

**CITY OF TEMECULA/TEMECULA COMMUNITY SERVICES DISTRICT
AGENDA REPORT**

TO: City Council/TCSD Board

FROM: Aaron Adams, City Manager/Executive Director

DATE: February 11, 2025

SUBJECT: Approve Fiscal Year 2024-25 Mid-Year Budget Adjustments

PREPARED BY: Jennifer Hennessy, Director of Finance/Treasurer

RECOMMENDATION: That the City Council/Board of Directors adopt the following resolutions entitled:

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TEMECULA AMENDING THE FISCAL YEAR 2024-25 ANNUAL OPERATING BUDGET

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TEMECULA AMENDING THE CAPITAL IMPROVEMENT PROGRAM FISCAL YEARS 2025-29 AND AMENDING THE CAPITAL IMPROVEMENT BUDGET FOR FISCAL YEAR 2024-25

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TEMECULA REVISING THE SALARY SCHEDULE

RESOLUTION NO. CSD

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TEMECULA COMMUNITY SERVICES DISTRICT OF THE CITY OF TEMECULA AMENDING THE FISCAL YEAR 2024-25 ANNUAL OPERATING BUDGETS

BACKGROUND: In accordance with Budget Policy II.B.- Interim Reporting, City staff conducted a comprehensive Mid-Year review of its Annual Operating Budget and Capital Improvement Program Budget. The purpose of the review is to analyze revenue and expenditure

trends to identify variances from the Adopted Budget and ensure that the City maintains a healthy fiscal position. The Mid-Year Budget includes a review of all City funds. The requested adjustments are summarized in the attached exhibits and discussed in further detail below.

MID-YEAR HIGHLIGHTS:

The attached Mid-Year Budget Update reflects adjustments to revenue projections to better align with the current economy and revenue trends experienced through December 31, 2024. Appropriation adjustments are reflected in the attached FY2024-25 Consolidated Mid-Year Requests, which summarizes each request by Fund and Department, and are described in further detail below.

Also included are three Capital Improvement Program adjustments requested to better reflect the most recent cost projections for these projects, as well as one new capital project request.

GENERAL FUND:

General Fund Revenue includes a decrease of \$219,841, bringing total FY24-25 Revenue to \$110,573,306. Major adjustments by revenue category are noted below:

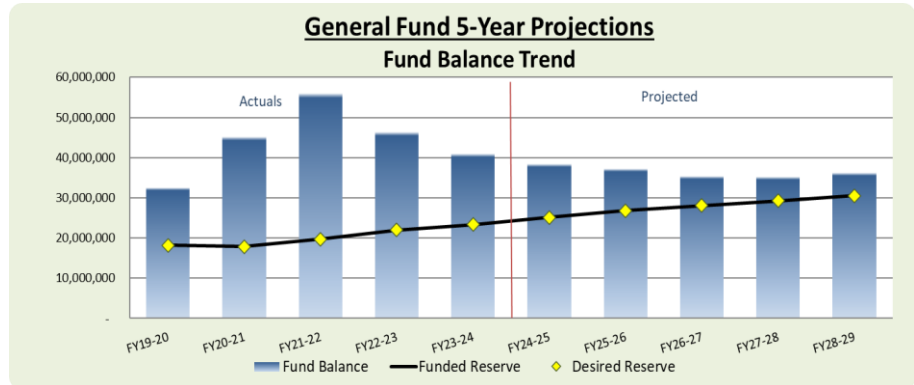
- **Sales Tax** – decrease of \$1.5 million to reflect current trend in sales tax receipts, which are coming in below budget projections and below the prior year.
- **Property Tax** – increase of \$499,059 due to increasing property values.
- **Investment Interest** – increase of \$1,236,805 to reflect the higher earnings received to date and expected future returns.
- **Licenses, Permits and Service Charges** – decrease of \$321,716 due to slower development activity than anticipated in the Adopted Budget.
- **Transient Occupancy Tax (TOT)** – decrease of \$275,803 to reflect current trends plus the anticipated loss of TOT related to the addition of Temecula Creek Inn to the Pechanga Tribe reservation.

General Fund Expenditures include an increase of \$2,017,185 bringing total Expenditures and Transfers Out to \$112,874,002. Major adjustments by expenditure category are noted below:

- **Salaries and Benefits** – increase of \$235,801 to reflect the addition of two new full-time authorized positions (Assistant Director of Community Development and an Office Specialist in the Fire Department).
- **Fire and Police Contracts** – decrease of \$500,824 in the Fire Contract due to a temporary reduction in CALFire rates and a \$300,000 decrease in the Police Contract due to vacant positions. Two new Fire Inspector positions are included in the Fire Contract, with the majority of their costs offset by incoming inspection revenue.
- **Operations and Maintenance** – increase of \$426,480 due to increased capital outlay related to the purchase of new vehicles to support additional Fire Inspectors, and an increase to the Staffing Continuity Reserve.
- **Transfers Out** – increase of \$1,949,350 for the one-time deposit of funds into the Insurance Fund (\$1,172,672) and the Workers' Compensation Fund (\$436,678) to enhance self-insured retention reserves. Additionally, a transfer of \$340,000 is requested to increase the funding to the General Plan Update capital project.

General Fund Ending Fund Balance is projected to be \$38,608,619, with Reserves fully-funded at \$25,061,179, which represents 25% of the Operating Expenditures.

As illustrated on the chart, General Fund is projected to be fiscally stable and Fund Balance is expected to exceed the Desired Reserve levels over the ensuing five-year forecast.



MEASURE S FUND:

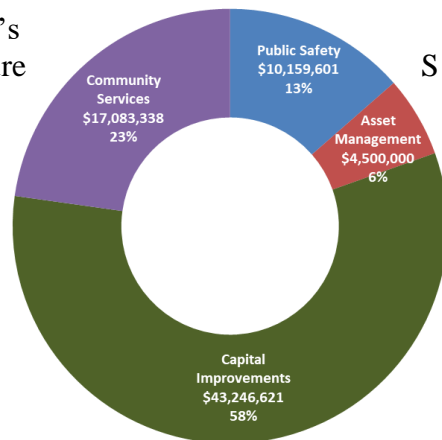
Measure S Revenue includes an decrease of \$395,089, bringing total FY24-25 Revenue to \$38,970,861, which reflects a 2.6% decrease from the prior year.

Measure S Expenditures include a decrease of \$640,771, bringing total FY24-25 Expenditures to \$74,989,560. Mid-Year adjustments include:

- \$22,223 reduction to Police Staffing, due to lower contract rates
- \$237,657 reduction to Fire Staffing for Station 95, due to lower contract rates
- \$300,000 reduction to IT-Citywide Security Cameras maintenance due to the management decision to purchase versus lease the storage equipment, as it is more cost effective
- \$310,329 reduction in the transfer to the TCSD Fund, due to a higher than anticipated TCSD fund balance at the close of FY23-24
- \$165,562 reduction in the transfer to the Library Fund, due to a higher than anticipated Library fund balance at the close of FY23-24
- \$395,000 increase in transfers to the Capital Improvement Fund for three capital projects.

**Measure S - FY24-25 Appropriations
\$74,989,560**

As illustrated in the pie chart, and in accordance with Council’s Measure S Appropriation Guidelines, a total of 58% of Measure appropriations are allocated to fund Capital Projects, 23% is allocated to fund Community Services, 13% is allocated to fund Police and Fire services and the remaining 6% is allocated to the City’s various asset replacement funds.



Total Measure S Ending Fund Balance is estimated to be \$14,430,575.

SPECIAL REVENUE FUNDS:

The City maintains 17 separate Special Revenue Funds. Activities in these funds are legally required to be accounted for in separate and distinct funds. Below is a summary of the major Mid-Year requests for each Special Revenue and Debt Service Funds.

Gas Tax reflects an increase of \$95,501 in revenue and transfers, per the estimates received from the State. These funds are transferred to the General Fund to support street and road maintenance.

Road Maintenance Rehabilitation Account (RMRA) reflects an increase of \$87,393 in revenue. RMRA revenue is decreasing by \$39,927 per the estimates received from the State, which is offset by an increase of \$127,320 in anticipated investment interest.

Development Impact Fee revenue reflects an increase of \$106,866. Development Impact Fee revenue is decreasing by \$468,362 due to delays in development projects, however Quimby Fees reflect an increase of \$144,217 and investment interest is increasing by \$431,011.

Community Development Block Grant reflects an increase of \$2,000 in expenditures to cover increased consulting fees.

AB2766 Motor Vehicle Subvention reflects an increase of \$1,000 in expenditures to support WRCOG's Clean Cities Coalition program.

Supplemental Law Enforcement Services reflects an increase of \$1,564 in revenue and transfers, to reflect interest earnings. These funds are transferred to the General Fund to support law enforcement.

Affordable Housing reflects an increase of \$202,834 in revenue, mostly attributable to higher investment interest, and an \$80,184 reduction in expenditures due to the reallocation of the Deputy City Manager's salaries and benefits.

INTERNAL SERVICES FUNDS:

The City has nine Internal Service Funds, used to account for services provided internally between departments. Below is a summary of the major Mid-Year requests for the Internal Service Funds.

Insurance Fund reflects an increase of \$400,000 in expenditures as a result of higher litigation claim activity than anticipated in the Adopted Budget. Additionally, in order to meet the desired reserve in this fund a transfer from the General Fund of \$1,172,672 is requested in order to bring the reserve to \$2 million.

Workers' Compensation Fund reflects a transfer from the General Fund of \$436,678 to restore the desired reserve level to \$1.5 million in this fund.

Vehicles and Equipment Fund reflect an increase of \$47,500 in Capital Outlay to fund the replacement of a vehicle in Community Development and the increased cost of an electric van.

Information Technology Fund reflects a decrease of \$300,000 in revenue from a Measure S contribution due to the management decision to purchase, rather than lease, the storage capacity for the Citywide security cameras.

Technology Replacement Fund reflects an increase of \$300,000 in Capital Outlay for the purchase of the storage for the Citywide security cameras.

Support Services Fund reflects a decrease of \$22,000 in Salaries and Benefits to reflect anticipate salary savings due to a vacant position.

Facilities Fund reflects a decrease of \$276,036 in expenditures, due primarily to a reduction in the Transfer to the Facilities Replacement Fund due to a lower than expected ending fund balance from the prior fiscal year.

TEMECULA COMMUNITY SERVICES DISTRICT (TCSD) FUNDS:

TCSD Operations Fund reflect a decrease of \$276,286 in revenue, mostly due to the decreased Measure S transfer resulting from a higher beginning fund balance. An increase in expenditures of \$173,072 is reflected due primarily to increased homeless encampment cleanup efforts.

TCSD Ending Fund Balance is projected to be \$100,000 for Fiscal Year 2024-25.

CAPITAL IMPROVEMENT PROGRAM

Adjustments to the Fiscal Years 2025-29 Capital Improvement Program include the following:

- **Fiber Optic Communications Systems-Citywide** – reflects an increase of \$75,000 in Measure S funding, to provide traffic network switches.
- **Old Town Parking Improvements** – reflects an increase of \$55,000 in Measure S funding, to provide for the installation of parking sensors in Old Town.
- **Comprehensive General Plan Update** – reflects an increase of \$340,000 in General Fund funding, for an economic development study and project manager to oversee the General Plan project.

The following new projects are recommended to be added to the CIP:

- **Traffic Signal Fiber Optic Extension** – reflects the transfer of \$265,000 in Measure S funding. The new Capital Project will provide for the design and installation of fiber optic communications throughout the City’s traffic signal network.

SCHEDULE OF AUTHORIZED POSITIONS & SALARY SCHEDULE

Two additional full-time, authorized positions are requested, bringing the total Authorized Position count to 201.2, including one unfunded position. The two new positions include an Office Specialist in the Fire Department and the Assistant Director of Community Development. In addition to the 201.2 Authorized positions, the City also employs seven Limited-Term Assignment positions and four Staffing Continuity positions, which are temporarily overfilling existing positions held by employees currently on leave.

The Citywide Salary Schedule has been updated to include the salary range for the new Code Enforcement Manager position, which is being converted from a Code Enforcement Officer position.

FISCAL IMPACT: The Fiscal impact of each fund is noted in the attached Exhibits.

ATTACHMENTS:

1. Summary of FY 2024-25 Mid-Year Appropriation Requests
2. Resolution – City Mid-Year Budget Amendments
3. Exhibits A, B, C and D – City Fund Summaries and Schedule of Authorized Positions
4. Resolution – CIP and Mid-Year Budget Amendments
5. Exhibit 1– CIP Mid-Year Requests
6. Resolution – Salary Schedule
7. Salary Schedule
8. Resolution TCSD - TCSD Mid-Year Budget Amendments
9. Exhibit A – TCSD Fund Summaries