

May 21, 2020

Honorable Mayor and Members of the City Council:

I am pleased to submit the Proposed Annual Operating Budget for the Fiscal Year 2020-21. 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 2020-21 Proposed 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 proposed staffing and program changes, as well as the impact of proposed capital improvement projects. The resulting budget is realistic and balanced, and continues to provide quality services to the community while effectively utilizing available resources.

Given the unprecedented circumstances brought on by the COVID-19 novel coronavirus pandemic and the associated stay-at-home orders, the City's revenue sources have been significantly impacted, as you will read below. As such, a comprehensive review and analysis of all Operating and Capital expenditures has been completed and the Proposed Annual Operating and Capital Budgets reflect the necessary reductions to maintain fiscal solvency over the ensuing five-year forecast period. It is anticipated that the Operating and Capital budget projections will be revisited with the City Council in the October time-frame, as staff learns more information regarding the true impact of the pandemic.

CITY OF TEMECULA PROFILE

The City of Temecula is a dynamic community comprised of approximately 111,970 citizens. The City maintains 41 parks on 330 developed acres throughout the community, which provide recreation 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 32 schools with 27,979 students at the 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.





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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.

ECONOMIC INDICATORS

The City of Temecula has experienced steady economic growth over the past year, as illustrated by the indicators discussed below.

- Estimated Population: 111,970 down 1.7% from 2019 (Source: State Department of Finance)
- Median Age: 35.5 years old, up 0.2 from 2019 (Source: Claritas360 Report – 10-2-19)
- Number of Households: 36,203, up 0.5% from 2019 (Source: Claritas360 Report – 10-2-19)
- Average Household Income: \$128,557, up 10.4% from 2019 (Source: Claritas360 Report – 10-2-19)
- March Median Home Price: \$500,000, up 5% from March 2019 (Source: Southwest Riverside County Association of Realtors)
- Number of Jobs: 52,900, down 5.0% from 2019 (Source: EDD)
- March Unemployment Rate: Temecula: 4.2% (up from 3% in March 2019),
Riverside County: 5.3%, CA: 5.6%, Nation: 4.4% (Source: EDD & BLS)

As the pandemic's impact on the workforce continues, it is anticipated the unemployment rates will continue to rise over the coming months.

IMPACTS OF STATE/COUNTY LEGISLATION

A number of legislative changes are being considered, which could have profound fiscal impacts on the City, including:

➤ **California State Governor Executive Order N-33-20 (COVID-19)**

On March 19, 2020, the California State Governor issued Executive Order N-33-20, requiring a statewide Stay-at-Home order as a result of the rapidly spreading COVID-19 coronavirus. Subsequent to this order, the Governor authorized small business taxpayers to take advantage of a payment plan for sales tax payments, up to \$50,000, applicable to sales and use tax liabilities. The combination of these two orders, has had a significant impact on several City revenue sources, as businesses have shut down, hotels have closed and tax-payers are required to stay at home. The impacts of this global pandemic are still in the early stages, and will have

COVID-19 Impact to City Revenue Sources		
	Mar-Jun'20	FY20-21
Sales Tax	(6,612,629)	(5,686,237)
Measure S Tax	(5,279,316)	(346,571)
TCSD Program Revenue	(824,330)	-
Transient Occupancy Tax	(816,822)	(570,441)
Gas Tax	(343,516)	(521,795)
Measure A Tax	(250,000)	(428,000)
Property Tax	(278,528)	(656,098)
RMRA Revenue	(137,869)	(322,472)
Other General Fund Revenue	(108,625)	(248,256)
Total Revenue Impact	(14,651,635)	(8,779,870)



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far-reaching economic impacts as time goes on. The ensuing Operating and Capital Budgets reflect the anticipated revenue reductions and the corresponding expenditure budget reductions necessary to balance all funds over the five-year forecast period.

➤ **State of California Housing Bills**

In 2017, 2018 and 2020, the State adopted numerous housing related bills designed to increase the supply of housing in California, including the number of affordable homes.

While the City is eligible for some of the direct sources of funding to facilitate the production of housing, including funding from SB 2, the Building Jobs and Homes Act, and other state sources. It is anticipated that the City will be subject to a number of unfunded mandates as a result of the passage of any number of the current and proposed housing related bills.

2020-21 GOALS AND OBJECTIVES

The City Council adopted the Temecula 2030 Quality of Life Master Plan (QLMP) in October 2011. The QLMP defines the strategic priorities of Temecula's residents, leaders, and partners for the City's next twenty years. It reflects the vision for the City's future, and commits the City to a performance based process to accomplish those goals. This plan was developed by engaging residents, businesses, local institutions and regional partners in an inclusive process.

The QLMP outlines six Core Values:

• Healthy and Livable City	• A Sustainable City
• Economic Prosperity	• Transportation Mobility and Connectivity
• A Safe and Prepared Community	• Accountable and Responsive City Government

In an effort to incorporate the QLMP into the City's budget process, City of Temecula Executive Staff met at the outset of the budget process to update the Citywide Five-Year Goals based on the Core Values of the Quality of Life Master Plan. These goals were then used by each Department to develop Short Term Objectives for completion in the upcoming fiscal year, and are reflected in the Department Information section of the budget document.

OBJECTIVES AND PERFORMANCE MEASURES

The budget document includes the operational objectives for completion in Fiscal Year 2020-21 and the performance measures for evaluating the completion of those objectives. These objectives were developed in a collaborative process with City staff in order to identify how each department can contribute to the overall long term goals of the City. The objectives were then used by the departments in order to identify and justify their Annual Operating Budget submittals.

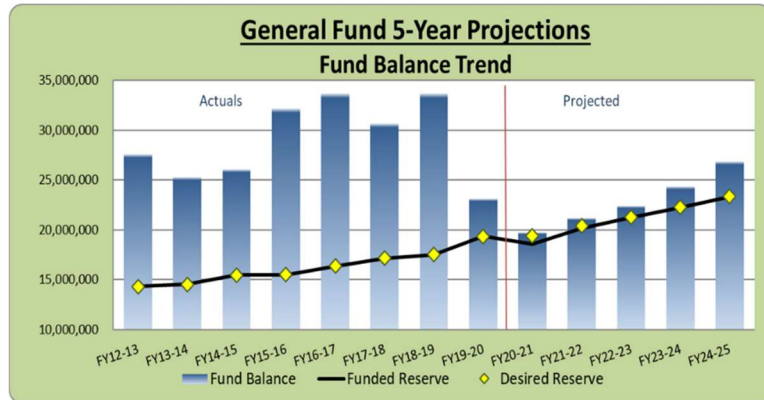
The short term objectives are detailed by Department in the Departmental Information section of this budget document. Each Department section also includes the objectives and performance measures cross referenced by the City's Long-Term Goals and QLMP Core Value, along with significant accomplishments, and a detail of the expenditure requests and personnel allocations which will be used to meet the objectives.

GENERAL FUND ANALYSIS

The General Fund Forecast over the coming five years has been significantly impacted by the COVID-19 pandemic, with a decline in tax revenue of nearly \$15 million in Fiscal Year 2019-20 alone. It is anticipated that economic recovery will begin slowly in Fiscal Year 2020-21, as consumer confidence returns. For the ensuing five-year period, the General Fund is balanced, with its Reserve for Economic Uncertainty fully-funded in all five years, however a portion of the Secondary Reserve must be utilized to offset the loss in revenue due to the pandemic.

As illustrated below, in response to the dramatic decline in General Fund Revenues, the usage of Unassigned Fund Balance and Secondary Reserves are necessary in order to remain fiscally solvent throughout the ensuing five-year period.

Ending Fund Balance for Fiscal Year 2020-21 is projected to be \$19,737,613. While the target level of Reserves is 25% of Expenditures, or \$19,389,865, Reserves will fall slightly short with a total \$18,559,652, or 23.9% of Operating Expenditures. A total of \$377,961 of fund balance is committed to cover the costs of a Police Officer position funded by the Pechanga Tribe, plus \$800,000 is assigned to future Capital Improvement Projects.



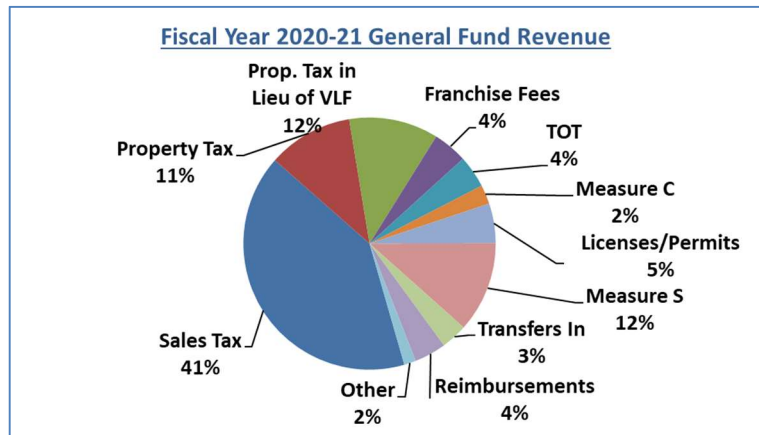
General Fund Revenue Highlights

Fiscal Year 2019-20 General Fund Operating Revenue is projected to decrease by 12%, or \$8.7 million, from the prior fiscal year due to the economic impacts of the COVID-19 pandemic. The majority of the reduction is occurring in Sales Tax (18%, or \$6.6 million) and Transient Occupancy Tax (19%, or \$816,822).

Fiscal Year 2020-21 General Fund Operating Revenue is projected to increase 1.5%, or \$971,090 over Fiscal Year 2019-20, as the economy is expected to begin rebounding in the Fall of 2020. Although revenue growth is projected, Operating Revenue remains \$7.7 million below pre-COVID levels, creating an increased reliance on Measure S transfers to augment General Fund Revenue. In addition to Measure S funding 11 additional police officers, and staffing at Fire Station 95, as has occurred in prior years, an additional \$3 million transfer is required to supplement General Fund revenue due to the impact of the pandemic. To balance the General Fund over the ensuing five-year period and maintain the Reserve for Economic Uncertainty, an increased level of Measure S transfers to the General Fund will continue until Sales Tax, and other revenue sources recover from the economic downturn.

The Fiscal Year 2020-21 General Fund major revenue sources are summarized below:

- **Sales Tax (\$33,054,736)** is projected to increase by 5.4% compared to the prior fiscal year as retail establishments are allowed to reopen once the pandemic is contained.
- **Property Tax (\$8,379,137)** is projected to decrease by 1.3%, due primarily to the anticipated decline in home sales activity and supplemental property taxes. Because the City of Temecula participates in the Teeter program with Riverside County, the City receives the full amount of property taxes assessed as opposed to paid by the property owner. In the event of late payment, the County receives all penalties and interest accrued on the delinquent tax payment.
- **Franchise Fees (\$3,381,908)** are projected to increase 2.7% due to anticipated increases in utility rates charged for electricity, gas, and cable services.
- **Transient Occupancy Tax (\$3,181,349)** is projected to increase by 15.1%, as the hospitality sector was heavily impacted by the COVID-19 pandemic. With an anticipated rebounding of the economy in the Fall of 2020 combined with the recovery campaign launched by the Temecula visitors' bureau (Visit Temecula Valley), Transient Occupancy Tax revenue is expected to increase as tourism and travel is permitted once again.
- **Licenses, Permits & Service Charges (\$3,913,915)** are projected to decrease by 26.1% due to less development activity projected compared to the prior year, as the Roripaugh Ranch, Phase II development (Sommer's Bend) experienced a high-level of permit activity in FY2019-20.
- **Intergovernmental Revenues (\$8,800,736)** are projected to increase by 3.7% due to the increases expected in Property Tax In Lieu of Vehicle License Fees which is driven by property value assessments within the City.
- **Operating Transfers In (\$2,590,599)** are projected to decrease by 4.4%. Transfers In represents funds deposited into Special Revenue Funds that are transferred into the General Fund to cover eligible expenditures. The Gas Tax Fund is anticipated to transfer \$2,418,092 to be spent on street and road maintenance, which is a decrease of 4.8% as a result of the decline in gasoline sales due to the stay-at-home orders related to the pandemic. The Supplemental Law Enforcement Services Fund is anticipated to transfer \$172,507 to supplement the Police Department budget.
- **Operating Transfers In - Measure S (\$8,944,780)** will continue to fund 11 Police Officers, staffing for Fire Station No. 95 plus an additional \$3 million to help offset the impact to General Fund Operating Revenues.



General Fund Expenditure Highlights

To respond to the reductions in General Fund revenues, a thorough review of Departmental Operating budgets was conducted as part of the Annual Operating Budget. Each Department prioritized their operational needs and modified their requests accordingly. In addition to Departmental operating

reductions, a number of budgetary reduction measures are also reflected in the Fiscal Year 2020-21 Operating Budget, necessary to balance the General Fund, including:

- Deferral of adding Sworn Police officers, to maintain ratio to population growth
- Reduce contributions to the Workers' Compensation Fund, as adequate reserves exist in this fund to address potential claims
- Eliminate all Departmental training budgets
- Defer hiring of 4 vacant positions
- Reduce additional contributions to Retiree Medical Trust and meet minimum payment level only
- Defer/reduce contributions to Asset Replacement Funds (i.e. Fleet, Technology, Facilities)

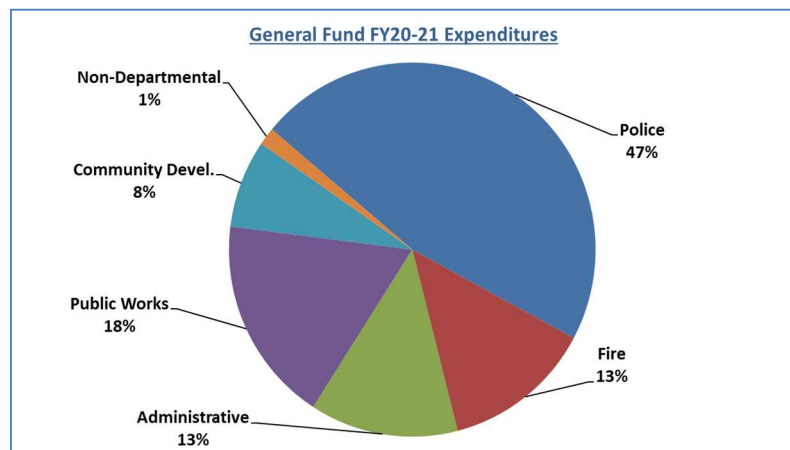
The largest expenditure of the General Fund is Public Safety, which has grown from 58% of total expenditures in the prior fiscal year to 60% in Fiscal Year 2020-21, due to the reductions in the non-safety departments. In accordance with the Measure S ballot language and City Council appropriation guidelines, the City has invested heavily in Public Safety over the past several years and continues to hold Public Safety as its highest priority. A total of \$9.1 million, or 38%, of Measure S revenue is dedicated to Public Safety expenditures for Fiscal Year 2020-21 including the funding of the following:

- Eleven Sworn Police Officers (\$3.9 million)
- Fire Station No. 95 Staffing (\$1.8 million)
- The operations and maintenance of the Citywide Surveillance Camera system (\$260,000)
- An additional \$3 million to augment General Fund Operating Revenue necessary to balance the General Fund and preserve the Reserve for Economic Uncertainty

In addition to the ongoing Measure S-funded Public Safety expenditures, the Police Department will maintain 112 sworn officers and the Fire Department will provide four firefighter personnel per engine at all five Fire Stations.

General Fund Expenditures total \$77,559,458, which represents a 0.3% increase over the prior fiscal year, inclusive of adjustments. The majority of the

increase is reflected in the two Public Safety departments, as noted below:



- **Police (\$36,239,386)** is increasing by 7.8% over the prior year, due to a projected 6% increase in the contract rates charged by the County to account for increased CalPERS pension costs and labor increases resulting from union negotiations. The prior fiscal year expenditures included a \$550,000 reduction due to vacancies and a more favorable contract rate than originally budgeted, creating a higher percentage increase in Fiscal Year 2020-21.
- **Fire (\$10,223,828)** is decreasing by 0.6% due to the deferral of the contribution to the Fleet Asset Management fund, slightly offset by the 1.5% anticipated increase in the contract rates

charged by CalFire and Riverside County. The Total Fire Contract of \$18.3 million is reduced by the Structural Fire Tax Credit of \$8.8 million.

- **Non-Safety Departments (\$29,908,716)** which represents a 4.8%, or \$1.5 million decrease from the prior year, due to the necessary budget reduction measures as a result of the COVID-19 pandemic's impact on General Fund revenues.
- **Non-Departmental (\$1,187,529)** reflects a 29.4% decrease due to the reduction to the amount deposited into the Retiree Medical Contribution. In prior years, the deposit exceeded the required amount in order to improve the City's funded-status of this trust fund and reduce future years' required contributions. For Fiscal Year 2020-21, the trust contribution will match the required amount, as determined by an independent actuary.

Operating Transfers Out & One-Time Payments

This category of expenditures reflects funds that are transferred to the Debt Service Funds. A total of \$2,077,767 will be transferred to the Debt Service Fund for the annual Civic Center Lease payment, and \$555,808 for the Debt Service on the Margarita Recreation Center renovation.

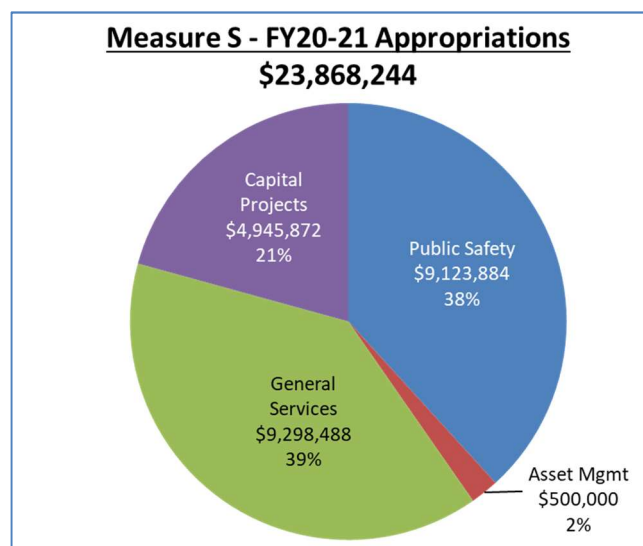
Fund Balance & Reserves

As noted above, the Ending Fund Balance, as of June 30, 2021 is projected to be \$19,737,613, with the Reserve for Economic Uncertainty fully funded at \$15,511,892, which represents 20% of General Fund Expenditures. The Secondary Reserve will fall slightly below the target of 5% of Operating Expenditures, with a balance of \$3,047,761.

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 and enhance budgetary accountability. Fiscal Year 2020-21 Measure S revenue has also been negatively impacted by the economic downturn caused by the global pandemic. It is anticipated that Measure S Revenue, in Fiscal Year 2019-20 will decline by nearly \$5.3 million as a result of the closures of retail establishments.

As mentioned previously, the General Fund's reliance on Measure S will increase until Sales Tax and other General Fund revenues rebound. As such, the proportion of Measure S revenue dedicated to maintain Public Safety and General Services within the General Fund will be higher than in prior years. Measure S Funds available for Capital Improvement Program projects has decreased as a result of the shift of funds to balance the General Fund.





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Measure S appropriations for Fiscal Year 2020-21 reflect the following:

Public Safety (38%)

The Proposed Budget includes \$9,123,884 of Measure S funding dedicated to Public Safety, for the continued funding of 11 Sworn Police Officers and Fire staffing for Fire Station No. 95 which opened January 1, 2018. Additionally, Measure S will contribute \$3 million to the General Fund to help offset the reduction in Operating Revenues.

Asset Management/Investment (2%)

As noted in Council's appropriation guidelines for Measure S, ensuring adequate reserves are set-aside for the future replacement of City-owned assets is critical to the long-term viability of the City's operations. Over the past four years, a significant level of funding has been deposited in the City's Asset Replacement Funds. However, due to the economic downturn, it is recommended that these annual contributions be redirected to fund the operations of the General Fund during the downturn. The Facilities Replacement Fund, however, has a smaller fund balance and therefore a \$500,000 contribution to this fund is included in the Fiscal Year 2020-21 Budget.

Capital Improvement Program (21%)

The Proposed Budget includes \$4,945,872 of Measure S revenue allocated to fund 15 separate CIP projects for Fiscal Year 2020.21. The influx on Measure S funding has allowed the City to leverage other funding sources, such as Development Impact Fees and various Grant funds, to complete projects in a more timely manner.

Major Projects for FY2020-21 include:

- Cherry Street Extension and Murrieta Creek Low-Flow Crossing - \$424,300 to provide funding for an extension of Cherry Street from Adams Avenue to Diaz Road.
- French Valley Parkway/I-15 Improvements-Phase II - \$1,865,640 – to augment the \$50 million Federal INFRA grant to construct this highly anticipated project.
- Mary Phillips Senior Center Enhancement and Renovation - \$30,000 to augment \$400,000 in CDBG funding to provide a renovation of the heavily utilized Senior Center.
- Ronald Reagan Sports Park Restroom Expansion and Renovation - \$395,000 to complete the construction of the restroom expansion and snack bar facility.
- Santa Gertrudis Creek Phase II – Margarita Under-Crossing - \$382,464 to augment Senate Bill 1 funding for the design and construction of the under-crossing in Santa Gertrudis Creek at Margarita Road.
- Traffic Signal Installation – Citywide - \$375,000 to install or modify traffic signals throughout the City.

General Services (39%)

The Temecula Community Services District (TCSD) has historically been funded with voter-approved Measure C funding and program-related revenue. Measure S funding is used to augment Measure C, in order to maintain the award-winning programs, activities and events TCSD provides to the citizenry.

- TCSD Operations contribution - \$8,297,243



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- Library contribution - \$847,181
- Service Level B – Residential Streetlights - \$73,168
- Enhanced Custodial Services - \$80,896

The Ending Fund Balance within the Measure S Fund is projected to be \$4,325,723, which will carry-forward to the ensuing fiscal year.

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 fifteen Special Revenue Funds. The major Special Revenue funds are highlighted below.

Fund 100 - Gas Tax: Gas Tax revenue is projected to be \$2,418,092, which reflects a decrease of 4.6% due to reduced volumes of gasoline sales over the prior year, as a result of the stay-at-home orders related to the COVID-19 pandemic. 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 \$1,827,342 for FY2020-21, to be allocated to the Pavement Rehabilitation Capital Improvement Project.

Fund 103 – Street Maintenance Fund: This fund was established in FY2018-19 to accumulate resources for the future replacement of streets and roads throughout the City. Funding for FY2020-21 has been deferred as part of budget reduction efforts in response to the economic downturn caused by the COVID-19 pandemic.

Fund 105 – NPDES In Lieu Fees Fund: This fund was established in FY2019-20 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. There is no revenue anticipated to be received in FY2020-21.

Fund 106 – Jefferson Street In Lieu Fees Fund: This fund was established in FY2019-20 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. For FY2020-21, a new hotel development is anticipated to contribute \$222,718 of In Lieu Fees into this fund.

Fund 120 – Development Impact Fees: DIF revenue is projected to be \$4,755,870, which reflects an increase of 20%. DIF revenue varies from year-to-year as it is based on anticipated development projects. The majority of DIF Revenues are transferred to the CIP to fund capital projects.

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 \$220,219, which will be spent on various technology equipment used to support the



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broadcast of City Council meetings and events. Expenditures for FY2020-21 are suspended, as a budget reduction measure related to the COVID-19 pandemic.

Fund 140 – Community Development Block Grant (CDBG): CDBG revenue is projected to be \$559,063, which reflects the reimbursement for operations and Capital projects expected to be completed during the fiscal year.

Fund 165– Affordable Housing Fund: The Affordable Housing Fund reflects the housing-related activities of the former Temecula Redevelopment Agency. Total Revenue for FY2020-21 of \$340,100 includes the State Department of Finance allocation of \$250,000 designated for the administration of the wind down of Redevelopment obligations. The fund received a \$1.3 million one-time revenue in FY2019-20 as a result of the refinancing of an affordable housing development project.

Fund 170 – Measure A: Measure A revenue is projected to be \$2,818,800, which reflects a 6.1% decrease from the prior year, due to the economic impact of the COVID-19 pandemic. This revenue is restricted for use on local streets and roads, and is programmed to support street and road maintenance.

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the funding of goods and services provided by one department to other benefitting 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 \$1,085,602, which covers the cost of administering the City's liability and property insurance programs. The projected Fund Balance is \$738,524, which exceeds the desired balance of \$450,000.

Fund 305 – Workers' Compensation: Projected expenses total \$258,309, which covers the cost of administering the City's self-insured Workers' Compensation program. The projected Fund Balance is \$1,862,227, which exceeds the desired balance of \$1.5 million. As such, and for budget reduction purposes, Workers' Compensation charges to departments was suspended for FY2020-21.

Fund 310 – Vehicles and Equipment: Projected expenses total \$134,000 to replace a utility trailer for Public Works and a Medic Squad for the Fire Department, as the existing equipment has reached the end of their useful life. The projected Fund Balance is \$3,285,627.

Fund 320 – Information Technology: Projected expenses total \$4,448,202, which provides for the management of the City's computer and telephone systems. The projected Fund Balance is \$684,011.

Fund 325 – Technology Replacement: Projected expenses for FY2020-21 have been deferred, as part of budget reduction measures related to the COVID-19 economic impact. The projected Fund Balance is \$827,755.



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Fund 330 – Support Services: Projected expenses total \$376,769, which provides for the management of the City’s central receptionist, printing and mail activities. The projected Fund Balance is \$10,008.

Fund 335 – Support Services Replacement: Projected expenses for FY2020-21 have been deferred, as part of budget reduction measures related to the COVID-19 economic impact. The projected Fund Balance is \$431,315.

Fund 340 – Facilities: Projected expenses total \$1,338,520, which provide for the operations and maintenance of the City’s buildings and parking structure. The projected Fund Balance is \$576,669.

Fund 350 – Facility Replacement: Projected expenses total \$315,000, which provide for the replacement of equipment, systems and fixtures within City-owned facilities. The projected Fund Balance is \$691,127.

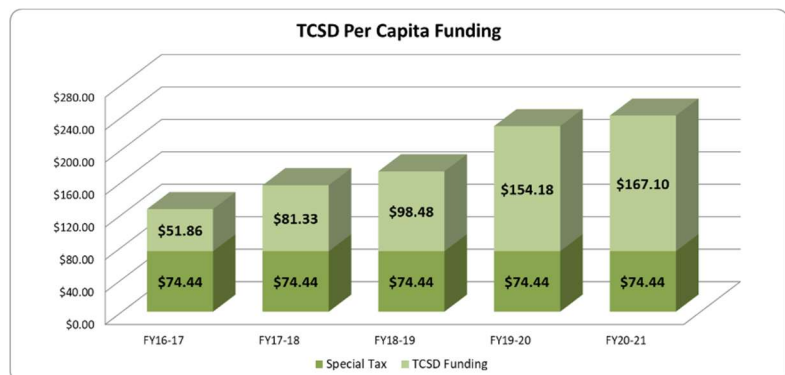
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY (SARDA)

Fund 380 – SARDA: Projected expenses total \$5,903,653, which reflects a decrease of \$1,626,668, due mostly to the deferral of the \$750,000 contribution to a capital project, and the elimination of an Owner Participation Agreement payment for property tax increment. Debt Service expenditures are in accordance with the debt service schedule on the outstanding 2017A and 2017B Redevelopment Agency Tax Allocation Bonds.

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.

Combined revenue for TCSD totals \$24,888,200, which reflects an increase of 3.3% due primarily to the contributions from the Measure S Fund to fill the funding gap in the TCSD Operations Fund, as well as an increase in Service Level D – Refuse/Recycling Fund, due to inflationary rate increases per the franchise agreement with CR&R. Combined expenditures total \$24,940,900, which reflects an increase of 0.8% due to higher costs in the TCSD Operations Fund as a result of the anticipated re-hiring of laid-off part-time/seasonal staffing who were separated from employment in March 2020 due to the COVID-19 pandemic. Expenditures in Service Level B – Street Lights are projected to decrease due to the acquisition of the street light network from Southern California Edison and the subsequent conversion to LED bulbs, both of which generate significant savings.



As noted in the adjacent chart, TCSD’s Special Tax (Measure C) funds approximately 32% of the District’s Parks and Recreation budget. The remaining 68% comes from Measure S and programmatic revenues.



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CAPITAL IMPROVEMENT PROGRAM (CIP)

The City's five-year Capital Improvement Program (CIP) 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 were taken into consideration in the development of the operating budget. Circulation, infrastructure, parks, affordable housing, and other various projects are identified in the CIP budget.

Overall, the Proposed Fiscal Years 2021-25 CIP includes 83 separate projects with total project costs estimated at \$623,476,187, as outlined in the table below. Revenue from various identified sources for the Five-Year Capital Improvement Program is projected to be \$514,075,560. This amount includes a \$50 million INFRA grant to fund the French Valley Parkway Phase II project. The City of Temecula's CIP is a project planning and delivery document which includes several projects with unidentified funding sources in the third, fourth, and fifth years of the five-year program, totaling \$109,400,627. The City is continually exploring and applying for federal, state and regional funding opportunities to enable the delivery of these currently unfunded projects. The five-year CIP is updated annually and newly secured revenues are programmed toward prioritized projects that may be shown as unfunded at this time.

Type of Project	Number of Projects	Cost of Projects
Circulation	25	\$506,852,861
Infrastructure	40	74,490,211
Parks and Recreation	16	25,951,175
SARDA/ Housing	2	16,181,940
TOTAL	83	\$623,476,187

2020-21 AUTHORIZED STAFFING

Total authorized Full Time Equivalent (FTE) positions total 172.95 authorized positions, which reflects a decrease of 3.5 positions compared to the prior year. Two of the authorized positions were added in FY2019-20 to assist with public outreach related to the COVID-19 pandemic.

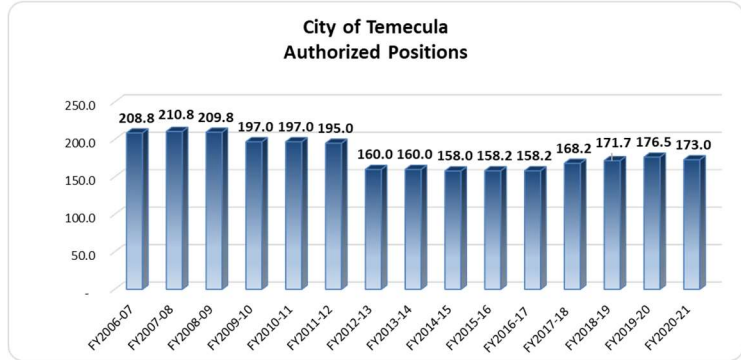
A total of 3 vacant positions are currently on hold, until such time as the City recoups adequate resources to fund these positions. The affected positions include the following:

- Accounting Support Supervisor (Finance Department)
- Engineering Technician I (Public Works Department)
- Community Services Specialist I (TCSD)

In addition, two positions related to the rehabilitation of the Margarita Recreation Center are unfunded until the facility is complete and open for operation.

Total Authorized Positions total 172.95 remains below the peak in 2007-08 by 37.8 positions.

In addition to the Authorized Positions, the City employs a significant number of part-time, non-benefitted Project employees, primarily to assist with the multitude of programs offered by the Temecula Community Services District. For FY2020-21, an estimated 59.5 full-time equivalent (FTE) will be hired as seasonal and part-time support.



Public Safety personnel is supplied through contracts with Riverside County and CalFire. A total of 112 Sworn Police Officers and 17 Community Service Officers are included in the Police Budget, and a total of 71 Fire personnel are reflected in the Fire Department Budget for FY2020-21.

CONCLUSION

In conclusion, the City of Temecula has been significantly impacted by the COVID-19 pandemic, with the loss of over \$15 million in several major revenue sources. In response to this economic situation, I'm proud to say that the City's Executive Team has shown great leadership in prioritizing their operational needs and submitted responsive budgetary reductions necessary to balance all funds over the ensuing five-year period. While the City will maintain its Reserve for Economic Uncertainty, it will be necessary to fully expend the General Fund's available fund balance as well as utilize a portion of the City's Secondary Reserve to remain fiscally solvent during these unprecedented economic times.

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 the 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: Greg Butler, Assistant City Manager, Jennifer Hennessy, Director of Finance; Rudy Graciano, Fiscal Services Manager; Patricia Hawk, Fiscal Services Manager; and Tina Rivera, Accounting Assistant for their long hours and dedication to the City and this budget process.

Sincerely,



Aaron Adams
City Manager