

## TRANSMITTAL MESSAGE

May 28, 2024

Honorable Mayor and Members of the City Council:

I am pleased to submit the Annual Operating Budget for the Fiscal Year 2024-25. 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 2024-25 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 staffing and program changes, as well as the impact of 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 108,700 citizens. The City maintains 42 parks on 337 developed acres throughout the community, which provide recreational 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 26,577 students at the transitional 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.



## TRANSMITTAL MESSAGE

## ECONOMIC INDICATORS

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

						
<b>Population</b> 108,700 (2024)	<b>Median Age</b> 37.7 years	<b>Households</b> 37,195	<b>Average Income</b> \$141,899	<b>Median Home Price</b> \$785,000 (Apr'24)	<b># of Jobs</b> 54,600 (Mar'24)	<b>Unemployment Rate</b> 4.4% (Mar'24)

- **Estimated Population:** down 0.5% from 2022 *(Source: State Department of Finance)*
- **Median Age:** up from 36.1 in 2023 *(Source: Claritas Report – 1/31/24)*
- **Number of Households:** up 0.8% from 2023 *(Source: Claritas Report – 1/31/24)*
- **Average Household Income:** up 0.1% from 2023 *(Source: Claritas Report – 1/31/24)*
- **April Median Home Price:** up 11.3% from 2023 *(Source: Southwest Riverside County Association of Realtors)*
- **Number of Jobs:** up 0.02% from March 2023 *(Source: EDD)*
- **March Unemployment Rate:** up from 3.8% in March 2023,  
Riverside County: 5.2%, CA: 5.3%, Nation: 3.9% *(Source: EDD & BLS)*

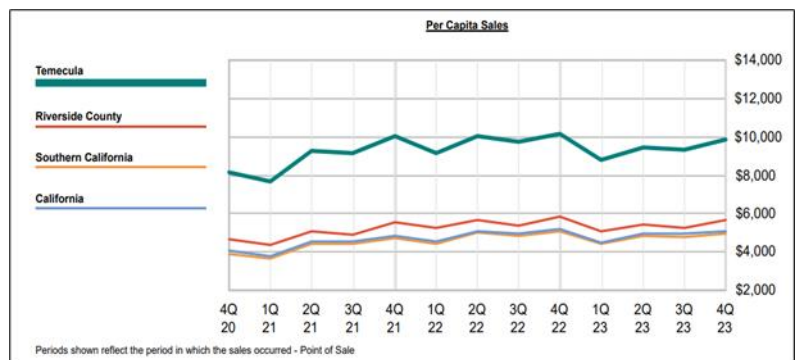
Temecula is experiencing very slight economic growth, according to the indicators above. However, with increasing unemployment and very little job growth since this time last year, combined with recent declines in local Sales Tax and Measure S revenues, the ensuing budget projections included in the Proposed Budget are conservative, yet realistic, given the uncertainty in the global and local economy over the next fiscal year.

## LOCAL ECONOMY AND LEGISLATIVE IMPACTS

### Local Economy

As the economic indicators noted above fluctuate, the impact on the local economy is evident in the retail activity and sales tax trends. Despite reductions in 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. Per the City’s Sales Tax consultant, HdL Companies, Temecula residents generated \$37,400 in sales tax per capita in 2023, which far outpaced neighboring cities and statewide averages, as illustrated on the adjacent chart.



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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 welcome addition to the local economy.

New Business opening in 2024:

- Silverlake Ramen
- Lovesac Furniture
- Aldi (2nd location)
- Soho Ramen & Sake Bar
- La Fata Tasting Room
- Roadrunner Sports
- Big Brand Tire & Service
- Red Door Escape Room
- Haven Haus Brunch
- Smart & Final EXTRA



New Businesses coming soon:

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Better Buzz Coffee Roasters #2</li> <li>• Ono Hawaiian BBQ</li> <li>• Sneaker Lounge</li> <li>• Portals Entertainment</li> <li>• Crafted Scone #2</li> <li>• Ross Dress for Less #2</li> <li>• Dogtopia</li> <li>• Dan Henderson Restaurant</li> <li>• Goucho Grill</li> <li>• Tasty Pot Temecula</li> </ul> | <ul style="list-style-type: none"> <li>• Humble Somm Marx Cellars</li> <li>• Cava</li> <li>• Harbor Freight</li> <li>• 85C Degree Bakery Café</li> <li>• Marshall Stuart Cellars Tasting Room</li> <li>• Bare Knuckle Brewing Company</li> <li>• Dutch Bros Coffee</li> <li>• UNTuckit Clothing</li> </ul> |
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**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.

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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:

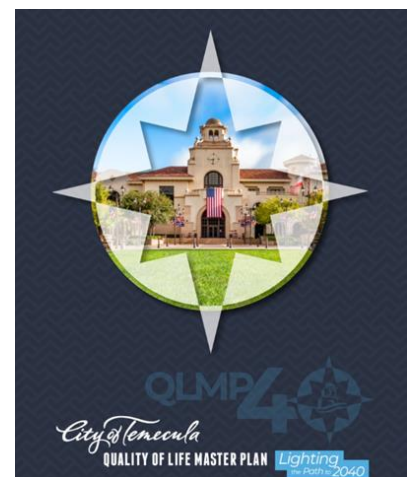
**Initiative 21-0042 (The Taxpayer Protection and Government Accountability Act)** - This ballot measure has qualified for the November 5, 2024 ballot. The provisions of the measure make it more difficult for voters to pass measures needed to fund local services and infrastructure by increasing the threshold 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.

**Assembly Constitutional Amendment (ACA) 1 (55% Vote for Local Affordable Housing and Public Infrastructure)**  
This bill would lower necessary voter threshold from a two-thirds supermajority to 55% to approve local general obligation bonds and special taxes for affordable housing and public infrastructure projects.

**Assembly Constitutional Amendment (ACA) 13 (Voting Thresholds)** - The California Constitution provides that a proposed constitutional amendment and a statewide initiative measure each take effect only if approved by a majority of the votes cast on the amendment or measure. This bill would require future ballot measures that increase voter approval requirements to also pass by the same margin. It would also preserve the right of local governments to place advisory questions on the ballot asking voters their opinions on issues.

## 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.



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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



Economic Prosperity



Safe & Prepared Community



Sustainable & Resilient City



Transportation Mobility & Connectivity



Accountable & Responsive City Government



Equity

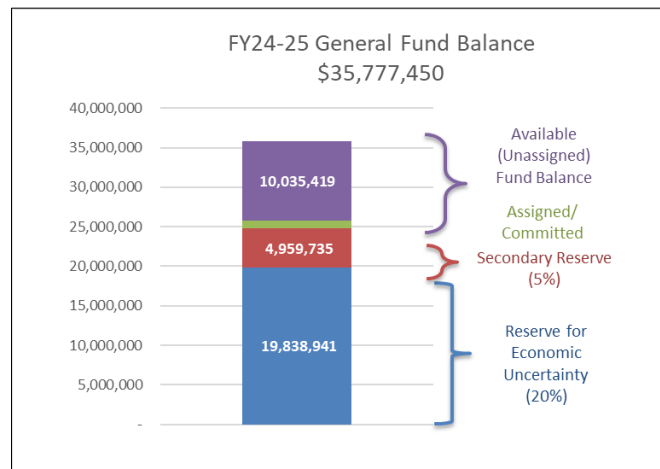
## GENERAL FUND ANALYSIS

The General Fund is the City’s primary operating fund, with its revenues unrestricted so long as they are expended for a public purpose. The 5-Year Forecast of the General Fund is balanced, reserves are fully funded and will provide for the ongoing levels of service the City of Temecula residents have enjoyed, including enhanced public safety staffing levels with one police officer per 1,000 in population and four firefighters per engine/truck.

General Fund Ending Fund Balance for Fiscal Year 2024-25 is projected to be \$35,777,450, of which \$24,798,676 is committed to fulfilling the Fund’s policy-level reserves of 25% of Operating Expenditures. Another \$943,356 of Fund Balance is committed to cover the cost of a police officer funded by the Pechanga Tribe and future capital projects. A total of \$10,035,419 in Fund Balance is unassigned and available for one-time appropriations.

### General Fund Revenue Highlights

General Fund Revenue is projected to increase by 4.3% next fiscal year to \$110,793,146. The majority of the growth in revenue is from the Transfer In from Measure S to support public safety services.

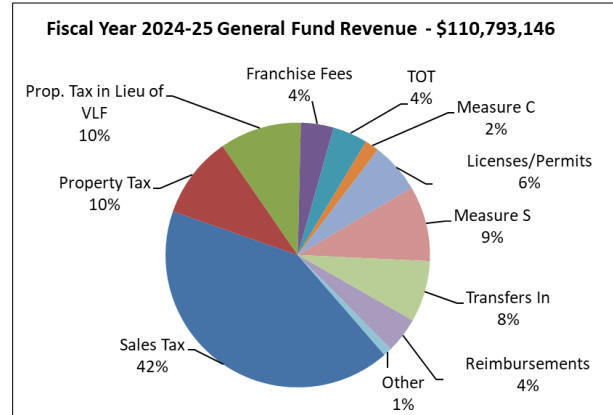


The Fiscal Year 2024-25 General Fund major revenue sources are summarized below:

- **Sales Tax (\$46,235,939)** is increasing by 1.5% over the prior year, due to the anticipation of several new businesses opening and the continued slow recovery of the local economy.
- **Property Tax (\$11,111,250)** is projected to increase by 3.5% due to the statutory rise in assessed valuation, per Proposition 13, as well as the rise in home sales price resulting from continued low inventory of homes for sale.

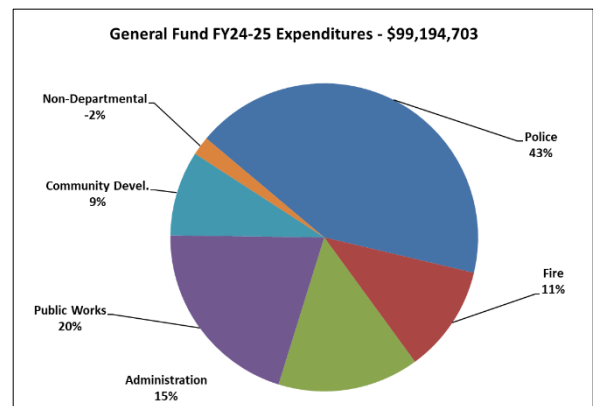
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- **Intergovernmental Revenues (\$11,083,569)** is increasing by 3.5% due to the rise in assessed valuation of properties within the City.
- **Transient Occupancy Tax (\$4,704,116)** is decreasing by 8.5% due to the receipt of past due payments in the prior fiscal year, increasing that year’s revenue base. Excluding this payment of past due amounts, total TOT is projected to increase by 4.9%.
- **Licenses, Permits & Service Charges (\$6,812,715)** is increasing by 1.6%, as building activity within the City has slowed considerably in recent months due to the combination of inflation, high interest rates and the near build-out of the City, leaving less vacant land to develop.
- **Measure S Transfer In (\$10,210,530)** is increasing significantly in FY24-25 to maintain the levels of public safety staffing originally funded with the passage of Measure S, including 11 police officers, Fire Station 95 staffing, Fire Inspector vehicles and ladder truck replacement. Additionally, Measure S supports enhanced park maintenance services provided by the Public Works department.
- **Transfers In (\$8,314,274)** include the transfer of Gas Tax revenues of \$3,034,274 to support road maintenance, Supplemental Law Enforcement Services revenue of \$280,000 to support Police services, and PARS Pension Trust contribution of \$5,000,000 to support the City’s Debt/Liability Paydown Strategy.



**General Fund Expenditure Highlights**

The largest expenditure of the General Fund is for public safety services, making up 54% of the total \$99,194,703 in Total Expenditures for Fiscal Year 2024-25. Expenditures are increasing by 2.9% over the prior fiscal year and reflect the contractually obligated cost of living adjustment of 4.4%, per the City’s labor agreements.



- **Police (\$43,974,332)** is increasing by 4.6% over the prior fiscal year, due to the inflationary adjustments in the contract with Riverside County Sheriff’s Office. The budget reflects 117 sworn officers, which includes continued patrol coverage of 210 hours per day.
- **Fire (\$11,629,534)** is flat compared to the prior year. The contract with Riverside County is increasing by 2.1% due to inflationary adjustments as well as the inclusion of six additional fire personnel at mid-year in order to comply with CalFire’s negotiated schedule change from working a 72-hour workweek to a 66-hour workweek.
- **Non-Safety Departments (\$45,623,274)** is increasing by 6.1% primarily due to higher costs in Community Development for consulting services related to long range planning efforts, and Public Works for increased utilities and park maintenance costs.

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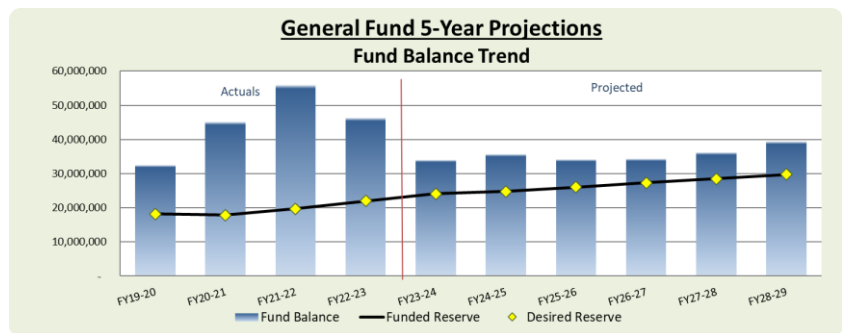
- **Non-Departmental (-\$2,032,437)** includes the anticipated \$2.7 million savings the City will achieve through the recent unfunded pension liability paydown of \$21.8 million as part of the Debt/Liability Paydown Strategy, adopted by Council in December 2022. Offsetting these savings is the non-departmental expenditures for the Retiree Medical Contribution (\$298,000), the CalPERS Replacement Benefit (\$90,000), Property Tax Administration (\$90,000) and the Staffing Continuity Reserve (\$200,000).

**Operating Transfers Out & One-Time Payments**

This category of expenditures reflects the following expenditures:

- Debt/Liability Paydown Strategy payment of \$7,913,492 to reduce the City’s unfunded pension liability to \$0 by Fiscal Year 2028-29.
- Contribution of \$1.5 million into the Fire Facility Acquisition Fund for the future purchase of Fire Station 12 in Old Town, as this station is owned by the State of California.
- Contribution of \$500,000 towards the Capital Improvement Program for the Comprehensive General Plan Update project.

Overall, the General Fund remains structurally balanced, with revenues exceeding expenditures, and reserves are fully funded each year of the 5-Year 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 2024-25 revenue and expenditure budgets will be recommended and presented to the City Council for their approval.



**MEASURE S FUND**

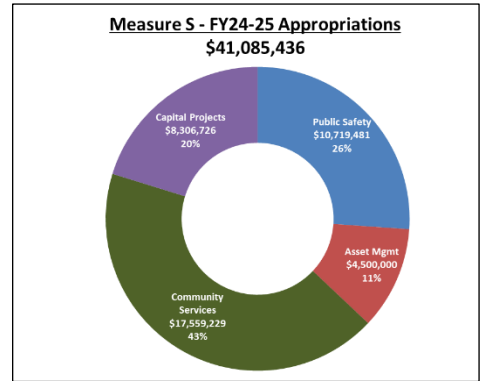
With the approval of a one-cent transactions and use tax measure in November 2016, the Measure S Fund was established to account for this new revenue source. Fiscal Year 2024-25 Measure S revenue is projected to increase by 2.0% to \$39,365,950. Measure S appropriations of \$41,085,436 are in line with the Council’s appropriation guidelines outlined in Budget Policy IV – Transactions and Use Tax Funding, whereby Measure S will be appropriated toward Public Safety, Asset Management, Capital Improvement Program and General/Community Services.

**Public Safety (27%)** – reflects a transfer to the General Fund to provide for 11 police officer positions, staffing for Fire Station 95, funding for the future replacement of Fire Inspection vehicles and a Fire Ladder Truck, as well as general support of Police and Fire operating budgets.

**Asset Management (11%)** – reflects the contribution of \$2.5 million into the Facility Replacement Fund and \$2 million into the Street Maintenance Fund. Asset Management funds serve as a reserve for the future replacement of the City’s aging assets.

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**Capital Improvement Program (20%)** – reflects the funding for 26 separate capital projects for Fiscal Year 2024-25. Measure S provides funding for a total of 71 separate projects across the 5-Year Capital Improvement Program budget. Measure S has allowed the City to leverage other funding sources, such as grants and Development Impact Fees to complete more projects in a timely manner.



**General/Community Services (42%)** – reflects the subsidies provided to the Temecula Community Services District (\$16.2 million), the Ronald H. Roberts Temecula Public Library (\$1.3 million) and enhanced park maintenance services (\$91,049) within the General Fund.

Measure S Ending Fund Balance for Fiscal Year 2024-25 is projected to be \$14,128,197, which will carry forward to the ensuing fiscal year. The 5-Year Forecast for Measure S provides for adequate resources to fund public safety, asset management, capital projects and general/community services, however as time goes on and the costs of public safety and community services rise, there will be less funding available for capital projects.

**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 \$6.1 million for Fiscal Year 2024-25.

**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 \$3,034,274, which reflects an increase of 2.0% 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 \$2,820,553, which is an increase of 6.9%. These funds are allocated to the Pavement Rehabilitation Capital Improvement Project.

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**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 2024-25 ending balance of \$5,073,911.

**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 2024-25 expenditures 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. While there is only Investment Interest revenue of \$8,500 projected for Fiscal Year 2024-25, the ending fund balance of this fund is \$1,086,366.

**Fund 120 – Development Impact Fees (DIF):** DIF revenue is projected to be \$4,911,023, which reflects a decrease of 28.2% due to the higher level of activity in the prior year occurring in the Sommer’s Bend and Heirloom Farms developments. 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 2024-25 ending fund balance is projected to be \$4,836,299.

**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 \$185,500, which will be spent on various technological equipment used to support the broadcast of City Council meetings and events. Fiscal Year 2024-25 ending fund balance is projected to be \$1,015,444.

**Fund 140 – Community Development Block Grant (CDBG):** CDBG revenue is projected to be \$539,302, 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 in the prior year to fund an Electric Vehicle Charging Station capital project, lighting along Murrieta Creek, and Sports Field Lighting upgrades. Fiscal Year 2024-25 ending fund balance is projected to be \$61,763.

**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 2024-25 revenue is projected to be \$153,000. 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 2024-25 revenue is projected to be \$280,000 and will be transferred to the General Fund to support law enforcement.

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**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 2024-25 of \$965,091 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 \$5,091,359 to support various Affordable Housing capital projects in the prior year.

**Fund 170 – Measure A:** Measure A revenue is projected to be \$4,409,000 and is restricted to support street and road maintenance. Fiscal Year 2024-25 ending fund balance is projected to be \$1,904,728.

## INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the funding of goods and services provided by one department to other benefiting 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 \$3,115,169, which covers the cost of administering the City’s liability and property insurance programs. The projected fund balance is \$162,364, 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 \$569,735, which covers the cost of administering the City’s self-insured Workers’ Compensation program. The projected fund balance is \$956,949, 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 \$355,000 to replace several fleet vehicles and heavy equipment that have reached the end of their useful lives. The projected fund balance is \$5,215,774.

**Fund 320 – Information Technology:** Projected expenses total \$8,934,616, which provides for the management of the City’s computers, audio-visual equipment, cyber security, and telephone systems. The accumulated fund balance of \$1,748,615 will be transferred to Fund 325 – Technology Replacement, to increase the resources to fund the future replacement of the City’s technology.

**Fund 325 – Technology Replacement:** Projected expenses total \$190,000 to fund the annual computer replacement program and the replacement of the network switch. The projected fund balance is \$3,647,500.

**Fund 330 – Support Services:** Projected expenses total \$429,894, which provides for the management of the City’s central reception, printing and mail activities. The projected fund balance is \$13,958.

**Fund 335 – Support Services Replacement:** Projected expenses total \$30,000 to replace the Central Services copy machines and paper folder/insert machine. The projected fund balance is \$397,663.

**Fund 340 – Facilities:** Projected expenses total \$2,588,832, which provide for the operations and maintenance of the City’s buildings and parking structure. The accumulated fund balance of \$885,585 will be transferred to Fund 350 – Facility Replacement, to increase the resources to fund the future replacement of the City’s facilities.

**Fund 350 – Facility Replacement:** Projected expenses total \$1,000,000 to support the City Facilities Rehabilitation capital project. The projected fund balance is \$4,124,397.

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**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY (SARDA)**

**Fund 380 – SARDA:** Projected expenses total \$6,660,644 primarily to pay debt service expenditures on the outstanding 2017A and 2017B Redevelopment Agency Tax Allocation Bonds, and a transfer to the Capital Improvement Program for the Motor Car Parkway project.

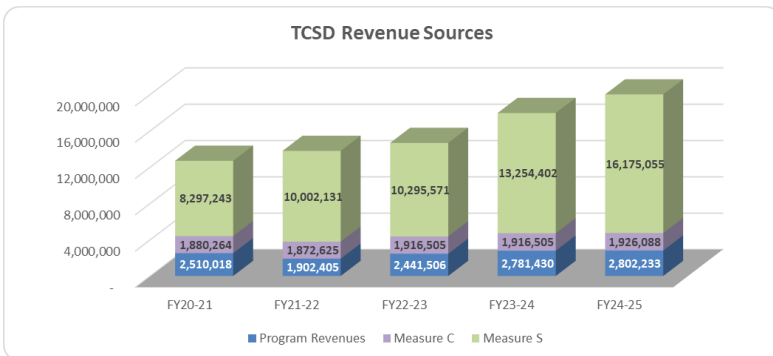
**TEMECULA COMMUNITY SERVICES DISTRICT (TCSD)**

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 \$35,727,340 which reflects an increase of 11.6% over the prior year. The majority of the increase is from TCSD Operations as the Margarita Recreation Center (MRC) which recently reopened after an extensive rehabilitation of the facility. Additionally, the Service Level D – Refuse/Recycling assessment levy is projected to increase by 4.3%, due to the contractually obligated inflationary increase.

Combined expenditures for TCSD total \$35,759,240 and reflect an increase of 6.1% 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 \$4,390,992 for Fiscal Year 2024-25.



As noted in the adjacent chart, TCSD’s Special Tax (Measure C) funds approximately 11% of the District’s Parks and Recreation budget, and Program Revenue provides 16% of the funding. The remaining 89% comes from the Measure S subsidy. Measure C is a Special Tax approved in 1997 and is a fixed amount per parcel. Program Revenues reflect the fees collected for classes, facility rentals and theater performances.

**CAPITAL IMPROVEMENT PROGRAM (CIP)**

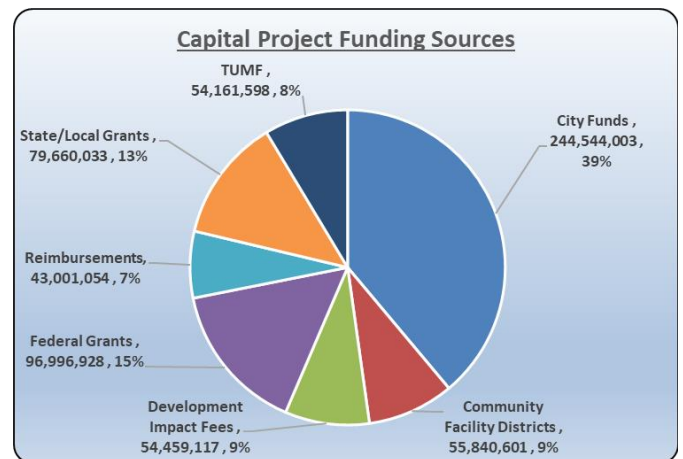
The City’s five-year Capital Improvement Program is presented to the City Council under separate cover. This program provides a five-year plan for capital improvements that is updated annually to ensure compliance with the program. The impact of capital projects on maintenance and operating costs is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

The CIP includes a total of 110 separate projects totaling \$927,459,632, of which \$629,413,330, or 68%, in project funding has been secured. There is \$298,046,303 in “Unspecified” project funding, indicating that a revenue source has not yet been identified for these projects, which have been deemed 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. A total of \$270,243,428 has been spent in prior years, and \$291,012,735 is programmed in Fiscal Years 2023-24 and 2024-25. Unspent budget amounts will roll forward to the ensuing fiscal year to ensure there is adequate funding to complete the capital project.

Project Type	Number of Projects	Total Project Cost
Circulation	26	<b>647,366,739</b>
Housing	4	<b>20,401,000</b>
Infrastructure	57	<b>132,859,106</b>
Parks/Rec	20	<b>62,376,054</b>
CFD-Funded	3	<b>64,456,733</b>
<b>Total CIP</b>	<b>110</b>	<b>927,459,632</b>

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 sources. Total funding for the Fiscal Years 2025-29 CIP program reflects 64% from outside funding sources, with the remaining 36% provided by various City sources, including Measure S, Development Impact Fee Funds, General Fund, Capital Financing, and several other funding sources.



A total of 11 new projects have been added to the CIP including the following:

- 1) Butterfield Stage Road Separated Bike Lanes
- 2) Empire Creek Improvements
- 3) I-15/French Valley Parkway – Phase IV
- 4) Library Alternative Emergency Operations Center Enhancements
- 5) Library Technology Enhancements
- 6) Long Canyon Creek Park Restrooms
- 7) North General Kearny Street Improvements
- 8) Sixth Street Improvements
- 9) South Side Senior Center for Active Adults
- 10) Temecula Duck Pond Spillway Project
- 11) Vail Ranch Park Restrooms

As part of the development of the Capital Improvement Program budget, each project is evaluated to identify any ongoing impacts to the Operating Budget. Eight 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 and TCSD Five-Year Forecasts.

## TRANSMITTAL MESSAGE

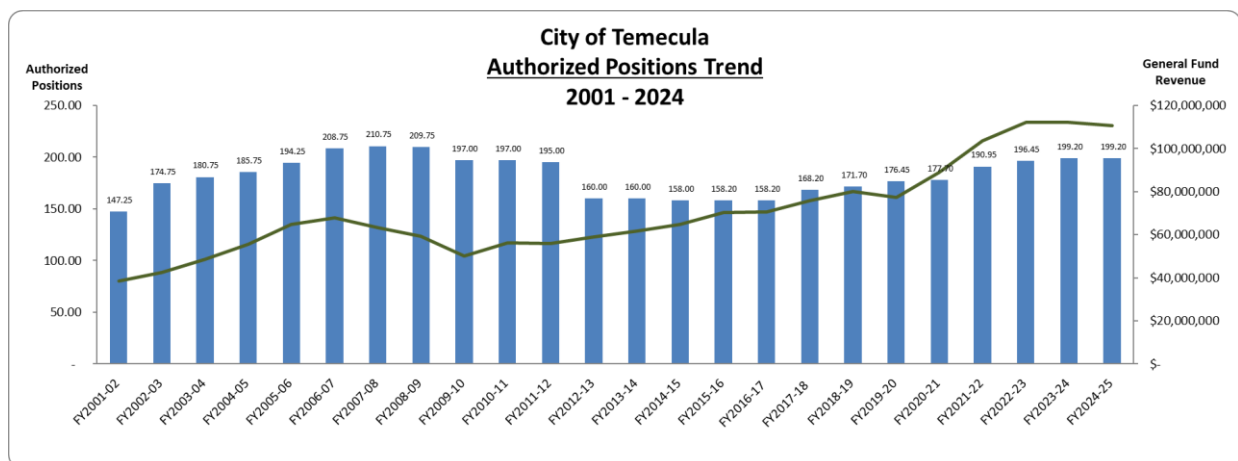
**Summary of Operating & Maintenance Impacts**

Capital Project	Operating Budget Account	Description	2025-26 Projected	2026-27 Projected	2027-28 Projected	2028-29 Projected
PW17-01/711 - CITY SECURITY CAMERA SYSTEM	5250 - OTHER OUTSIDE SERVICES	Maintenance and Operations of Security Camera System	650,000	650,000	650,000	650,000
FN19-01/724 - CITYWIDE FINANCIAL SYSTEM UPGRADE	5211 - SOFTWARE & MAINTENANCE	Annual Software Maintenance	86,000	86,000	86,000	86,000
PW17-18/688 - CITYWIDE STREETLIGHT ACQUISITION & LIGHT EMITTING DIODE (LED) RETROFIT	5319 - STREET LIGHTING	Electricity Savings	(695,564)	(709,475)	(723,665)	(738,138)
PW17-19/690 - I-15/STATE ROUTE 79 SOUTH INTERCHANGE ENHANCED LANDSCAPING	5415 - LANDSCAPE MAINTENANCE	Required by Caltrans	60,830	62,046	63,289	65,188
PW17-21/692 - MARGARITA RECREATION CENTER	5100 - SALARIES & WAGES	Staffing for MRC (4 positions)	527,453	548,551	570,493	591,600
	5119 - PART-TIME (PROJECT)	Project Staffing for MRC (45 positions - 13.07 FTEs)	707,078	735,361	764,775	795,366
	5240 - UTILITIES	Additional Utility Costs	71,400	72,828	74,285	77,034
	5250 - OTHER OUTSIDE SERVICES	Janitorial/Security	129,302	131,888	134,526	139,504
			<b>1,435,233</b>	<b>1,488,628</b>	<b>1,544,079</b>	<b>1,603,504</b>
IT20-01/780 - OLD TOWN SECURITY CAMERA & SOUND SYSTEM	5215 - REPAIR & MAINTENANCE	Maintenance fee for Old Town Sound System	75,000	75,000	75,000	75,000
PWPE07-03/PW23-18 - LONG CANYON CREEK PARK RESTROOMS	5250 - OTHER OUTSIDE SERVICES	Janitorial Services	29,878	30,475	31,085	31,706
PWPE-07/155 - PARK RESTROOMS RENOVATIONS, EXPANSION AND AMERICANS WITH DISABILITIES ACT (ADA) IMPROVEMENTS	5250 - OTHER OUTSIDE SERVICES	Janitorial Services	27,602	28,154	28,717	29,292
PWPE07-02 - VAIL RANCH PARK RESTROOMS	5250 - OTHER OUTSIDE SERVICES	Janitorial Services	29,878	30,475	31,085	31,706
<b>Total Incremental Operating &amp; Maintenance Impacts</b>			<b>1,698,857</b>	<b>1,741,303</b>	<b>1,785,590</b>	<b>1,834,258</b>

**2024-25 AUTHORIZED STAFFING**

Total authorized Full Time Equivalent (FTE) positions equal 199.20 authorized positions, including one authorized/unfunded position (Principal Planner in the Community Development department). The total reflects no change in the number of positions compared to the prior year.

Total Authorized Positions remain below the peak in 2007-08 by 11.55 positions.



**TRANSMITTAL MESSAGE**

In addition to the Authorized Positions, the City employs one Limited Term Senior Accounting Technician to support the implementation of the City's new financial system and four Limited Term positions to support the continuity in staffing for Authorized employees out on leaves of absence and/or terminal leave.

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 2024-25, an estimated 80.9 full-time equivalents will be hired as seasonal and part-time support.

Public Safety personnel are provided through contracts with Riverside County and CalFire. A total of 116.7 Sworn Police Officers, 18 non-sworn Community Service Officers, and three Sheriff Service Officers are included in the Police budget, and a total of 78 Fire personnel are reflected in the Fire Department budget for FY2024-25.

## CONCLUSION

In conclusion, the City of Temecula is in a solid fiscal position with the General Fund balanced over the ensuing five-year period, with reserves fully funded. The Capital Improvement Program continues to expand and is again the largest in the City's history at \$927 million, and will deliver a wide array of infrastructure, facilities, affordable housing, enhanced parks, new trails, and many other amenities to the citizens of Temecula.

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; Ward Komers, Assistant Director of Finance; Paula Majors, Fiscal Services Manager; and Catlin Dorset, Management Analyst for their long hours and dedication to the City and this budget process.

Sincerely,



Aaron Adams  
City Manager