



Quarterly Financial Update

Q3'2018-19



Prepared by the City of Temecula Finance Department

June 25, 2019

OVERVIEW

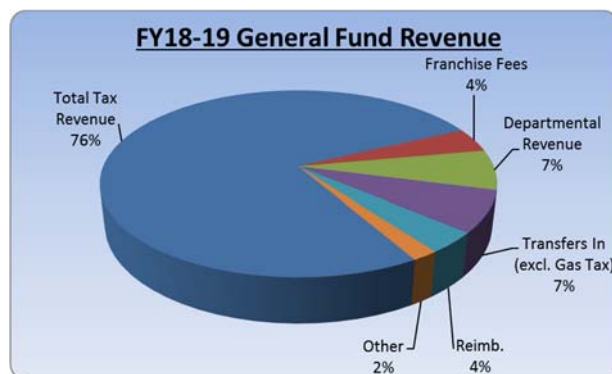
The attached report summarizes the results through the third quarter of Fiscal Year 2018-19 for all City funds and the Temecula Community Service District (TCSD).

SUMMARY - GENERAL FUND

The General Fund is the primary operating fund of the City, providing for public safety, public works, planning and development, building and safety, parks maintenance and the general administration of the City.

REVENUE HIGHLIGHTS:

General Fund major tax revenues include Sales Tax, Property Tax, Gas Tax and Measure C Special Tax, and contribute 76% of total revenue. Fiscal Year 2018-19 General Fund revenue is projected to be \$79.1 million.



General Fund revenue received through the third quarter of the fiscal year totals \$55.7 million, representing 70% of the annual budget.

Sales Tax revenue is expected to reach \$36.5M for the fiscal year. Through March, \$26.3M has been received, representing 72% of the annual budget. Sales tax receipts typically lag six weeks from the time of the sale to when the State distributes the revenue to the City.

General Fund Revenue	FY18-19 Budget	FY18-19 Actuals	% Received
Sales Tax	36,543,635	26,318,828	72%
Property Tax	8,364,543	5,545,599	66%
Property Tax in lieu of VLF	8,107,384	4,053,692	50%
Vehicle License Fees	59,579	54,328	91%
Transient Occupancy Tax	3,241,613	2,408,003	74%
Measure C	1,876,280	989,442	53%
Gas Tax (Transfer In)	2,405,859	1,611,393	67%
Total Tax Revenue	60,598,893	40,981,285	68%
Franchise Fees	3,336,935	2,506,777	75%
Departmental Revenue	5,512,414	4,845,821	88%
Transfers In (excl. Gas Tax)	5,330,079	4,364,906	82%
Reimbursements	2,891,008	1,560,737	54%
Other	1,445,219	1,511,086	105%
Total Revenue	79,114,548	55,770,612	70%

Property Tax & Property Tax in Lieu of Vehicle License Fees are paid primarily in January and May of each year.

Transient Occupancy Tax (TOT) revenue reflects the 8% tax on hotel/motel stays within the City. TOT revenue received through March represents 74% of the annual budget.

Measure C revenue is a voter-approved special tax specified for Recreation and Parks Maintenance expenditures. 50% of the tax is recorded in the General Fund and the other 50% is recorded in the TCSD Fund.

SUMMARY - GENERAL FUND, continued

Franchise Fees are received from various utility companies, including Southern CA Gas, Southern CA Electric, CR&R, Frontier and Time Warner Cable Services. Total Franchise Fee revenue received through the third quarter represents 75% of the annual budget.

Transfers In (excl. Gas Tax) includes \$5.1M from the Measure S Fund to supplement Public Safety.

Gas Tax revenue supports the maintenance of streets and roads, and is trending slightly below budget projections for FY18-19.

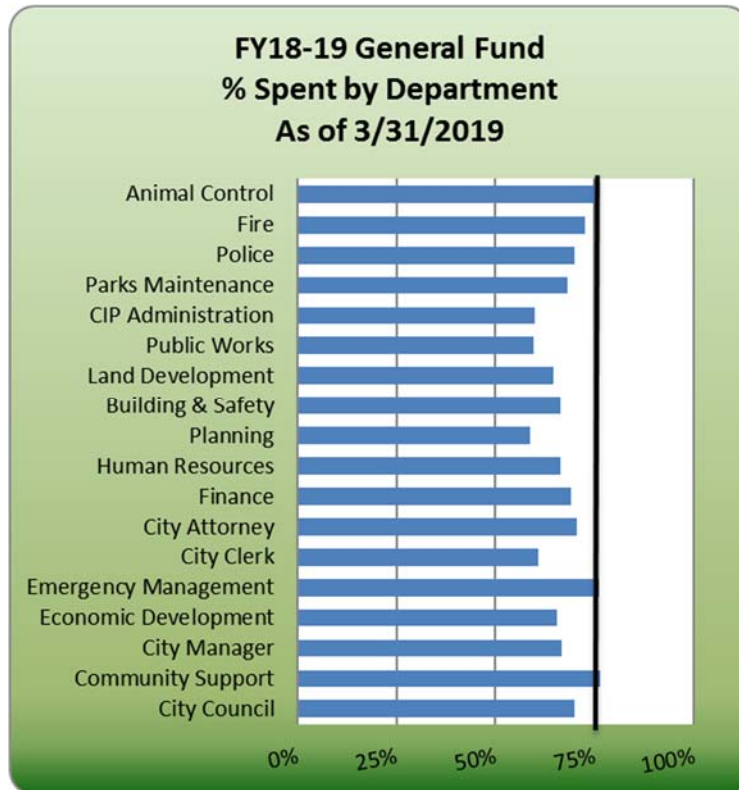
Reimbursement revenue include the transfer of funds from the Capital Improvement Program (CIP), to offset the cost of CIP administration. The transfers are trending below budget due to the timing of when capital projects are completed.

GENERAL FUND EXPENDITURE HIGHLIGHTS:

Total General Fund Operating Expenditures for FY18-19 are projected to be \$74.9M. Through the third quarter of the fiscal year, expenditures totaled \$50.2M, which represents 67% of the annual budget.

The majority of departments have spent less than 75% of their annual budget, however spending trends are not necessarily linear throughout the fiscal year. Only three departments have exceeded the 75% mark, due mostly to the timing of annual payments, and are not at risk of exceeding their annual budget appropriations.

Animal Control expenditures are trending over the 75% mark due to the payment of the annual debt service for the Animal Shelter.



Community Support expenditures include grants to local non-profit service providers and Council discretionary grants, most of which have been expended through the third quarter.

Emergency Management has expended 76% of the annual appropriation, as non-salary expenditures has nearly exhausted the annual appropriated budget.

Police expenditures are trending below the 75% mark due to a number of vacant positions.

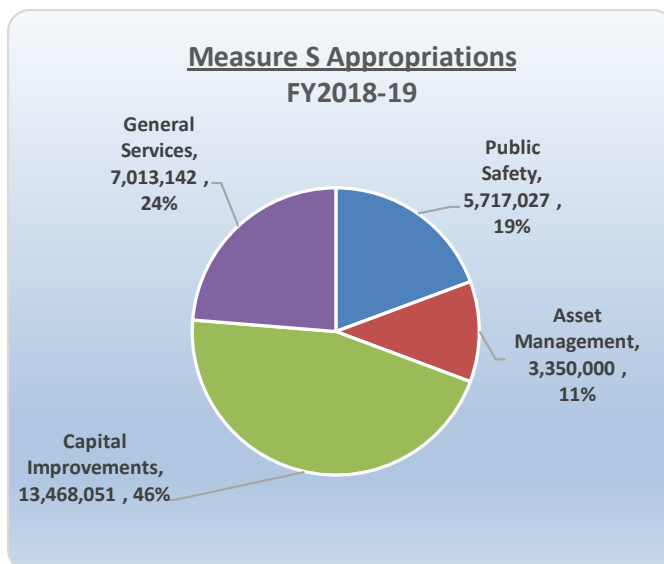
Fire expenditures are billed quarterly, according to the budget provided by the County, and the fourth quarter billing includes a “true up” adjustment to reflect actual expenditures for the year.

SUMMARY - MEASURE S (VOTER-APPROVED 1% TRANSACTIONS USE TAX)

Measure S Fund

In November 2016, Temecula voters approved a 1% Transactions Use Tax (Sales Tax) to maintain emergency response times, prevent cuts to local public safety services, improve traffic conditions and fund other general services. The Tax became effective April 1, 2017.

In accordance with the Measure S Appropriation Guidelines adopted by Council in February 2017, this new funding source is programmed to fund Public Safety, Asset Management, Capital Improvements and General Services, which primarily supports the Temecula Community Services District. Measure S revenue for FY18-19 is projected to be \$27.7M, and is appropriated as reflected in the adjacent chart. Through the third quarter, a total of \$19.4M, or 70%, of the annual revenue has been received. Similar to Sales Tax, Measure S funds are received approximately six weeks after the sales occurs, due to the State's distribution schedule.



SUMMARY - TEMECULA COMMUNITY SERVICES DISTRICT (TCSD)

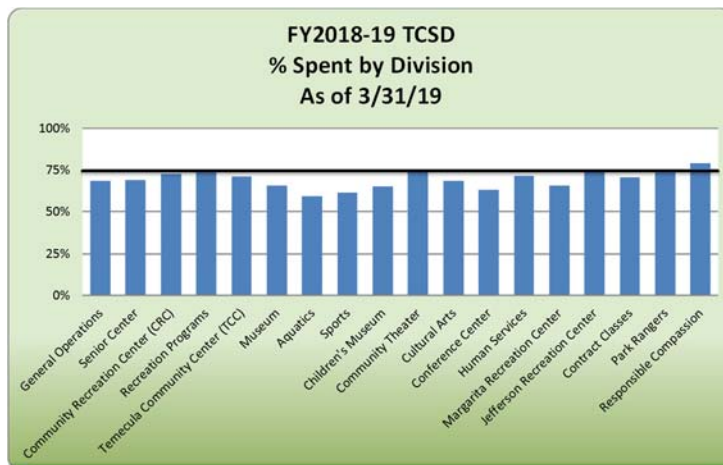
Revenue

2018-19 TCSD Revenue is projected to be \$10.6M. Through March, a total of \$7.7M, or 73% of the annual budget has been received. Measure C revenue is received in January and May each year, therefore Measure S funds are transferred to TCSD to cover the temporary shortfall in cash due to the timing of the receipt of Measure C revenue.

REVENUES	FY2018-19 Budget	Q3 Actuals	% Received
Special Tax (Measure C)	1,876,280	989,442	53%
Recreation Funding (Measure S)	6,211,702	4,890,177	79%
Recreation Program	2,514,088	1,881,956	75%
Investment Interest	15,000	14,975	100%
TOTAL REVENUES	10,617,070	7,776,550	73%

Expenditures

Through the third quarter, TCSD Expenditures totaled \$7.9M, which represents 69% of the annual Operating Budget of \$11.4M. All departments are tracking under the 75% mark, except for Responsible Compassion due to an accounting correction that is pending and will be recorded in the fourth quarter.



SUMMARY - OTHER FUNDS

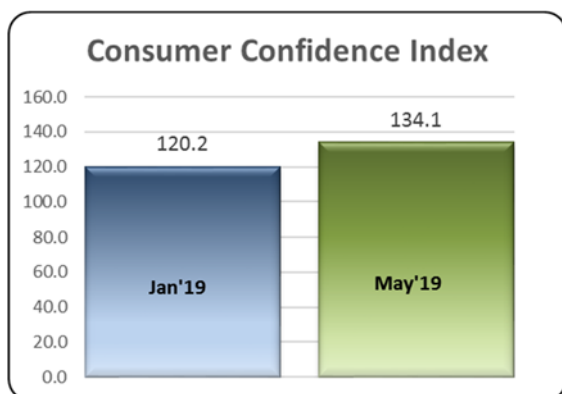
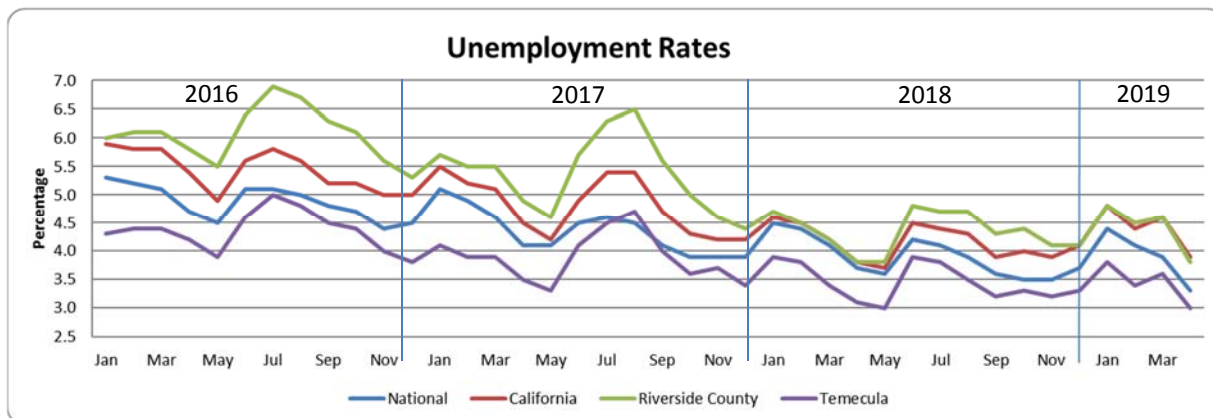
Below is a summary of all City and TCSD Funds providing the Beginning Fund Balance as of July 1, 2018, the actual Revenue and Expenditure activity through the third quarter, and the Ending Fund Balance as of March 31, 2019. The Affordable Housing Fund and the Internal Service Funds' balance include non-spendable assets, such as loans receivable and fixed assets.

Funds	Beginning Balance	Revenue & Transfers In	Expenditures & Transfers Out	Ending Balance
General Fund	\$30,727,978	\$55,770,612	\$56,799,851	\$29,698,739
Measure S	6,680,793	19,481,931	25,457,354	705,370
<u>Special Revenue Funds</u>				
Gas Tax	0	1,611,393	1,611,393	0
Road Maint. Rehabilitation Act	512,997	1,671,569	1,251,263	933,303
Street Maintenance	0	1,057,313	0	1,057,313
Development Impact Fees	3,995,161	840,156	3,011,204	1,824,113
Public, Education & Gov't (PEG)	357,358	183,162	137,581	402,939
Community Devel. Block Grant	0	208,376	208,376	0
TEAM	190,274	2,974	0	193,248
AB2766 (Vehicle Subvention)	132,593	72,608	10,000	195,201
SLESF (Cops Grant)	0	141,847	141,847	0
Major Crimes Fund	26,011	408	0	26,419
Affordable Housing	10,819,641	303,032	267,234	10,855,439
Measure A	4,243,588	2,333,297	2,532,069	4,044,816
Capital Improvement Program	20,236,009	33,914,534	21,504,012	32,646,531
2011 Financing Lease (CRC)	0	1,563,393	1,563,393	0
2018 Financing Lease (MRC)	0	372,904	372,904	0
	40,513,632	44,276,966	32,611,276	52,179,322
<u>Internal Service Funds</u>				
Insurance	51,957	879,443	664,958	266,442
Workers' Comp	1,386,621	588,860	127,143	1,848,338
Vehicles & Equipment	2,587,693	978,764	240,711	3,325,746
Information Technology	472,738	2,860,795	2,516,842	816,691
Technology Replacement	1,249,450	736,487	250,444	1,735,493
Support Services	444,100	238,502	587,083	95,519
Support Services Replacement	0	358,236	0	358,236
Facilities	521,052	968,532	944,726	544,858
Facility Replacement	0	379,475	344,534	34,941
	6,713,611	7,989,095	5,676,440	9,026,264
<u>TCSD Funds</u>				
TCSD Operations	927,584	7,776,550	7,979,857	724,277
Service Level B (Street Lights)	261,188	400,628	618,763	43,053
Service Level C (Slope Maint.)	1,655,790	854,989	954,491	1,556,288
Service Level D (Refuse/Recycl)	294,489	4,220,124	4,027,403	487,210
Service Level R (Road Maint.)	26,791	3,449	12,315	17,925
Service Level L (Harveston Lake)	402,667	135,842	138,012	400,497
Library	343,072	589,139	661,799	270,412
Public Art	25,968	10,257	29,026	7,199
	3,937,549	13,990,978	14,421,666	3,506,861
Total of All Funds	\$88,573,563	\$141,509,582	\$134,966,587	\$95,116,556

ECONOMIC INDICATORS

Throughout the fiscal year, Finance monitors a number of economic indicators which help guide the development of the City's revenue forecasts. Below is a summary of the most recently available data for each indicator.

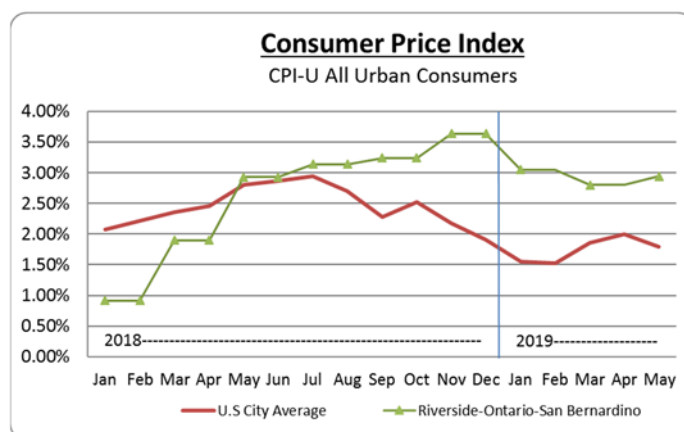
Unemployment rates serve as an indicator of the region's relative economic condition. Unemployment rates across the board have steadily decreased over the past few years, due to an improving economy and higher job growth. As of April 2019, the National Unemployment Rate was 3.3%, California's rate was 3.9%, Riverside County's rate was 3.8%, and Temecula's rate was 3.0%.



The Consumer Confidence Index measures consumers' outlook on the economy. An index over 100 indicates a higher percentage of optimistic consumers vs. those who are pessimistic. Nationally, the Consumer Confidence index remains positive as unemployment rates have steadily declined and consumers are expecting the economy to grow at a steady pace in the short-term, and despite weak retail sales in April, the levels of confidence suggest no significant pullback in consumer spending in the months ahead.

The Consumer Price Index measures the year-over-year change in the prices of goods and services purchased for consumption by urban households. This economic indicator is the most widely used measure of inflation.

Riverside County is grouped with Ontario and San Bernardino, and is reported every-other-month. As of May 2019, the National CPI stands at 1.79%, and the local CPI is 2.94%.



City of Temecula - Facts at a Glance

GENERAL CITY INFORMATION

City Population	113,826
Altitude	1,000-1,200 feet
Area in Square Miles	37
Parks/Park Acreage	41/3306 Acres
Maintained Streets	315
<u>Education</u>	
Schools	32
Teachers	1,392
Students (K-12)	27,991
Number of Libraries	2
Hotels & Motels/Rooms	19/2587
<u>Public Safety</u>	
Number of Fire Stations	5
Fire Department Personnel	71
Number of Police Stations	3
Police Sworn Officers	112
Police Non-Sworn Personnel	37

CITY GOVERNMENT

Type of Government	General Law
Form of Government	City Manager
Date of Incorporation	12/01/1989
Authorized Positions	172
General Fund Operating Budget	\$78,311,792
Expenditures Per Capita	\$688
Safety as % of General Fund	58%
General Fund Reserves (25%)	\$19,577,948
Capital Improvement Program	\$435,270,888

DEMOGRAPHICS

Median Age	35.3
Average Household Income	\$116,464
Number of Registered Voters	52,824
Median Home Price (Apr'2019)	\$485,000
Unemployment Rate (April'19)	3.00%
Number of Jobs	55,700



For more information regarding the City of Temecula:

www.temeculaca.gov

951-694-6444 or 1-888-Temecula