

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

**TO:** City Council/Board of Directors

**FROM:** Aaron Adams, City Manager/Executive Director

**DATE:** February 26, 2019

**SUBJECT:** Approve Fiscal Year 2018-19 Mid-Year Budget Adjustments

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**PREPARED BY:** Jennifer Hennessy, Director of Finance

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

**RESOLUTION NO. 19-**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
TEMECULA, AMENDING THE FISCAL YEAR 2018-19 ANNUAL  
OPERATING BUDGET**

**RESOLUTION NO. CSD 19-**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
TEMECULA COMMUNITY SERVICES DISTRICT OF THE CITY  
OF TEMECULA AMENDING THE FISCAL YEAR 2018-19  
ANNUAL OPERATING BUDGETS**

**RESOLUTION NO. 19-**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
TEMECULA AMENDING THE CAPITAL IMPROVEMENT  
PROGRAM FISCAL YEARS 2019-23 AND AMENDING THE  
CAPITAL IMPROVEMENT BUDGET FOR FISCAL YEAR 2018-19**

**BACKGROUND:** In accordance with Budget Policy II.B.- Interim Reporting, City staff conducted a comprehensive Mid-Year review of its Annual Operating 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.

## **GENERAL FUND:**

### **FY2018-19 Revenues:**

General Fund Mid-Year Revenues are projected to increase by \$848,604 over the Current Budget, bringing the FY18-19 Revenue projection to \$79,208,082.

The majority of the increase is attributable to higher than anticipated Licenses, Permits and Service Charge revenue generated by the development activity in the Roripaugh Ranch area. Permit activity within the Land Development department is expected to increase by \$1,094,872, as a result of Roripaugh Ranch activity. Planning revenue is increasing by \$70,549, and Building & Safety revenue is increasing by \$90,009.

Taxes and Franchise revenue is expected to decline by \$223,773 compared to the Current Budget. The decrease is mostly attributable to lower than expected Transient Occupancy Taxes, as a result of the influx of short-term rentals within the Temecula Valley.

Operating Transfers In are also decreasing compared to the Current Budget. A reduction of \$403,324 is due to lower than expected Gas Tax revenue received from the State.

Sales Tax projections are remaining unchanged at the Mid-Year due to the lag time in receiving this significant revenue source. To date, the City has only received one quarter's worth of revenue for FY18-19. Upon the receipt of further Sales Tax data, a future adjustment will be recommended, if necessary.

### **FY2018-19 Expenditures:**

General Fund Mid-Year Operating Expenditure requests reflect a net reduction of \$18,359, bringing Fiscal Year 2018-19 Operating Budget to \$76,526,401.

Departmental Mid-Year budget requests include the following:

- **Economic Development** – an appropriation of \$12,500 for the Medical Scribe program. This request is offset by incoming revenue for this program.
- **City Attorney** – an appropriation of \$162,000 in Legal Services due to the number of ongoing litigation cases and new programs requiring ordinance creation and review.
- **Human Resources** – an appropriation of \$85,000 in Legal Services due to an increased number of employee relation projects.
- **Planning** – an appropriation of \$4,988 in Part-Time Project salary expenditures for the increased stipend provided to the Planning Commission.
- **Public Works** – an appropriation of \$23,338 for increased Striping/Stenciling and Traffic Improvements, as well as to cover the increased stipend for the Public/Traffic Safety Commission.
- **Parks Maintenance** – an appropriation of \$67,000; including \$50,000 for utilities, \$5,000 for Signs related to the new Parking Ordinance signage requirement, and \$12,000 for increased Landscape Maintenance related to Skyview Park and the new Park & Ride facility.
- **Fire** – an appropriation of \$20,000 for increased consulting costs related to the processing of Plan Checks, which is offset by corresponding revenue. Additionally, the Fire department adjustment includes a \$393,158 reduction in the Fire Services Contract budget due to an increase in the Structural Fire Tax Credit which offsets the cost of the contract.

**General Fund Operating Transfers Out/One-Time Payments** – increase of \$399,063, to reflect a transfer of \$400,000 in available fund balance to the Capital Improvement Program Fund to establish the Interstate 15 Congestion Relief Capital Project. Additionally, adjustments include a \$50,559 reduction in the transfer to the 2018 Financing Lease for the Civic Center as a result of the refinancing of this debt instrument. An increase of \$49,622 in the transfer to the 2018 Financing Lease for the Margarita Recreation Center reflects the actual cost of the debt service for this newly established financing lease.

**General Fund Reserves:**

Total Ending Fund Balance is projected to be \$25,250,937 with both the Reserve for Economic Uncertainty and the Secondary Reserve fully funded at \$15,305,280 and \$3,826,320, respectively. An additional \$567,077 of Fund Balance is committed to fund future Capital Improvement Projects and other liabilities of the General Fund, leaving a balance of \$6,552,262 as Unassigned Fund Balance.

While held in a separate Trust Fund, an additional \$9,352,406 is restricted to the payment of CalPERS pension liabilities, providing the City added fiscal protection, similar to the General Fund reserves.

**MEASURE S FUND:**

Measure S Revenue is derived from the one-cent transactions and use tax, approved by Temecula voters in November 2016. This tax became effective April 1, 2017. Initial projections for this new revenue source were estimated to be \$23 million per year.

Measure S Revenue is trending higher than originally projected, and is expected to reach \$27.2 million for FY2018-19. Additionally, Interest Investment earnings are trending higher than anticipated, and is projected to be \$37,000, bringing total Measure S Revenue for FY18-19 to \$27,237,000.

Measure S Expenditures total \$29,694,787 for FY18-19, including Mid-Year appropriation requests of \$854,271 including:

- \$450,000 Transfer to the Information Technology Department to fund the implementation of the Lucity Asset Management software system
- \$178,271 Transfer to the Temecula Community Services Department to cover the Mid-Year appropriation requests from the various TCSD Divisions
- \$226,000 Transfer to the CIP to add \$150,000 to the French Valley Parkway Phase III project; establish a new project called Pedestrian Signal Equipment Upgrade with a Measure S contribution of \$38,000 to leverage \$908,200 in grant funds; and establish a new project called Traffic Signal System Upgrade with a Measure S contribution of \$38,000 to leverage \$489,510 in grant funds.

The FY18-19 Ending Fund Balance is projected to be \$4,223,005.

## SPECIAL REVENUE & DEBT SERVICE FUNDS:

The City maintains 13 separate Special Revenue Funds and two Debt Service Funds. Activities in these funds are legally required to be accounted for in separate and distinct funds.

Below is a summary of the Mid-Year requests for each Special Revenue and Debt Service Funds.

	Beginning Balance 7/1/18	FY18-19 Current Revenues	Mid-Year Adjustment	FY18-19 Revised Revenues	FY18-19 Current Exp/Transfers	Mid-Year Adjustment	FY18-19 Revised Exp/Transfers	Ending Balance 6/30/19
<b>Special Revenue Funds</b>								
Fund 100: Gas Tax	0	2,809,983	(404,124)	2,405,859	2,809,983	(404,124)	2,405,859	0
Fund 102: Road Maintenance Rehabilitation Account (RMRA)	512,997	1,843,670	(46,457)	1,797,213	2,476,861	(166,651)	2,310,210	0
Fund 103: Street Maintenance	0	1,400,000	5,000	1,405,000	0	0	0	1,405,000
Fund 120: Development Impact Fees	3,995,162	4,639,311	0	4,639,311	8,173,855	0	8,173,855	460,618
Fund 125: Public, Education & Government (PEG) Fees	357,357	227,323	4,616	231,939	364,995	0	364,995	224,301
Fund 140: Community Development Block Grant	0	1,036,090	0	1,036,090	1,036,090	0	1,036,090	0
Fund 145: Temecula Energy Efficiency Asset Management	190,274	2,000	1,000	3,000	0	0	0	193,274
Fund 150: AB 2766 Motor Vehicle Subvention	132,593	144,730	2,800	147,530	236,353	0	236,353	43,770
Fund 160: Supplemental Law Enforcement Services	0	186,000	800	186,800	186,000	800	186,800	0
Fund 161: Temecula Major Crimes Reward	26,012	300	100	400	0	0	0	26,412
Fund 165: Affordable Housing	10,819,638	419,412	4,698	424,110	545,625	0	545,625	10,698,123
Fund 170: Measure A	4,243,590	3,224,000	20,000	3,244,000	6,066,208	0	6,066,208	1,421,382
Fund 198: Public Art	25,968	74,511	0	74,511	4,026	0	4,026	96,453
<b>Total Special Revenue Funds</b>	<b>20,303,591</b>	<b>16,007,330</b>	<b>(411,567)</b>	<b>15,595,763</b>	<b>21,899,996</b>	<b>(569,975)</b>	<b>21,330,021</b>	<b>14,569,333</b>
<b>Debt Service Fund</b>								
Fund 395: 2018 Financing Lease (Civic Center)	0	2,132,450	(50,559)	2,081,891	2,132,450	(50,559)	2,081,891	(0)
Fund 396: Capital Financing (MRC)	0	467,233	49,622	516,855	462,233	49,622	511,855	5,000
<b>Total Debt Service Funds</b>	<b>0</b>	<b>2,599,683</b>	<b>(937)</b>	<b>2,598,746</b>	<b>2,594,683</b>	<b>(936)</b>	<b>2,593,747</b>	<b>4,999</b>

Both Gas Tax and the Road Maintenance Rehabilitation Account Funds are projected to have less revenue than originally projected, based on estimates received from the State. Corresponding adjustments were made to the Transfers of these funds as well.

The two Debt Service Funds reflect the adjustments necessary to align the budget with the new debt service schedules related to the refinancing of the Civic Center Lease and the issuance of the Margarita Recreation Center Lease.

## INTERNAL SERVICE FUNDS:

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

	Beginning Balance 7/1/18	FY18-19 Current Revenues	Mid-Year Adjustment	FY18-19 Revised Revenues	FY18-19 Current Exp/Transfers	Mid-Year Adjustment	FY18-19 Revised Exp/Transfers	Ending Balance 6/30/19
<b>Internal Service Funds</b>								
Fund 300: Insurance	51,958	995,137	1,600	996,737	995,137	0	995,137	53,558
Fund 305: Workers' Compensation	1,386,622	701,333	9,000	710,333	422,777	0	422,777	1,674,178
Fund 310: Vehicles and Equipment	2,587,693	1,517,426	15,000	1,532,426	858,125	0	858,125	3,261,994
Fund 320: Information Technology	472,739	3,498,594	496,000	3,994,594	3,822,379	470,000	4,292,379	174,954
Fund 325: Technology Replacement	1,249,446	1,032,723	4,000	1,036,723	310,000	0	310,000	1,976,169
Fund 330: Support Services	444,102	408,381	(39,416)	368,965	396,980	416,087	813,067	0
Fund 335: Support Services Replacement	0	0	482,117	482,117	0	18,378	18,378	463,739
Fund 340: Facilities	521,052	1,333,888	2,000	1,335,888	1,340,144	12,000	1,352,144	504,796
<b>Total Internal Service Funds</b>	<b>6,713,612</b>	<b>9,487,482</b>	<b>970,301</b>	<b>10,457,783</b>	<b>8,145,542</b>	<b>916,465</b>	<b>9,062,007</b>	<b>8,109,388</b>

Information Technology includes \$450,000 from Measure S to fund the implementation of the Lucy Asset Management Software, as well as an appropriation request of \$20,000 to fund increase cost of telephone and internet services.

Support Services includes a Transfer of \$444,102 to the newly established Support Services Replacement Fund, which represents the re-assignment of the City's duplicating and printing equipment to the Replacement Fund. Additionally, an appropriation request of \$10,000 is included to cover the increased cost of maintenance of the City's copy machines.

Facilities includes an appropriation request of \$12,000 for the replacement of light bulbs and ballasts within the Civic Center parking structure, as well as increased maintenance supplies.

## TEMECULA COMMUNITY SERVICES DISTRICT

The Temecula Community Services District (TCSD) provides for a comprehensive neighborhood and community park system, as well as a complement of recreational and cultural programs, community and human services and special events. TCSD also provides street lighting, median and slope maintenance, refuse hauling and recycling, emergency dirt road maintenance, and library services.

Fiscal Year 2018-19 Mid-Year adjustments are summarized in the table below.

	Beginning Balance 7/1/18	FY18-19 Current Revenues	Mid-Year Adjustment	FY18-19 Revised Revenues	FY18-19 Current Exp/Transfers	Mid-Year Adjustment	FY18-19 Revised Exp/Transfers	Ending Balance 6/30/19
<b>Temecula Community Services District (TCSD)</b>								
Fund 190: Citywide Operations	927,584	10,416,057	201,013	10,617,070	11,264,604	225,871	11,490,475	54,179
Fund 192: Service Level B - Street Lighting	261,188	704,245	1,000	705,245	789,201	0	789,201	177,232
Funds 501-530: Service Level C - Landscape/Slope Maintenance	1,655,791	1,599,060	6,370	1,605,430	1,553,143	0	1,553,143	1,708,078
Fund 194: Service Level D - Refuse and Recycling	294,488	8,013,790	1,000	8,014,790	8,078,891	0	8,078,891	230,387
Fund 195: Service Level R - Road Maintenance	26,791	5,832	100	5,932	9,663	0	9,663	23,060
Fund 196: Service Level L - Harveston Lake Park Maintenance	402,668	249,570	2,000	251,570	247,276	0	247,276	406,962
Fund 197: Library	343,073	770,650	4,637	775,287	994,139	0	994,139	124,221
<b>Total Temecula Community Services District</b>	<b>3,911,582</b>	<b>21,759,204</b>	<b>216,120</b>	<b>21,975,324</b>	<b>22,936,917</b>	<b>225,871</b>	<b>23,162,788</b>	<b>2,724,118</b>

Mid-Year revenue adjustments in the Citywide Operations Fund reflects increased revenue in the Theater division of \$15,700, offset by a reduction in the Aquatics division of \$20,931 due to the temporary closure of the Community Recreation Center Pool while it is remodeled. The contribution from Measure S is increasing by \$178,271 to cover the appropriation requests of the various TCSD divisions.

Mid-Year expenditure adjustments reflect an increase in TCSD Maintenance divisions of \$60,200 to cover the cost of new gates/fencing for the Theater, increased utilities and higher than anticipated maintenance supply costs. TCSD Operations reflects an increase of \$165,671 to cover the mandatory rise in minimum wage, the increase in Commissioner stipend pay, higher than anticipated overtime to support special events, and a retroactive CalPERS adjustment.

## CAPITAL IMPROVEMENT PROGRAM

The Mid-Year update to the Fiscal Years 2019-23 Capital Improvement Program contains the addition of three new capital projects and an appropriation request for an existing project, summarized below:

- **French Valley Parkway Phase III** – Increase Measure S contribution by \$150,000 to fund land appraisals and administrative costs.
- **I-15 Congestion Relief** - Establish a new project with a contribution from the General Fund of \$400,000 in FY2018-19 and \$200,000 in FY19-20 to match \$1.25M received through Caltran’s State Highway Operation and Protection Program (SHOPP). An additional \$3.15M of the project funding is unspecified at this time. This project provides an operational improvement to relieve congestion on northbound I-15.
- **Pedestrian Signal Equipment Upgrade** - Establish a new project with a Measure S contribution of \$38,000 to leverage \$908,200 in grant funds. This project will install pedestrian countdown signal heads, ADA compliant pedestrian pushbutton equipment and upgrade traffic signal controllers to improve safety and operations at signalized intersections Citywide including the Butterfield Stage Road, Jefferson Avenue, Margarita Road, Redhawk Parkway, Pechanga Parkway, Rancho California Road, Temecula Parkway and Ynez Road corridors.
- **Traffic Signal System Upgrade** - Establish a new project with a Measure S contribution of \$38,000 in FY18-19 and \$54,390 in FY19-20 to leverage \$489,510 in grant funds. This project will install protected/permissive traffic signal heads, on new signal poles and signal mast arms, relocate existing equipment and modify existing striping and raised medians at the following five intersections: Margarita Road at Verdes Lane, Ynez Road at Town Center North and Town Center South, Redhawk Parkway at Paseo Parallon/Overland Trail, and Winchester Road at Enterprise Circle.

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

- ATTACHMENTS:**
1. Resolution – City Mid-Year Budget Amendments
    - a. Exhibit A – General & Measure S Fund Mid-Year Budgets
    - b. Exhibit B – Special Revenue & Debt Service Funds Mid-Year Budget
    - c. Exhibit C – Internal Service Funds Mid-Year Budget
  2. Resolution – CSD Mid-Year Budget Amendments
    - a. Exhibit A – TCSD Mid-Year Budget
  3. Resolution – Capital Improvement Program Amendment
    - a. Exhibit 1 – CIP (Mid-Year Adjustments)