Enforcement Services Fund is anticipated to transfer \$280,000 to supplement the Police Department budget. As part of the newly adopted Debt/Liability Paydown Strategy, a \$5 million transfer from the City's Pension Trust is reflected in order to remit additional payments to CalPERS to pay down a portion of the unfunded accrued pension liability.
- **Operating Transfers In - Measure S (\$9,730,205)** will continue to fund 11 Police Officers, staffing for Fire Station No. 95, funding for the future replacement of the newly acquired fire ladder truck and inspection vehicles, and enhanced park maintenance services.

General Fund Expenditure Highlights

The largest expenditure of the General Fund is Public Safety, making up 56% of total General Fund expenditures. In accordance with the Measure S ballot language and City Council appropriation guidelines, the City has invested heavily in Public Safety over the past several years and continues to hold Public Safety as its highest priority.

In addition to the ongoing Measure S-funded Public Safety expenditures, the Police Department will continue to exceed the staffing goal of one officer per 1,000 residents and the Fire Department will continue to provide four firefighter personnel per engine at all five fire stations.





General Fund expenditures total \$95,873,201, which represents a 3.3% increase over the prior fiscal year.

- **Police (\$42,227,746)** is increasing by 3.9% over the prior year due to inflationary adjustments in the contract with Riverside County. The budget reflects 117 Sworn Officers, which includes continued patrol coverage of 210 hours per day, and full staffing for the Metro and CORE Teams. The budget also includes the replacement of two Police motorcycles and the purchase of a drone to assist with law enforcement operations.
- **Fire (\$11,778,255)** is increasing by 4.9% due to inflationary adjustments in the contract with Riverside County. The total Fire contract of \$20.3 million is offset by the Structural Fire Tax Credit of \$10.1 million.
- **Non-Safety Departments (\$42,037,911)** represents a 6.3% increase over the prior year, due primarily to the addition of authorized positions and the calculated cost of living adjustment in accordance with the City's labor agreements.
- **Non-Departmental (-\$170,711)** reflects a decrease over the prior year due to the anticipated reduction in the CalPERS unfunded pension liability, as a result of the City's Debt/Liability Paydown Strategy, which paid off \$7,250,000 of the unfunded liability in 2022.

Operating Transfers Out & One-Time Payments

This category of expenditures reflects funds that are transferred to meet the Debt/Liability Paydown Strategy, to the Capital Improvement Program and the Fire Facility Acquisition Fund.

- **CalPERS Unfunded Pension Liability (\$10,538,003)** to further reduce the City's annual pension costs by an estimated \$1.8 million per year.
- **OPEB Unfunded Liability (\$5,316,429)** to reduce the City's annual Other Post-Employment Benefits (OPEB) costs by an estimated \$645,000 per year.
- **Capital Improvement Fund (\$766,443)** to support the General Plan Update project (\$400,000) and the I-15 Congestion Relief project (\$366,443).
- **Fire Facilities Acquisition Fund (\$1,500,000)** to be transferred into a set-aside fund to accumulate resources for the potential acquisition of property and/or fire station rehabilitation. The Fiscal Year 2023-24 ending fund balance in this new fund is estimated to be \$4,500,000.

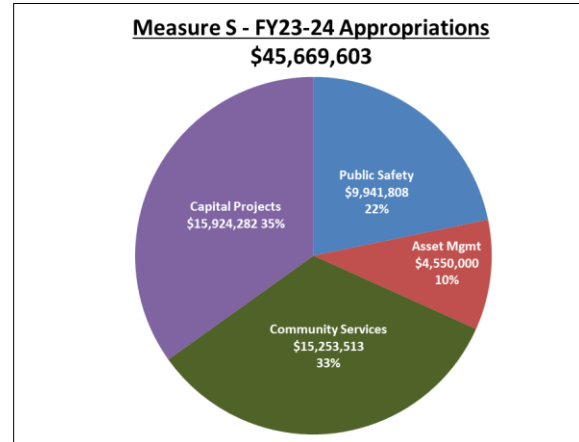
Overall, the General Fund remains structurally balanced, with revenues exceeding expenditures, and reserves are fully-funded each year of the ensuing five-year financial forecast. The City continues to budget in a conservative, yet realistic, manner while keeping close watch on several economic indicators. As conditions change, adjustments to the Fiscal Year 2023-24 revenue or expenditure budgets will be recommended and presented to the City Council for their approval.

MEASURE S FUND

With the approval of a one-cent transactions and use tax measure in November 2016, the Measure S Fund was established to account for this new revenue source. Fiscal Year 2023-24 Measure S revenue is projected to be \$40,042,788.

Measure S appropriations of \$45,669,603 reflect the priorities established in Budget Policy IV – Transactions and Use Tax Funding, and confirmed by the City Council at their February 28, 2023 meeting:

Public Safety (22%) The budget includes \$9,941,808 of Measure S funding for 11 Police Officers, staffing for Fire Station No. 95, and funding for the future replacement of the newly acquired fire ladder truck and inspection vehicles.



Asset Management/Investment (10%)

As noted in Council’s appropriation guidelines for Measure S, ensuring adequate reserves are set aside for the future replacement of City-owned assets is critical to the long-term viability of the City’s operations. For Fiscal Year 2023-24, Measure S is contributing \$500,000 to the Technology Replacement Fund, \$2,050,000 to the Facilities Replacement Fund, and \$2,000,000 to the Streets Maintenance Fund.

Capital Improvement Program (35%)

The Fiscal Year 2023-24 budget includes \$15,924,282 of Measure S revenue allocated to fund multiple CIP projects. The influx on Measure S funding has allowed the City to leverage other funding sources, such as Development Impact Fees and various grant funds, to complete projects in a timelier manner.

Major Projects for Fiscal Year 2023-24 include:

- Community Recreation Center Renovation - \$1,474,306 - to augment funding from Quimby Fees, Development Impact Fees (Parks/Recreation) and developer contributions to reconfigure portions of the CRC and enhance safety features throughout the facility.
- Murrieta Creek Regional Sports Park - \$1,320,000 - to augment Quimby funding to start the design of a regional sports park facility near Jefferson and Sanborn Avenues. Construction of the project will be completed once additional funding has been secured.
- Pickleball Courts - \$1,100,878 – to augment the \$750,000 allocated in Fiscal Year 2022-23 and \$1,450,000 in Development Impact Fees (Parks/Recreation) to construct a Pickleball Complex.

General/Community Services (33%)

The Temecula Community Services District (TCSD) has historically been funded with voter-approved Measure C funding and program-related revenue. Measure S funding is used to augment Measure C, in order to maintain the award-winning programs, activities and events TCSD provides to the citizenry.

- TCSD Operations contribution - \$14,273,752



- Library contribution - \$891,364
- Enhanced Custodial Services - \$88,397

The ending fund balance within the Measure S Fund is projected to be \$12,358,216, which will carry-forward to the ensuing fiscal year. Over the forecasted five-year period, Measure S is projected to have adequate resources to fund public safety, asset management, capital projects and general services.

ADDITIONAL GENERAL FUNDS

Fund 006 – Fire Facility Acquisition Fund: This fund was established in Fiscal Year 2021-22 to accumulate resources to acquire and/or construct property for a future Fire Station. Annually, the General Fund transfers \$1.5 million to this fund from its available fund balance. The ending fund balance is projected to be \$4.5 million for Fiscal Year 2023-24.

Fund 110 – COVID-19 Pandemic Community Reinvestment Program Fund: This fund was established in Fiscal Year 2021-22 to provide grant funding to support the local economy to rebound from the global pandemic. A total of \$14,080,000 has been transferred into this fund from available General Fund balance. The Council approved six funding categories, including: (1) Business Support (\$3,080,000); (2) Non-Profit Support (\$1,000,000); (3) Homeless Services (\$1,000,000); (4) Housing Assistance (\$5,500,000); (5) Behavioral Health Services (\$1,500,000) and (6) Higher Education/Workforce Development (\$1,000,000), leaving \$1,000,000 subject to further Council appropriation.

MAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for activities paid for by taxes or other designated revenue sources that have specific limitations on use according to law. The City has several Special Revenue Funds. The major Special Revenue funds are highlighted below.

Fund 100 - Gas Tax: Gas Tax revenue is projected to be \$3,137,675, which reflects an increase of 11.0% as volume of gasoline sales increases. These funds are transferred to the General Fund to support street and road maintenance.

Fund 102 – Road Maintenance Rehabilitation Account (RMRA): Per the Road Repair and Accountability Act of 2017 (SB1-Beall), increased gas tax and vehicle registration fees were imposed to fund street and road projects and other transportation uses Statewide. RMRA revenue is projected to be \$2,717,382, which is an increase of 14.0%. These funds are allocated to the Pavement Rehabilitation Capital Improvement Project.

Fund 103 – Street Maintenance: This fund was established in Fiscal Year 2018-19 to accumulate resources for the future replacement of streets and roads throughout the City. Measure S contributes annually to this fund, which has a projected Fiscal Year 2023-24 ending balance of \$5,824,002.

Fund 105 – NPDES In Lieu Fees: This fund was established in Fiscal Year 2019-20 to account for the collection of In Lieu fees associated with the National Pollutant Discharge Elimination System (NPDES).



Revenue is received as private development subject to NPDES requirements occur. Fiscal Year 2023-24 revenue is projected to be \$883,456 and an expenditure of \$500,000 is programmed to install storm drain inlet filters throughout the City.

Fund 106 – Uptown Temecula New Streets In Lieu Fees: This fund was established in Fiscal Year 2019-20 in conjunction with the adoption of the Uptown Temecula Specific Plan New Streets In Lieu Fee. Developers within the Specific Plan who cannot build new streets will be charged the In Lieu Fee. For Fiscal Year 2023-24, revenue is projected to be \$417,315, bringing the ending fund balance to \$805,219.

Fund 120 – Development Impact Fees (DIF): DIF revenue is projected to be \$7,792,890, which reflects a decrease of 23.5% due to the higher level of activity in the prior year occurring in the Sommer’s Bend development. DIF revenue varies from year-to-year as it is based on anticipated development projects. DIF Revenues are transferred to the CIP to fund capital projects. Fiscal Year 2023-24 ending fund balance is projected to be \$7,333,015.

Fund 125 – Public, Education & Government (PEG): PEG Fund revenues are received from local cable operators for the sole purpose of supporting the access facilities within the City. PEG Revenues are projected to be \$179,000, which will be spent on various technology equipment used to support the broadcast of City Council meetings and events. Fiscal Year 2023-24 ending fund balance is projected to be \$769,449.

Fund 140 – Community Development Block Grant (CDBG): CDBG revenue is projected to be \$621,857, for operations, community grants and capital projects.

Fund 145 – Temecula Energy Efficiency Asset (TEAM) Fund: This fund was established to capture energy efficiency rebates to be used to fund future energy efficiency projects. In Fiscal Year 2020-21, the City received a rebate of \$640,754 for the acquisition of street lights and conversion to LED bulbs. These funds, combined with the existing fund balance, are programmed to fund an Electric Vehicle Charging Station capital project, lighting along Murrieta Creek, and Sports Field Lighting upgrades. Fiscal Year 2023-24 ending fund balance is projected to be \$34,599.

Fund 150 – AB2766 Motor Vehicle Subvention Fund: This fund was established to account for subvention funds used to implement programs/projects to reduce air pollution from motor vehicles. Fiscal Year 2023-24 revenue is projected to be \$142,977. The majority of these funds are programmed for capital projects, including the Citywide Bike Lane and Trail Program.

Fund 160 – Supplemental Law Enforcement Services Fund: This fund was established to account for state grant funds to assist cities in delivering front-line law enforcement services. Fiscal Year 2023-24 revenue is projected to be \$280,000 and will be transferred to the General Fund to support law enforcement.

Fund 165– Affordable Housing Fund: The Affordable Housing Fund reflects the housing-related activities of the former Temecula Redevelopment Agency. Total Revenue for Fiscal Year 2023-24 of \$1,900,000 includes the State Department of Finance allocation of \$250,000 designated for the administration of the wind down of redevelopment obligations. Expenditures reflect the ongoing administration of the City’s Affordable Housing program as well as \$1,450,000 to support various Affordable Housing capital projects.



Fund 170 – Measure A: Measure A revenue is projected to be \$4,354,000 which reflects a 0.5% increase over the prior year. This revenue is restricted for use on local streets and roads, and is programmed to support street and road maintenance. Fiscal Year 2023-24 ending fund balance is projected to be \$2,743,618.

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the funding of goods and services provided by one department to other benefitting departments on a cost-reimbursement basis. Additionally, the City maintains several Replacement Funds designed to accumulate resources for the future replacement of City equipment, technology, and facilities.

Fund 300 – Insurance: Projected expenses total \$2,239,809, which covers the cost of administering the City's liability and property insurance programs. The projected fund balance is \$300,123, which currently falls below the desired balance of \$450,000, and will be increased over the next two years to the desired level.

Fund 305 – Workers' Compensation: Projected expenses total \$550,365, which covers the cost of administering the City's self-insured Workers' Compensation program. The projected fund balance is \$1,052,106, which falls below the desired balance of \$1.5 million, and will be increased over the next two years to the desired level.

Fund 310 – Vehicles and Equipment: Projected expenses total \$435,000 to replace several fleet vehicles and heavy equipment that have reached the end of their useful lives. The projected fund balance is \$5,033,884.

Fund 320 – Information Technology: Projected expenses total \$6,298,640, which provides for the management of the City's computers, audio-visual equipment, cyber security, and telephone systems. The projected fund balance is \$1,521,413.

Fund 325 – Technology Replacement: Projected expenses total \$350,000 to replace the City's audio-visual equipment at the TVE2, replace the Data Center firewall, redesign the City's website and to fund the annual computer replacement program. The projected fund balance is \$2,273,467.

Fund 330 – Support Services: Projected expenses total \$385,530, which provides for the management of the City's central reception, printing and mail activities. The projected fund balance is \$48,176.

Fund 335 – Support Services Replacement: Projected expenses total \$10,000 to replace the Central Services copy machines. The projected fund balance is \$404,931.

Fund 340 – Facilities: Projected expenses total \$1,687,009, which provide for the operations and maintenance of the City's buildings and parking structure. The projected fund balance is \$838,421.



Fund 350 – Facility Replacement: Projected expenses total \$1,208,125 for Capital Outlay to support the Aquatics division within the Temecula Community Services District and the City Facilities Rehabilitation capital project. The projected fund balance is \$1,182,413.

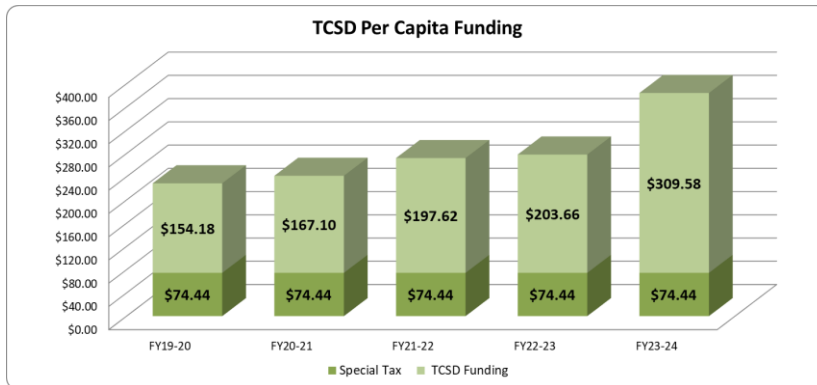
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY (SARDA)

Fund 380 – SARDA: Projected expenses total \$6,656,568 primarily to pay debt service expenditures on the outstanding 2017A and 2017B Redevelopment Agency Tax Allocation Bonds.

TEMECULA COMMUNITY SERVICES DISTRICT (TCSD)

The Temecula Community Services District was established as an assessment district to provide a comprehensive neighborhood and community park system, as well as a complement of recreational and cultural programs and events. TCSD also provides street lighting, median and slope maintenance, refuse hauling and a recycling program, and library services (known as Service Level Funds).

Combined revenue for TCSD totals \$32,280,452, which reflects an increase of 16.3% over the prior year. The majority of the increase is from TCSD Operations as the Margarita Recreation Center (MRC) will be reopening in Fall 2022, after an extensive rehabilitation of the facility. Additionally, the Service Level D – Refuse/Recycling assessment levy is projected to increase by 11.2%, due to the contractually obligated inflationary increase. Combined expenditures for TCSD total \$33,930,040 and reflect an increase of 12.2% due to the additional staff and operational costs associated with the opening of the MRC and the increased contractual costs for Service Level D – Refuse/Recycling.



Ending fund balance for TCSD is projected to be \$3,353,566 for Fiscal Year 2023-24.

As noted in the adjacent chart, TCSD’s Special Tax (Measure C) funds approximately 20% of the District’s Parks and Recreation budget. The remaining 80% comes from Measure S and programmatic revenues.

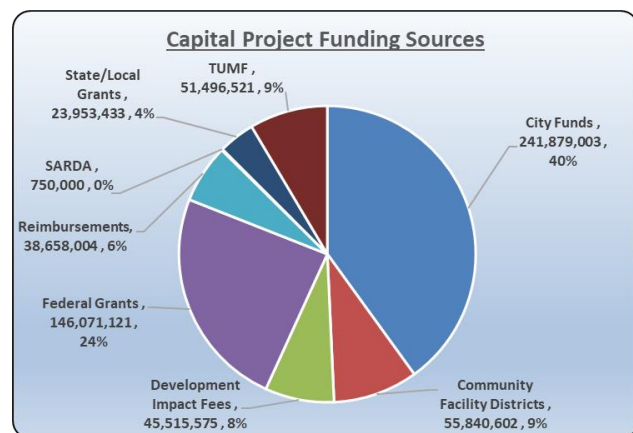
CAPITAL IMPROVEMENT PROGRAM (CIP)

The City’s five-year Capital Improvement Program (CIP) is presented to the City Council under separate cover. This program provides a five-year plan for capital improvements that is updated annually to ensure compliance with the program. The impact of capital projects on maintenance and operating costs were taken into consideration in the development of the operating budget.

The CIP includes a total of \$818,836,828 in identified capital projects, with a total of \$604,164,259 in project funding. There is \$214,672,573 in “Unspecified” project funding, indicating that a revenue source has not yet been secured for these projects, which have been identified as necessary infrastructure for the City, and will require that funding sources be identified before the project construction can commence. Capital projects are categorized into five Project Types, as noted in the adjacent table.

Project Type	Number of Projects	Total Project Cost
Circulation	23	537,052,350
Housing	4	20,401,000
Infrastructure	56	134,282,534
Parks/Rec	18	62,644,210
CFD-Funded	3	64,456,734
Total CIP	104	818,836,828

Various sources contribute to the funding of the Capital Improvement Program, including many City Funds, State and Federal Grants, Community Facility District Funds, Successor Agency Funds, and Transportation Uniform Mitigation Fee (TUMF) Funds. The City seeks all available funding sources for projects, including federal, state, and local grants, outside contributions and City funds. Total funding for the Fiscal Years 2024-28 CIP program reflects 64% from outside funding sources, with the remaining 36% provided by various City funds, including Measure S, Measure A, Development Impact Fee Funds, General Fund, Capital Financing, and several other sources.



A total of 12 new projects have been added to the CIP including the following:

- 1) Bike Lane Upgrades – Citywide
- 2) Bridge Maintenance
- 3) Interstate 15 Corridor Branding and Visioning Improvements
- 4) Old Town Temecula Parklets Program
- 5) Pavement Management Program Update
- 6) Pedestrian Ramp Upgrades – Citywide
- 7) Sidewalks – Third Street
- 8) Storm Drainpipe Lining
- 9) Traffic Signal – Safety Lights and Signal Communication Upgrades
- 10) Traffic Signal – Pedestrian Signal Equipment Upgrade Phase 2 – Citywide
- 11) Uptown Temecula Affordable Housing Site
- 12) Vacant Parcel Clean-Up and Beautification

As part of the development of the Capital Improvement Program budget, each project is evaluated to identify any ongoing impacts to the Operating Budget. Six projects reflect the addition of ongoing operating costs, while one project identifies ongoing operating savings. The amounts identified on the table are incorporated into the General Fund Five-Year Forecast.



**City of Temecula
Fiscal Year 2022-23
Annual Operating Budget**

Capital Project	Operating Budget Account	Description	2024-25 Projected	2025-26 Projected	2026-27 Projected	2027-28 Projected
711 - CITY SECURITY CAMERA SYSTEM	5250 - OTHER OUTSIDE SERVICES	Maintenance and Operations of Security Camera System	350,000	350,000	350,000	350,000
724 - CITYWIDE FINANCIAL SYSTEM UPGRADE	5211 - SOFTWARE & MAINTENANCE	Annual Software Maintenance	86,000	86,000	86,000	86,000
688 - CITYWIDE STREETLIGHT ACQUISITION & LIGHT EMITTING DIODE (LED) RETROFIT	5319 - STREET LIGHTING	Electricity Savings	(675,305)	(695,564)	(709,475)	(723,665)
690 - I-15/STATE ROUTE 79 SOUTH INTERCHANGE ENHANCED LANDSCAPING	5415 - LANDSCAPE MAINTENANCE	Required by Caltrans	58,490	60,830	62,046	63,289
692 - MARGARITA RECREATION CENTER	5100 - SALARIES & WAGES	Staffing for MRC (4 positions) Project Staffing for MRC	507,166	527,453	548,551	570,493
	5119 - PART-TIME (PROJECT)	(45 positions - 13.07 FTEs)	679,882	707,078	735,361	764,775
	5240 - UTILITIES	Additional Utility Costs	70,000	71,400	72,828	74,285
	5250 - OTHER OUTSIDE SERVICES	Janitorial/Security	126,767	129,302	131,888	134,526
			1,383,816	1,435,233	1,488,628	1,544,079
780 - OLD TOWN SECURITY CAMERA & SOUND SYSTEM	5215 - REPAIR & MAINTENANCE	Maintenance fee for Old Town Sound System	75,000	75,000	75,000	75,000
155 - PARK RESTROOMS RENOVATIONS, EXPANSION AND AMERICANS WITH DISABILITIES ACT (ADA) IMPROVEMENTS	5250 - OTHER OUTSIDE SERVICES	Janitorial Services	27,061	27,602	28,154	28,717
Total Incremental Operating & Maintenance Impacts			1,305,062	1,339,101	1,380,353	1,423,420

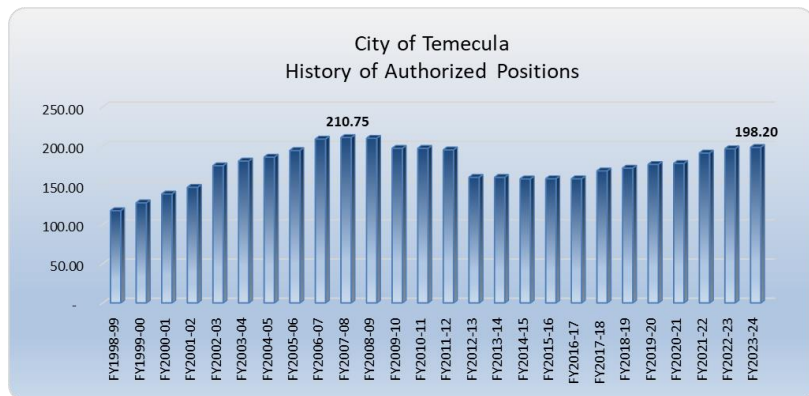
2023-24 AUTHORIZED STAFFING

Total authorized Full Time Equivalent (FTE) positions total 198.2 authorized positions, including one authorized/unfunded position in the Planning Department. The increase reflects 2.75 new positions compared to the prior year. All new recommended positions are summarized by department below:

- City Manager's Office (0.25 positions)
 - Senior Office Specialist (conversion from 0.75 to 1.0 FTE)
- Public Works (2 positions)
 - Maintenance Worker I - Facilities
 - Maintenance Worker I – Streets/Parks
- Information Technology/Support Services (0.5 position)
 - IT Technician I/II (conversion from 0.5 to 1.0 FTE)

Public Safety personnel is provided through contracts with Riverside County and CalFire. A total of 117 sworn Police Officers and 18 Community Service Officers are included in the Police budget, and a total of 71 personnel are reflected in the Fire Department budget for Fiscal Year 2023-24.

In addition to the Authorized Positions, the City employs two Accounting Assistants to support the implementation of the City's new financial system. A significant number of part-time, non-benefitted Project employees also are employed to assist with the multitude of programs offered by the Temecula Community Services District. For Fiscal Year 2023-24, an estimated 70.3 full-time equivalents will be hired as seasonal and part-time support.



Total Authorized Positions remains below the peak in Fiscal Year 2007-08 by 12.55 positions.

CONCLUSION

In conclusion, the City of Temecula is in a solid fiscal position with the General Fund balanced and all reserves fully funded not only in Fiscal Year 2023-24 but throughout the ensuing five-year period. The Capital Improvement Program is the largest in the City's history and will deliver a wide array of improvements to infrastructure, facilities, affordable housing, enhanced parks, new trails and many other amenities the citizens of Temecula enjoy.

I would like to express my appreciation to the City Council for providing the direction and support crucial to achieving the City's goals. I would also like to recognize the contributions of City staff for not only creating a responsive operating budget, but also for their commitment to providing top quality services to all who live, work, and play in Temecula. I would like to give special thanks to the City's Budget Team: Jennifer Hennessy, Director of Finance; Paula Majors, Finance Manager; and Catlin Dorset, Senior Accounting Technician for their long hours and dedication to the City and this budget process.

Sincerely,



Aaron Adams
City Manager