



# Quarterly Financial Update

## Q4'2018-19



Prepared by the City of Temecula Finance Department

October 22, 2019

### OVERVIEW

The attached report summarizes the results for 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.

Fiscal Year 2018-19 Ending Fund Balance totaled \$33,713,904, with reserves fully-funded at \$17,508,463, or 25% of expenditures.

### REVENUE HIGHLIGHTS:

Total Tax Revenue for FY18-19 slightly exceeded the Budget with a total of \$61.5 million, and contributed 77% of total General Fund revenue.

General Fund revenue for FY18-19 totaled \$80.1 million, which exceeded projections by \$710k.

**Sales Tax** revenue slightly exceeded Budget projections due to a combination of higher sales activity combined with a lower payout of Sales Tax pursuant to a Tax Sharing Agreement.

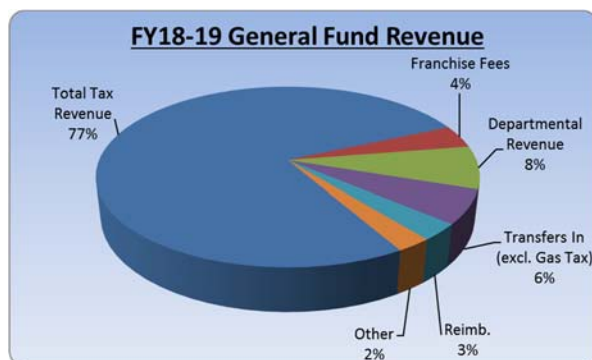
General Fund Revenue	FY18-19 Budget	FY18-19 Actuals	% Received
Sales Tax	36,543,635	36,967,187	101%
Property Tax	8,364,543	8,761,435	105%
Property Tax in lieu of VLF	8,107,384	8,107,384	100%
Vehicle License Fees	59,579	54,328	91%
Transient Occupancy Tax	3,241,613	3,409,553	105%
Measure C	1,876,280	1,871,707	100%
Gas Tax (Transfer In)	2,405,859	2,317,510	96%
<b>Total Tax Revenue</b>	<b>60,598,893</b>	<b>61,489,104</b>	<b>101%</b>
Franchise Fees	3,336,935	3,285,258	98%
Departmental Revenue	5,512,414	6,144,156	111%
Transfers In (excl. Gas Tax)	5,683,613	4,827,751	85%
Reimbursements	2,891,008	2,399,767	83%
Other	1,445,219	2,032,465	141%
<b>Total Revenue</b>	<b>79,468,082</b>	<b>80,178,501</b>	<b>101%</b>

**Property Tax & Property Tax in Lieu of Vehicle License Fees** exceeded Budget projections due to higher Transfer Tax as a result of increased home sales activity and higher home values.

**Transient Occupancy Tax (TOT)** revenue reflects the 8% tax on hotel/motel stays within the City. TOT revenue exceeded Budget projections due to higher hotel/motel occupancy than projected.

**Departmental Revenue** exceeded Budget projections due to higher activity related to a subdivision project starting sooner than anticipated.

**Other Revenue** includes a favorable adjustment to reflect fair value of the City's investment.



### ***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 fell short of projections due to fewer Cable subscribers.

**Transfers In (excl. Gas Tax)** includes \$4.4M from the Measure S Fund to supplement Public Safety.

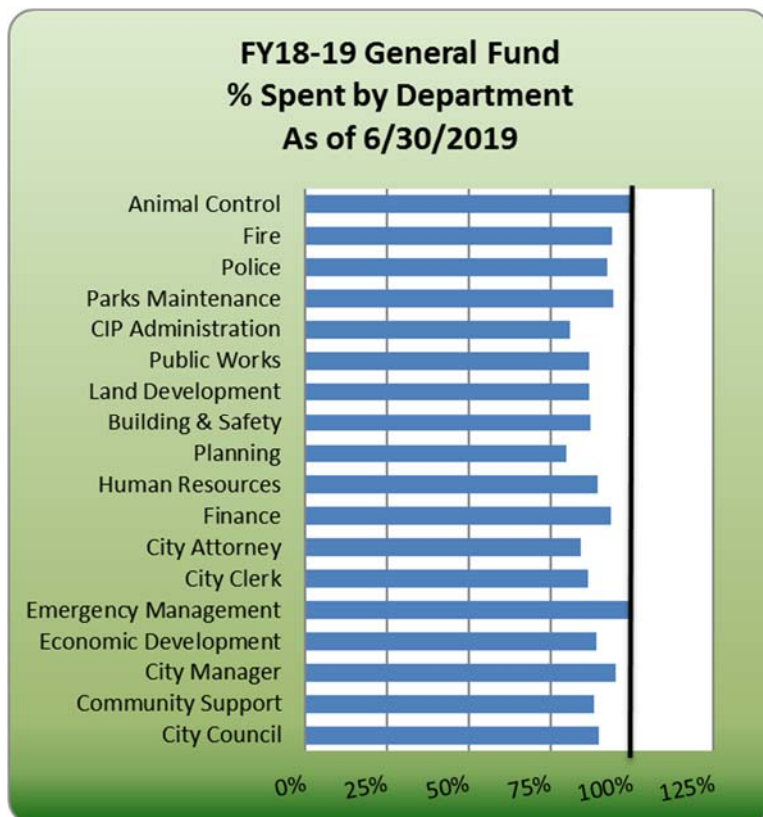
**Gas Tax** revenue supports the maintenance of streets and roads, and fell slightly short of Budget projections due to lower gas prices during FY18-19.

**Reimbursement** revenue include the transfer of funds from the Capital Improvement Program (CIP), to offset the cost of CIP administration. The transfer amount is below the Budget projection due to the timing of when capital projects are completed.

### **GENERAL FUND EXPENDITURE HIGHLIGHTS:**

Total General Fund Operating Expenditures for FY18-19 came in nearly \$7 million below Budget projections, due primarily to a high number of vacant positions (\$2M), favorable Police contract rates (\$2M), lower Fire Department costs (\$500k), Encumbrance roll-forwards (\$1M), plus miscellaneous savings across all departments (\$1.5M).

**Police** expenditures were \$2.6M below Budget projections due to a more favorable contract rate (2.2% increase over the prior year vs 7% budgeted) which saved \$2M. Additional savings came from vacant positions (\$1M), which were offset by overages in Booking Fees, Overtime and Training (\$300k).



**Fire** expenditures were \$568k below Budget due to savings in the Prevention and Paramedic divisions (\$300k), combined with lower allocations from the Vehicle Replacement Fund (\$172k) due to the delay in purchasing a replacement Ladder Truck.

**Planning** expenditures were \$500k below Budget due to lower Consulting costs (\$400k) due to the delay in a hotel project requiring dedicated outside consultants.

**Public Works** expenditures were \$838k below Budget due to a \$400k roll-forward for the NPDES Filter project that will begin next year, plus operating savings realized in a variety of accounts.

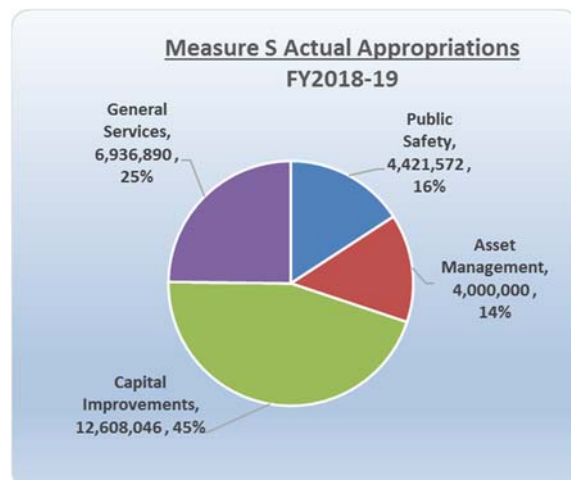
**CIP Admin** expenditures were \$479k below Budget due to a high number of vacant positions throughout the year.

## 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 exceeded Budget projections by 3%, with total revenue of \$28M. Measure S was appropriated as noted in the chart: \$4.4M to support Police and Fire; \$4M for Asset Management; \$12.6M for Capital Projects; and \$6.9M for General Services, including TCSD activities. Measure S 2018-19 Ending Fund Balance totals \$6,764,066.



## SUMMARY - TEMECULA COMMUNITY SERVICES DISTRICT (TCSD)

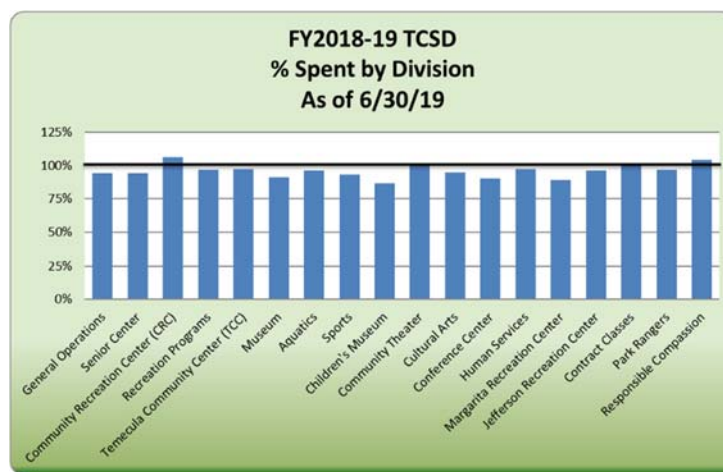
### Revenue

2018-19 TCSD Revenue fell slightly short of Budget projections, due mostly to lower attendance at the Theater (\$112k) and lower Sports revenue (\$95k) due to inclement weather. Offsetting these shortfalls was an increase in Contract Class revenue, which exceeded Budget by \$36k.

REVENUES	FY2018-19 Budget	FY2018-19 Actuals	% Received
Special Tax (Measure C)	1,876,280	1,871,707	100%
Recreation Funding (Measure S)	6,211,702	6,211,702	100%
Recreation Program	2,514,088	2,431,647	97%
Investment Interest	15,000	19,058	127%
<b>TOTAL REVENUES</b>	<b>10,617,070</b>	<b>10,534,114</b>	<b>99%</b>

### Expenditures

2018-19 TCSD Expenditures came within 3% of Budget projections, with total expenditures of \$11.1M. A few divisions spent in excess of their annual budget, due to the reallocation of personnel that was not reflected in the Budget, however the overall department ended the year \$347k below the annual Budget. TCSD's Ending Fund Balance totals \$310,634.



## 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 June 30, 2019. The Affordable Housing Fund and the Internal Service Funds' balance include non-spendable assets, such as loans receivable and fixed assets.

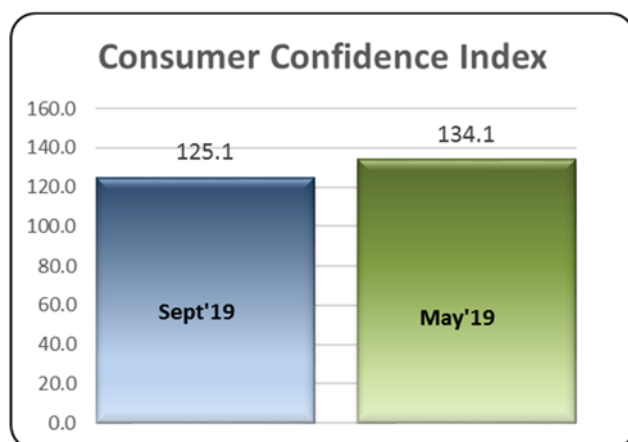
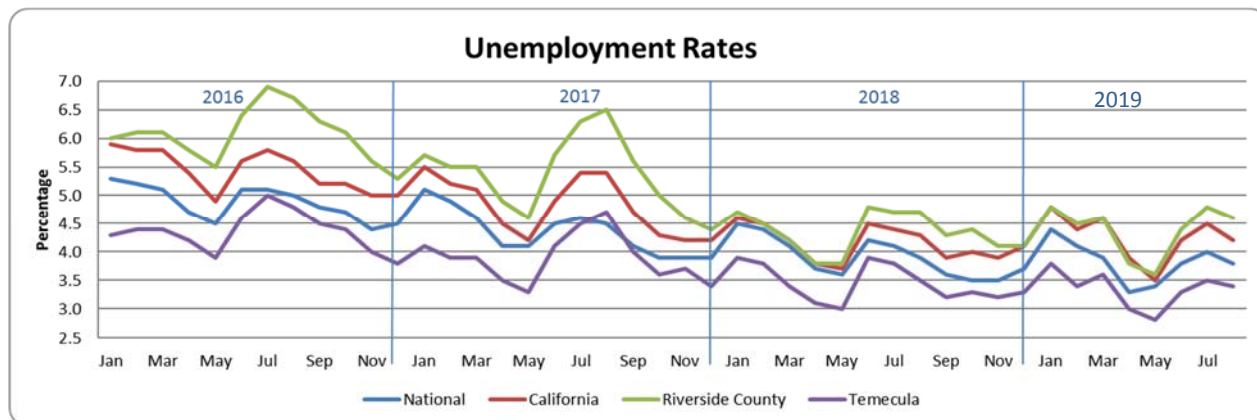
<b>Funds</b>	<b>Beginning Balance</b>	<b>Revenue &amp; Transfers In</b>	<b>Expenditures &amp; Transfers Out</b>	<b>Ending Balance</b>
General Fund	\$30,727,978	\$80,178,501	\$77,192,575	\$33,713,904
Measure S	6,680,793	28,049,781	27,966,508	6,764,066
	37,408,771	108,228,282	105,159,083	40,477,970
<b><u>Special Revenue Funds</u></b>				
Gas Tax	0	2,317,510	2,317,510	0
Road Maint. Rehabilitation Act	512,997	2,048,979	1,251,263	1,310,713
Street Maintenance	0	1,412,984	0	1,412,984
Development Impact Fees	3,995,161	3,602,097	3,376,204	4,221,054
Public, Education & Gov't (PEG)	357,358	249,631	239,994	366,995
Community Devel. Block Grant	0	361,106	361,106	0
TEAM	190,274	3,976	0	194,250
AB2766 (Vehicle Subvention)	132,593	149,947	57,000	225,540
SLESF (Cops Grant)	0	255,730	255,730	0
Major Crimes Fund	26,011	545	0	26,556
Affordable Housing	10,819,641	459,453	380,743	10,898,351
Measure A	4,243,588	3,409,496	2,634,969	5,018,115
Capital Improvement Program	20,236,009	28,704,951	30,107,202	18,833,758
2011 Financing Lease (CRC)	0	2,081,891	2,081,891	0
2018 Financing Lease (MRC)	0	511,855	511,855	0
	40,513,632	45,570,151	43,575,467	42,508,316
<b><u>Internal Service Funds</u></b>				
Insurance	51,957	1,186,168	916,351	321,774
Workers' Comp	1,386,621	773,415	158,055	2,001,981
Vehicles & Equipment	2,587,693	1,317,438	117,596	3,787,535
Information Technology	472,738	3,786,233	3,292,146	966,825
Technology Replacement	1,249,450	943,631	430,303	1,762,778
Support Services	444,100	350,219	791,089	3,230
Support Services Replacement	0	479,516	42,231	437,285
Facilities	521,052	1,320,980	1,282,523	559,509
Facility Replacement	0	509,675	158,858	350,817
	6,713,611	10,667,276	7,189,151	10,191,734
<b><u>TCSD Funds</u></b>				
TCSD Operations	927,584	10,534,114	11,151,064	310,634
Service Level B (Street Lights)	261,188	704,958	935,978	30,168
Service Level C (Slope Maint.)	1,655,790	1,618,390	1,386,545	1,887,635
Service Level D (Refuse/Recycl)	294,489	8,006,819	8,025,799	275,509
Service Level R (Road Maint.)	26,791	5,822	12,315	20,298
Service Level L (Harveston Lake)	402,667	253,525	237,532	418,660
Library	343,072	781,699	903,611	221,160
Public Art	25,968	24,760	29,026	21,702
	3,937,549	21,930,087	22,681,870	3,185,766
<b>Total of All Funds</b>	<b>\$88,573,563</b>	<b>\$186,395,796</b>	<b>\$178,605,571</b>	<b>\$96,363,786</b>



## 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 August 2019, the National Unemployment Rate was 3.8%, California's rate was 4.2%, Riverside County's rate was 4.6%, and Temecula's rate was 3.4%.

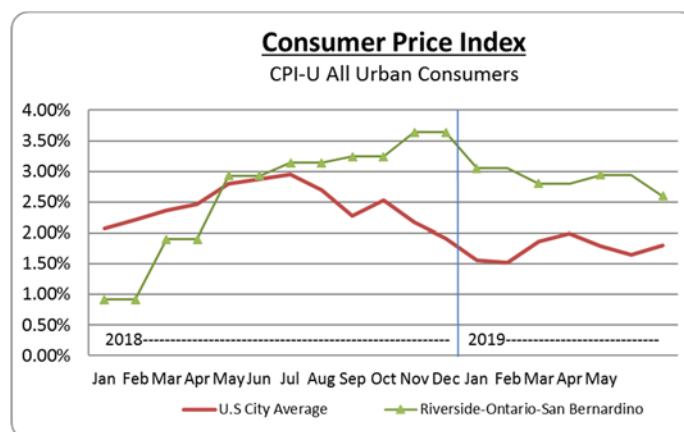


The Consumer Confidence Index measures consumers' outlook on the economy. An index over 100 indicates a higher percentage of optimistic consumers vs. those who are pessimistic.

Nationally, the Consumer Confidence index remains positive as unemployment rates have remained low, however in recent months, consumers have become more pessimistic in their outlook due to the global trade and tariff tensions. Experts believe that consumer confidence is plateauing and are projecting the economic uncertainty will begin to diminish confidence.

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 July 2019, the National CPI stands at 1.81%, and the local CPI is 2.6%.



# City of Temecula - Facts at a Glance

## GENERAL CITY INFORMATION

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

## CITY GOVERNMENT

<i>Type of Government</i>	<i>General Law</i>
<i>Form of Government</i>	<i>City Manager</i>
<i>Date of Incorporation</i>	<i>12/01/1989</i>
<i>Authorized Positions</i>	<i>172</i>
<i>General Fund Operating Budget</i>	<i>\$70,033,852</i>
<i>Expenditures Per Capita</i>	<i>\$615</i>
<i>Safety as % of General Fund</i>	<i>59%</i>
<i>General Fund Reserves (25%)</i>	<i>\$17,508,463</i>
<i>Capital Improvement Program</i>	<i>\$435,270,888</i>

## DEMOGRAPHICS

<i>Median Age</i>	<i>35.3</i>
<i>Average Household Income</i>	<i>\$116,464</i>
<i>Number of Registered Voters</i>	<i>52,824</i>
<i>Median Home Price (Sep'2019)</i>	<i>\$489,000</i>
<i>Unemployment Rate (Aug'19)</i>	<i>3.40%</i>
<i>Number of Jobs</i>	<i>55,700</i>



For more information regarding the City of Temecula:

[www.temeculaca.gov](http://www.temeculaca.gov)

951-694-6444 or 1-888-Temecula