



FY 2021-23 Baseline Budget and Five-Year Financial Plan



City of Irvine Budget

Budget is a Policy Document and a Financial Document



Strategic Business Plan

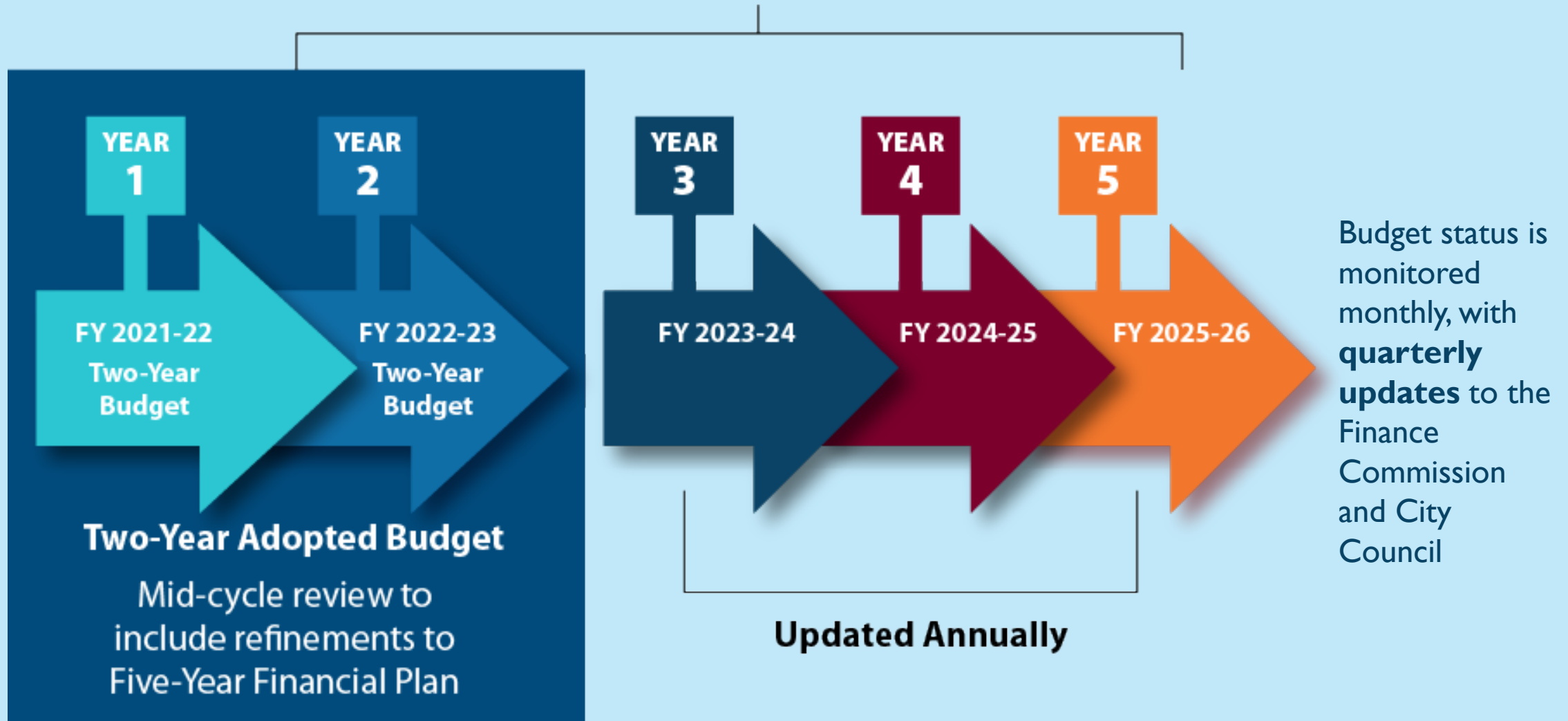
1. City Council Priorities
2. Fiscal Assumptions and Projections
3. Balancing Principles
4. Balancing Measures for All Five Years



CITY OF IRVINE
FY 2021-23 Baseline Budget



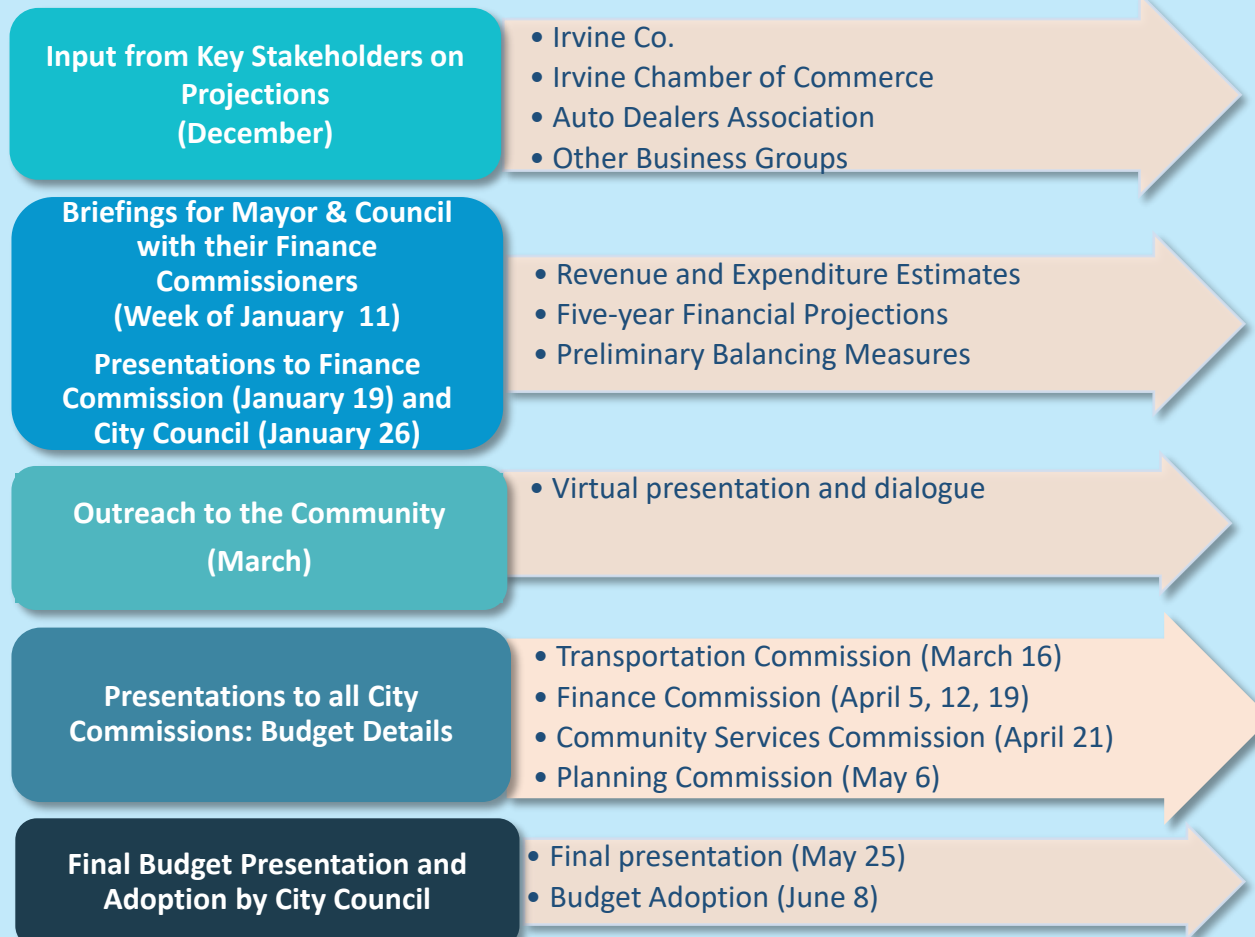
Budget Development - Biennial Budget in the Context of a Five-Year Financial Plan



Two-Year Budget and Five-Year Planning Cycle



Participatory Budget Development



City's Key Priorities



1. *Quality of Life*

- Placing high value on public safety
- Providing high quality recreation and open space opportunities

2. *Environment*

- Promoting the conservation of natural resources and protecting the environment

3. *Transportation and Traffic*

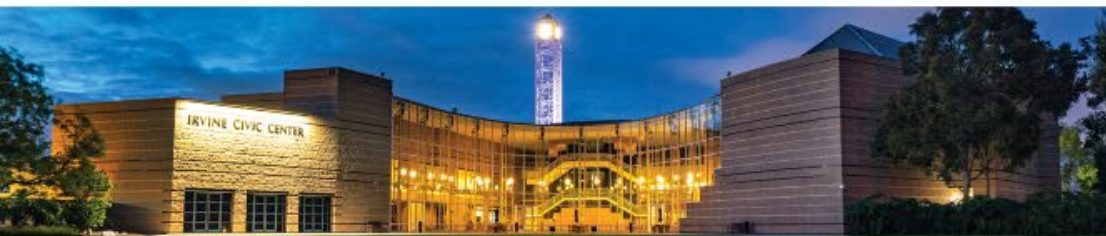
- Enhancing Citywide mobility through transportation improvements

4. *Fiscal Strength*

- Building up the Contingency Reserve to 25 percent in good times, and utilizing wisely in difficult times
- Continuing efforts to reduce unfunded pension liability
- Continuing responsible investment in key infrastructure, such as facilities, streets, vehicles and technology

5. *Organizational Excellence*

- Providing high quality essential City services
- Promoting innovation through effective use of technology to streamline business processes and increase responsiveness to the community
- Recruiting and retaining highly competent staff



Budget Balancing Principles



Prioritize Essential Services



Avoid Layoffs



Maximize Savings by Renegotiating Contracts, Controlling Overtime, and Re-evaluating All Discretionary Spending



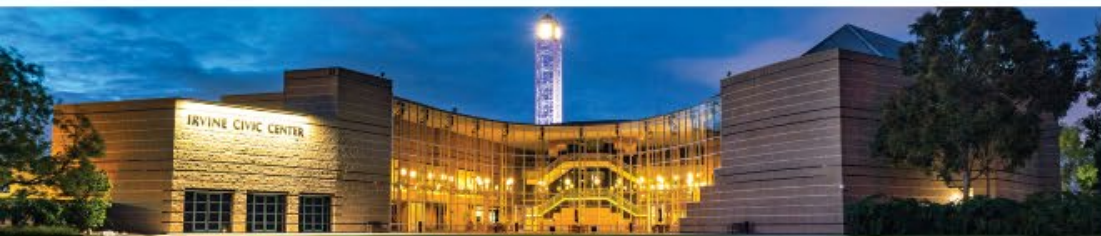
Maximize Discretionary Revenues by Matching Fees to Cost of Services



Continue Responsible Investment in the City's Critical Infrastructure



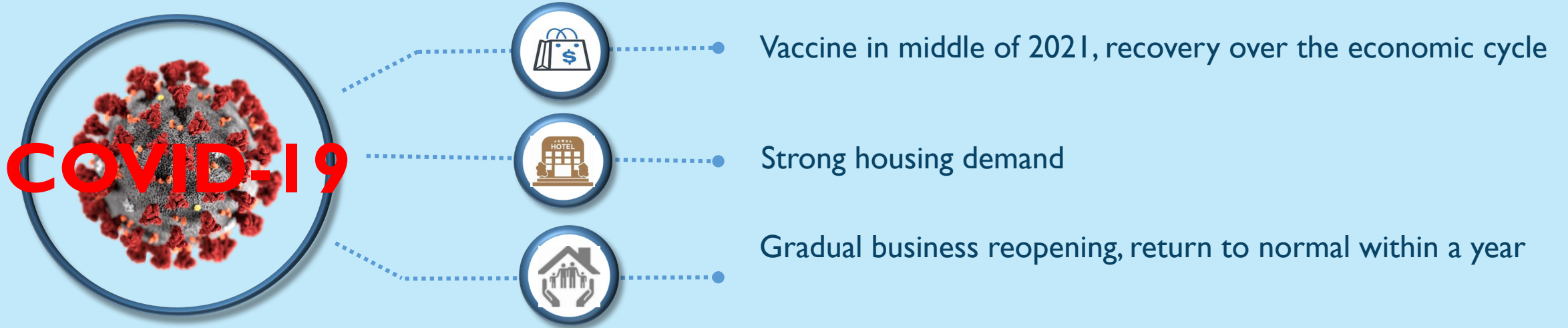
Minimize Further Impacts on City's Reserves



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Economic Environment: Context for Projections



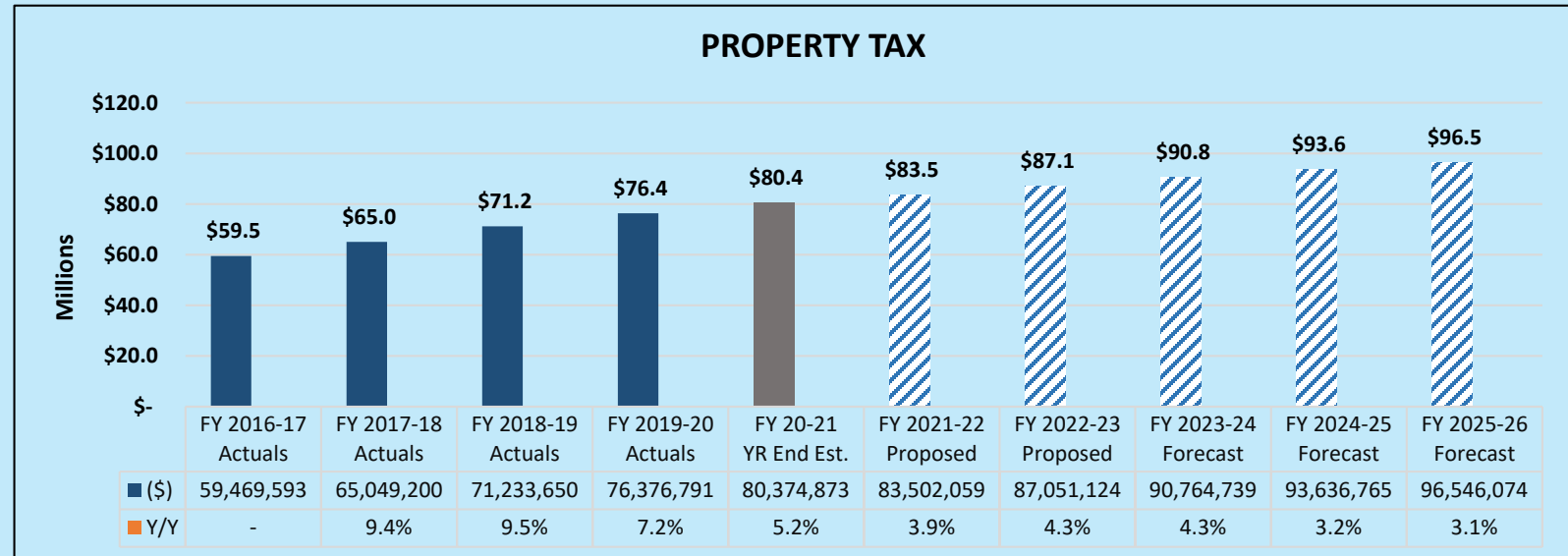
General Fund



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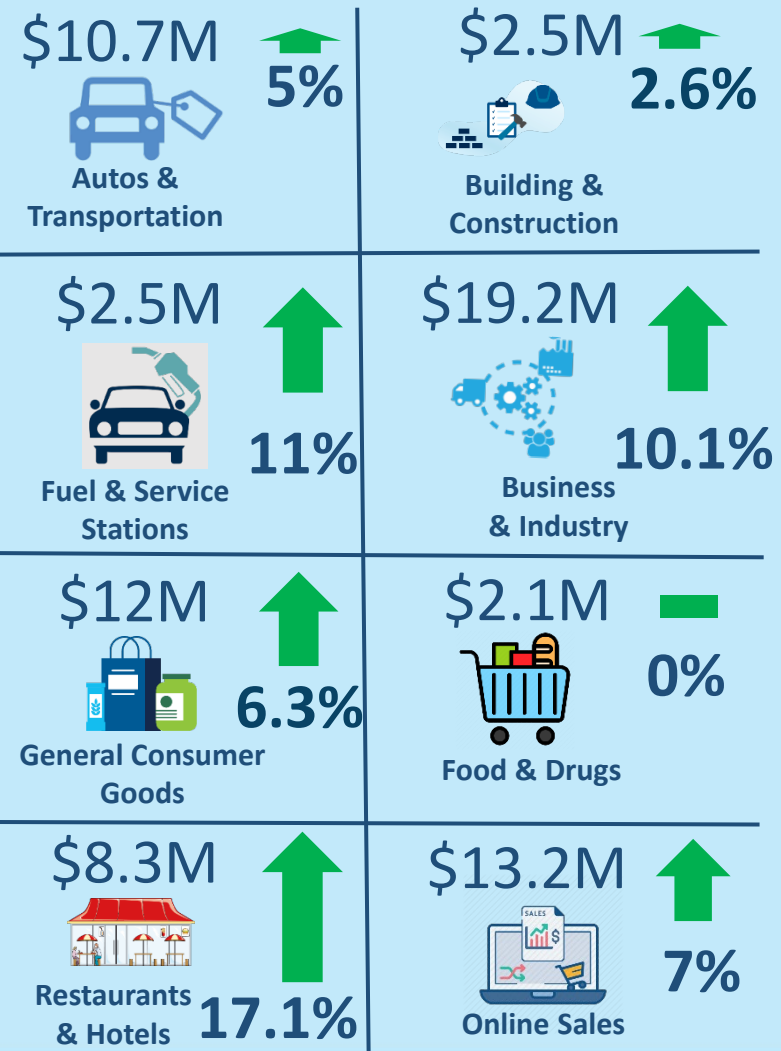


Property Values and Sales Continues to Grow

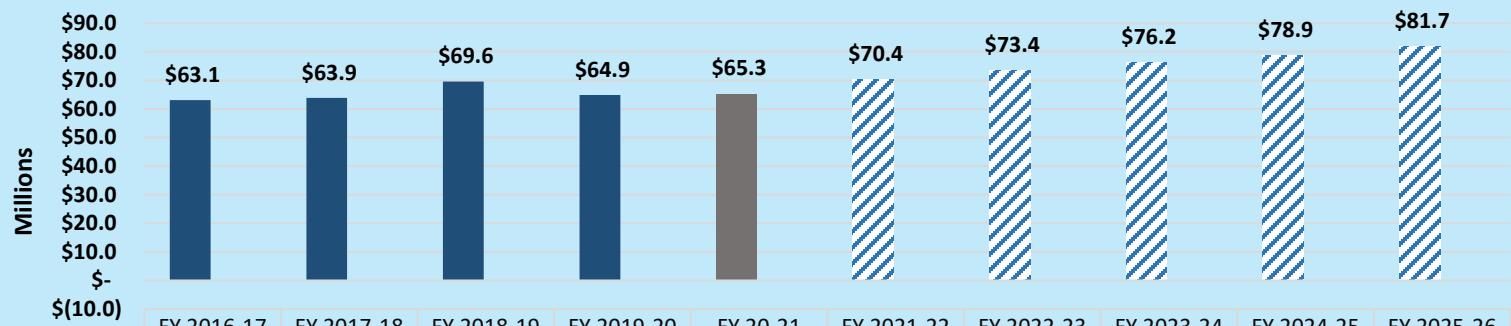


Retail Sales Return to Normal Next Year

FY 2021-22 Proposed



SALES TAX



	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 20-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
	Actuals	Actuals	Actuals	Actuals	YR End Est.	Proposed	Proposed	Forecast	Forecast	Forecast
■ (\$)	63,063,463	63,853,447	69,597,038	64,855,382	65,271,753	70,393,060	73,406,017	76,194,174	78,877,885	81,705,839
■ Y/Y		1.3%	9.0%	-6.8%	0.6%	7.8%	4.3%	3.8%	3.5%	3.6%

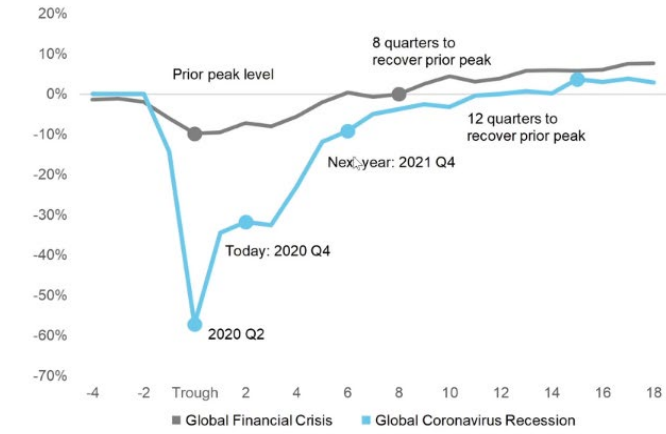


Hotel Tax Recovers Slowly

Approximately three years to recover room demand levels

Room demand: US

Quarters relative to trough, level relative to prior peak

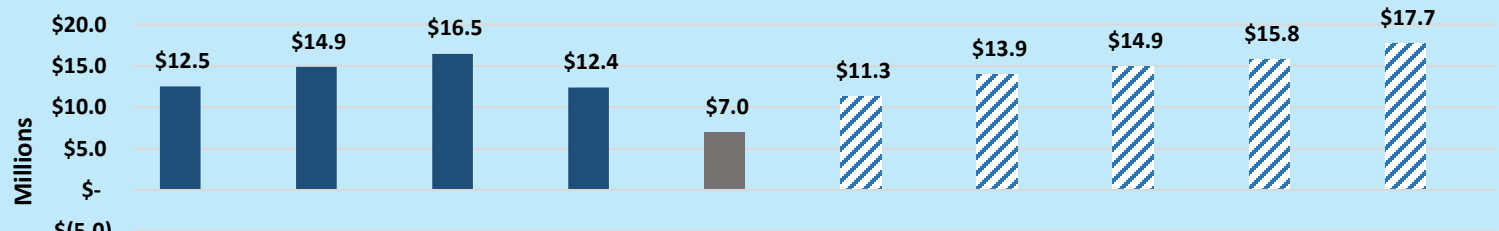


Room revenue is expected to recover to its prior peak level in early 2024, about four years after prior peak.



Source: STR; Tourism Economics

HOTEL TAX



	FY 2016-17 Actuals	FY 2017-18 Actuals	FY 2018-19 Actuals	FY 2019-20 Actuals	FY 20-21 YR End Est.	FY 2021-22 Proposed	FY 2022-23 Proposed	FY 2023-24 Forecast	FY 2024-25 Forecast	FY 2025-26 Forecast
■ (\$)	12,520,113	14,883,338	16,463,350	12,383,346	6,994,560	11,302,661	13,945,669	14,926,695	15,822,701	17,744,967
■ Y/Y		18.9%	10.6%	-24.8%	-43.5%	61.6%	23.4%	7.0%	6.0%	12.1%



- 10% Leisure
- 30% Group & Event
- 60% Corporate Business

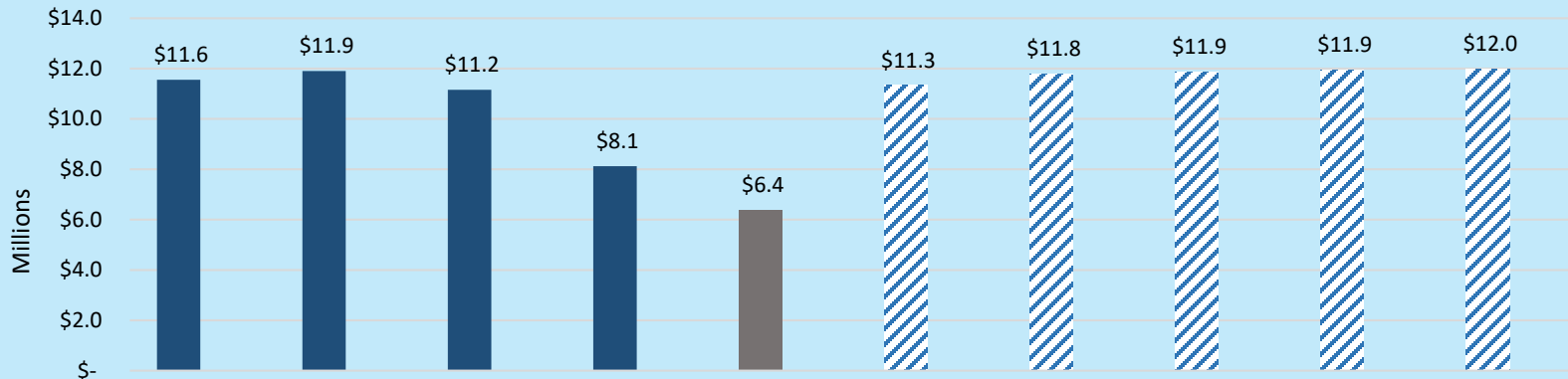


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FY 2021-23 Baseline Budget



Recreation Programs Rebound Quickly

PROGRAM & SERVICE FEES

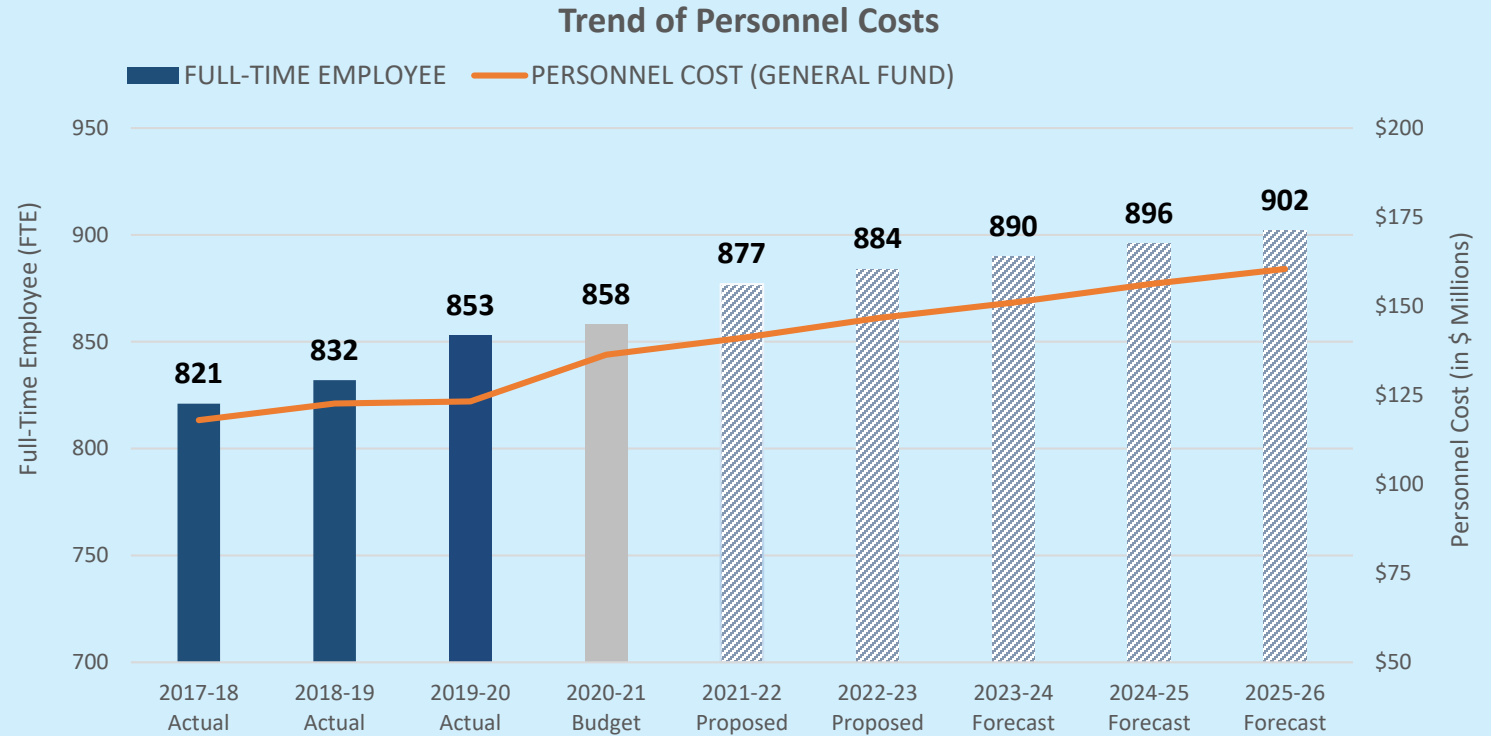


	FY 2016-17 Actuals	FY 2017-18 Actuals	FY 2018-19 Actuals	FY 2019-20 Actuals	FY 20-21 YR End Est.	FY 2021-22 Proposed	FY 2022-23 Proposed	FY 2023-24 Forecast	FY 2024-25 Forecast	FY 2025-26 Forecast
■ (\$)	11,551,006	11,899,921	11,155,501	8,122,320	6,375,397	11,328,062	11,796,014	11,866,783	11,925,759	11,973,672
■ Y/Y		3.0%	-6.3%	-27.2%	-21.5%	77.7%	4.1%	0.6%	0.5%	0.4%



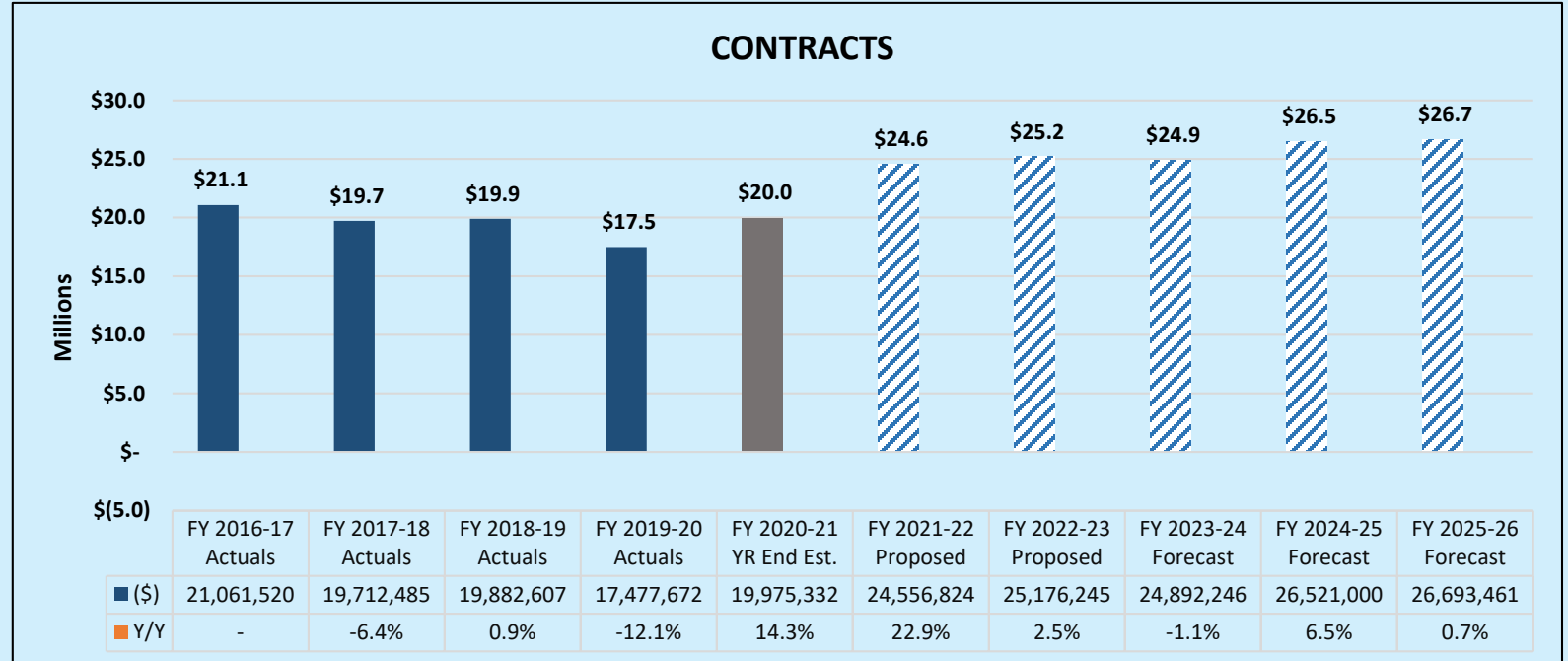
Salaries and Benefits Continue to Increase

- Baseline Personnel costs are anticipated to increase an estimated average of **3.3%** annually
 - Reflect contractually mandated merit increases and 1% COLAs
 - Vacancy Rate: 4% Sworn and 6% for Civilians
 - CalPERS retirement rates:
 - Sworn **38.26%** in FY 2021-22 to **40.36%** in FY 2025-26: **\$2.1 M**
 - Civilian **21.35%** in FY 2021-22 to **23.53%** in FY 2025-26: **\$3.1 M**



Contracted Services Continue to Cost More

- Major categories:
 - \$3.1M landscape maintenance
 - \$2.3M Instructors in CS
 - \$2.0M Urban Forestry Program
 - \$1.2M for Weed Abatement
- Growth in contracts are primarily due to State mandated prevailing wage increases

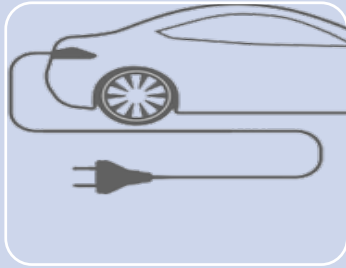


Key Internal Services Included in the Budget



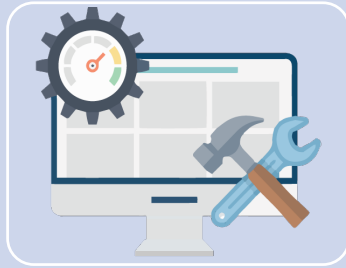
Information Technology

Departmental Technology, Shared IT Services, Telecom Shared



Fleet Services

Equipment Rent, Vehicles and Maintenance



Civic Center Maintenance

Facility Maintenance



Mail Internal Service

Shared Mail Services, Duplication Center, Postage and Print Services



Other Significant City Commitments in the Budget



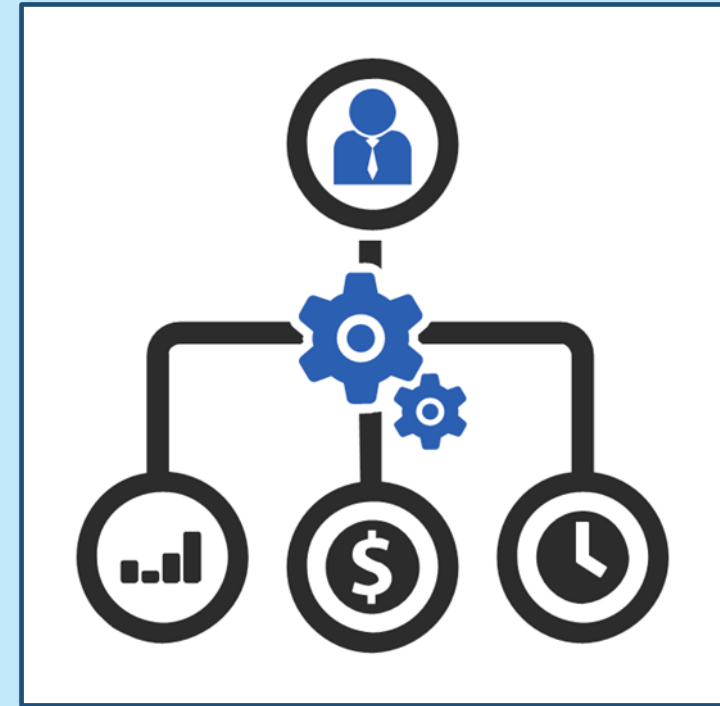
Barclay Theatre:

- \$1 Million



School Support:

- \$4 Million Direct
- \$7 Million Indirect



Capital Improvement Program:
Presented in March



Key Budget Policies

Pages 522-526 of the current adopted budget (FY 19-21):

- A. Long-Term Financial Planning
- B. Biennial Budget
- C. Capital Budget
- D. Balanced Budget
- E. General Fund Reserve
- F. Infrastructure Funding
- G. Interfund Transfers and Loans
- H. User Fees and Cost Recovery



Balanced Budget Policy

The City Manager presents, and the City Council adopts, a balanced biennial budget, containing estimated revenues equal to appropriated expenditures.

- **The budget is balanced at the individual fund level.** The estimated revenue sources must be sufficient to cover proposed uses.
- **Ongoing operations are funded by recurring revenues.**
- **City policies on reserve requirements for specific funds are adhered to in the budget.**
- If shortfalls are projected after the budget adoption, during quarterly financial reviews, the City Manager will present a plan to address such shortfalls with sustainable measures in order to achieve a balanced budget by fiscal year-end.
- Non-recurring revenues or one-time funding may be used to balance the budget during economic downturns, or as a result of unforeseen events.



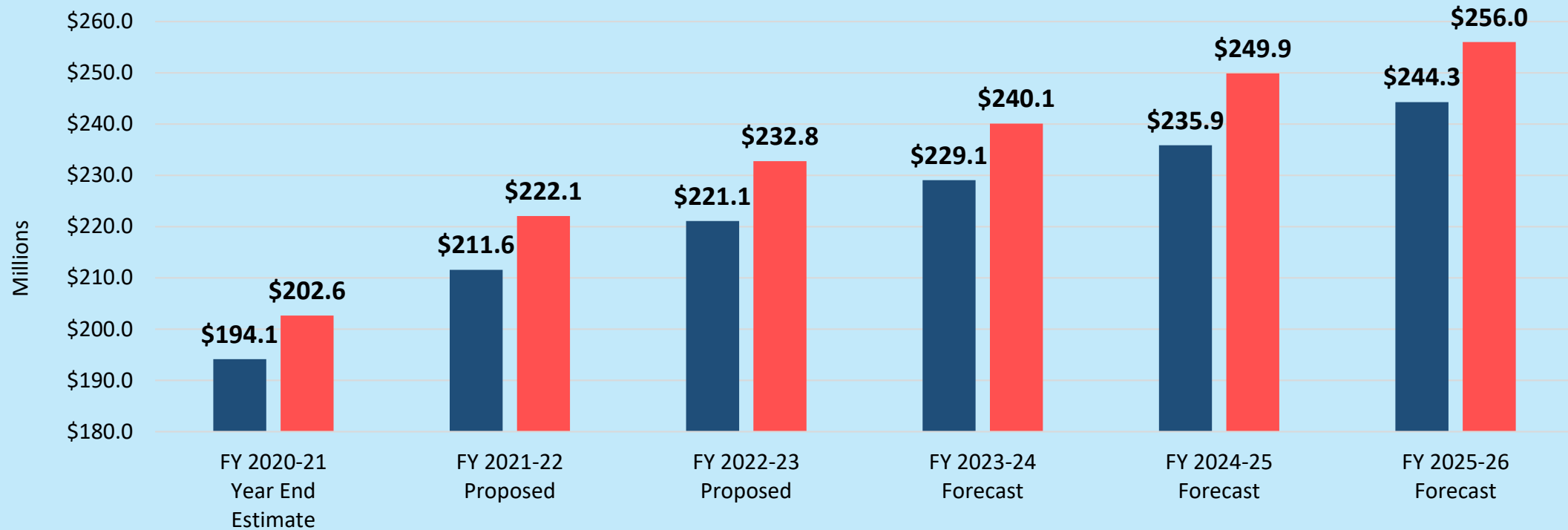
General Fund Reserve Policy

The City shall seek to maintain a General Fund Contingency Reserve at a level between 20 to 25 percent of the General Fund adopted appropriations.

- A 25 percent reserve level is desired, but will only be achieved when practical.
- The Contingency Reserve may be used to help mitigate the effects of unanticipated situations such as natural disasters and severe, unforeseen events.
- During the fiscal year, the Contingency Reserve may also be used to meet the City's funds liquidity needs.
- The City Council may authorize the **use of reserves** to address an **unforeseen emergency**, or to **offset revenue decreases due to a significant economic downturn** in order to **maintain strategic essential services**. At the time this authorization is given, a plan shall also be approved to replenish the reserves within three fiscal years.



General Fund Baseline Projections



	FY 2020-21 Year End Estimate	FY 2021-22 Proposed	FY 2022-23 Proposed	FY 2023-24 Forecast	FY 2024-25 Forecast	FY 2025-26 Forecast
Baseline Budget						
Revenues & Transfers-In	194,141,447	211,571,600	221,080,001	229,051,672	235,862,854	244,287,389
Expenditures & Transfers-Out	202,639,589	222,073,908	232,771,744	240,085,232	249,902,325	256,009,710
Baseline Shortfall	(8,498,142)	(10,502,308)	(11,691,743)	(11,033,560)	(14,039,471)	(11,722,321)



Preliminary Measures: Based on Balancing Principles

A. Citywide Measures

Citywide Measures	FY 2021-22 Proposed	FY 2022-23 Proposed	FY 2023-24 Forecast	FY 2024-25 Forecast	FY 2025-26 Forecast	Description
Beginning Surplus/(Deficit)	(10,502,308)	(11,691,743)	(11,033,560)	(14,039,471)	(11,722,321)	
Temporarily postpone loan repayment to Asset Management Fund	2,944,391	3,384,895	3,725,891	4,150,548	4,367,396	Pension Paydown Plan Repayment to AMP
Temporarily postpone additional \$2 million payment to CalPERS	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	Additional Discretionary Payment to CalPERS for Pension Paydown Plan
Utilize Internal Services fund balances	1,385,066	1,385,066	1,385,066	1,385,066	1,385,066	Utilize existing fund balances in Internal Services
After Citywide Options Surplus/(Deficit)	(4,172,851)	(4,921,782)	(3,922,603)	(6,503,857)	(3,969,859)	



Preliminary Measures: Based on Balancing Principles

B. Department Measures

Department Measures in Expenditures	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Description
Continue freezing non-essential staffing to maintain current service levels	1,576,168	1,543,286	1,553,529	1,565,235	1,573,239	Maintaining staffing at current service levels, appropriately charging staff time to special funds, repositioning part-time positions for anticipated usage in Community Services
Continue renegotiating all City contract services	1,534,388	1,691,284	1,507,299	1,948,333	1,687,468	Reductions and renegotiate contracts without impacting service levels; Top reductions: Landscape, Repair/Maintenance
Continue to manage overtime	1,037,647	914,000	813,000	763,000	759,427	Public Safety is managing overtime expenditures
Reflect actual usage of anticipated internal services	370,377	410,529	491,046	535,377	517,836	Reductions in in usage in all internal services, Civic Center Maintenance, Mail, and Information Technology
Continue being diligent in utilization of supplies	345,283	342,077	356,343	366,138	369,883	Various office supplies throughout all Departments
Utilize internal staffing for training, adjust business expenditures citywide, reducing off-site meetings	108,493	116,635	93,147	90,316	77,613	Various trainings, reduction in off-site meetings, utilize existing staff for in-house training programs
Total	4,972,357	5,017,811	4,814,364	5,268,398	4,985,466	
Department Measures in Revenues	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Description
Charge fees for special services as appropriate	343,818	346,894	350,032	353,233	356,497	Water Quality Fees; fees reallocated appropriately for special funds for staff time
Utilize grant reimbursements for non-personnel expenses	200,000	-	391,000	-	-	Appropriately charging contract expenses as anticipated usage
Increase volume of tennis programming	10,000	10,000	10,000	10,000	10,000	Additional tennis programming
Total	553,818	356,894	751,032	363,233	366,497	
Department Measures in Revenues/Expenditures	5,526,174	5,374,705	5,565,396	5,631,631	5,351,964	
Projected Surplus/(Deficit)	1,353,323	452,923	1,642,793	(872,226)	1,382,104	
Ending Estimated Contingency Reserves	47,323,798	47,776,721	49,419,514	48,547,288	49,929,392	
Percent of Operating Expenditures	22.1%	21.4%	21.6%	20.4%	20.5%	



Building & Safety Fund



CITY OF IRVINE
FY 2021-23 Baseline Budget



Context for Projections

- Fee revenue and expenses for permitting, plan check, and inspections
- Fund has negative balance
 - 12 years without a fee increase
 - Decreasing volume due to COVID-19
 - 2019 fee increase insufficient
- Costs have been cut by over \$1.0 million over the last two years
- Revenues expected to recover in 2021 and then projected to decline as the City approaches build out
- Evaluating other balancing options for next budget cycle including a possible fee increase



Status Quo

	2021-22	2022-23	2023-24	2024-25	2025-26
	ESTIMATE	ESTIMATE	ESTIMATE	ESTIMATE	ESTIMATE
BEGINNING FUND BALANCE	(2,042,146)	(3,206,182)	(4,326,440)	(5,696,940)	(7,561,234)
REVENUES	12,755,387	12,372,617	12,001,336	11,641,296	11,292,057
EXPENDITURES & TRANSFERS	13,919,422	13,492,876	13,371,836	13,505,590	13,613,875
ENDING FUND BALANCE	(3,206,182)	(4,326,440)	(5,696,940)	(7,561,234)	(9,883,052)
BEGINNING CASH BALANCE	0	(314,093)	(1,510,905)	(2,955,661)	(4,891,963)
ENDING CASH BALANCE	(314,093)	(1,510,905)	(2,955,661)	(4,891,963)	(7,283,628)



Fee Increase in First Year Only

15% FEE INCREASE IN YEAR 1	2021-22 ESTIMATE	2022-23 ESTIMATE	2023-24 ESTIMATE	2024-25 ESTIMATE	2025-26 ESTIMATE
BEGINNING FUND BALANCE	(2,042,146)	(1,523,182)	(1,010,930)	(797,895)	(1,126,160)
REVENUES	14,667,887	14,227,742	13,800,808	13,386,783	12,985,180
EXPENDITURES & TRANSFERS	14,148,922	13,715,491	13,587,772	13,715,049	13,817,050
ENDING FUND BALANCE	(1,523,182)	(1,010,930)	(797,895)	(1,126,160)	(1,958,031)
BEGINNING CASH BALANCE	0	1,751,407	2,175,630	2,303,278	1,892,208
ENDING CASH BALANCE	1,751,407	2,175,630	2,303,278	1,892,208	980,017

Declining revenues forecasted due to development reaching buildout and a 15% fee increase in FY 2021-22.



Fee Increases Over a Three Year Period

6% ANNUAL FEE INCREASE FOR YEARS 1, 2 & 3	2021-22 ESTIMATE	2022-23 ESTIMATE	2023-24 ESTIMATE	2024-25 ESTIMATE	2025-26 ESTIMATE
BEGINNING FUND BALANCE	(2,042,146)	(2,532,982)	(2,308,052)	(1,662,015)	(1,570,269)
REVENUES	13,520,387	13,901,240	14,292,855	13,864,069	13,448,147
EXPENDITURES & TRANSFERS	14,011,222	13,676,311	13,646,818	13,772,323	13,872,606
ENDING FUND BALANCE	(2,532,982)	(2,308,052)	(1,662,015)	(1,570,269)	(1,994,728)
BEGINNING CASH BALANCE	0	512,107	813,208	1,537,568	1,543,557
ENDING CASH BALANCE	512,107	813,208	1,537,568	1,543,557	1,035,914

Declining revenues forecasted due to development reaching buildout and an annual 6% fee increase in years 1, 2 & 3



City's Fees Continue to Be Lower than Our Neighbors

	Irvine	Newport Beach	Anaheim	Huntington Beach	Orange
Office TI (3,000 s.f.)					
Plan Check	\$462	\$1,090	\$1,039	\$1,310	\$891
Inspection	\$531	\$1,515	\$637	\$1,658	\$1,371
New Model Home (2,800 s.f.)					
Plan Check	\$1,248	\$1,561	\$2,247	\$1,897	\$1,285
Inspection	\$951	\$2,169	\$1,377	\$2,401	\$1,978
New Production Home (2,800 s.f.)					
Plan Check	\$162	\$1,561	\$1,611	\$624	\$1,288
Inspection	\$951	\$2,169	\$987	\$2,401	\$1,978
New Office Building (20,000 s.f.)					
Plan Check	\$5,500	\$4,590	\$5,413	\$5,682	\$3,821
Inspection	\$5,800	\$6,375	\$3,318	\$7,193	\$5,878
New Office Building Shell (20,000 s.f.)					
Plan Check	\$4,394	\$4,590	\$5,413	\$5,682	\$3,821
Inspection	\$5,752	\$6,375	\$3,318	\$7,193	\$5,878
WQMP					
WQMP Check	\$830	N/A	\$1,100	\$500 - \$1000 dep.	\$1,000 dep.
Non Priority WQMP Check	\$330	N/A	\$1,100		\$1,000 dep.



Orange County Great Park



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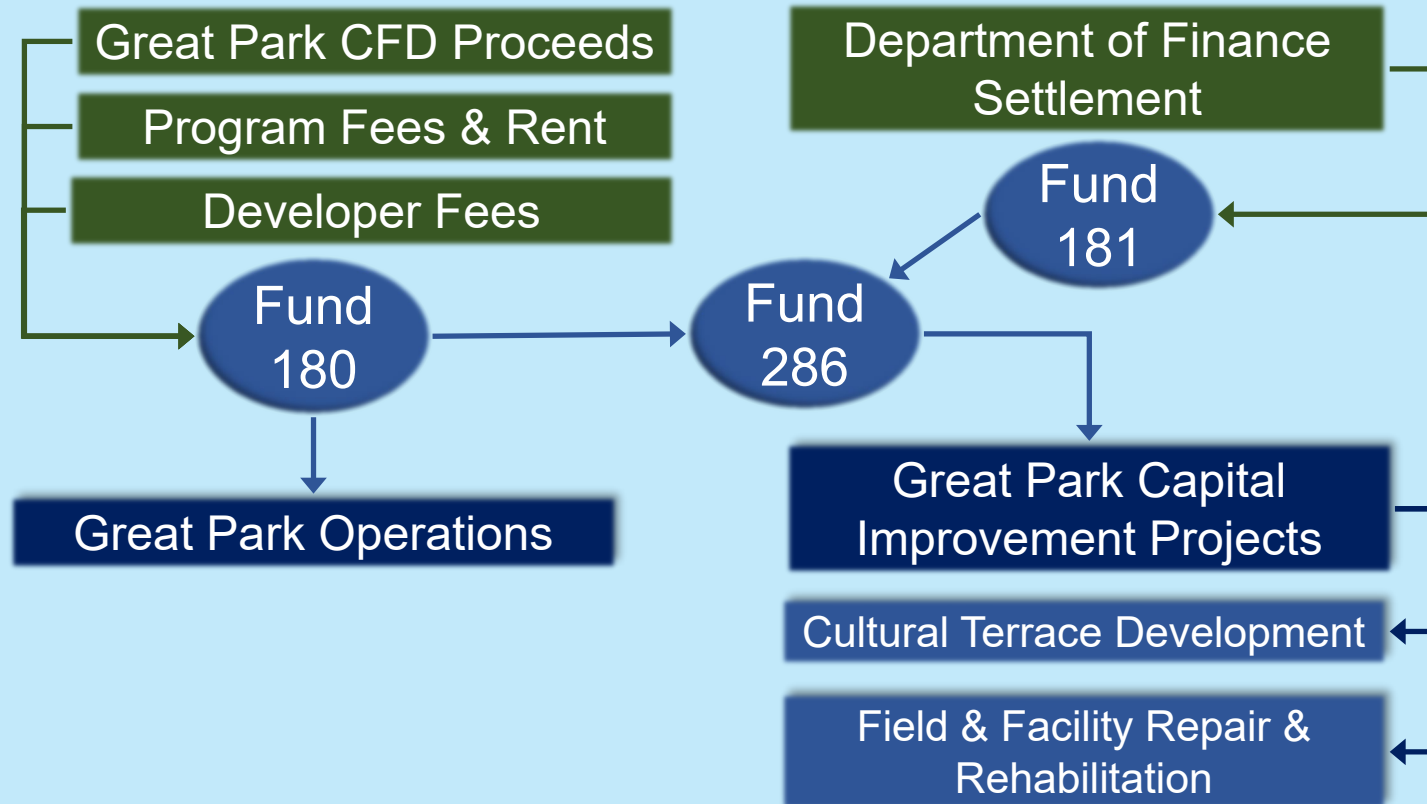


Great Park Policy Framework

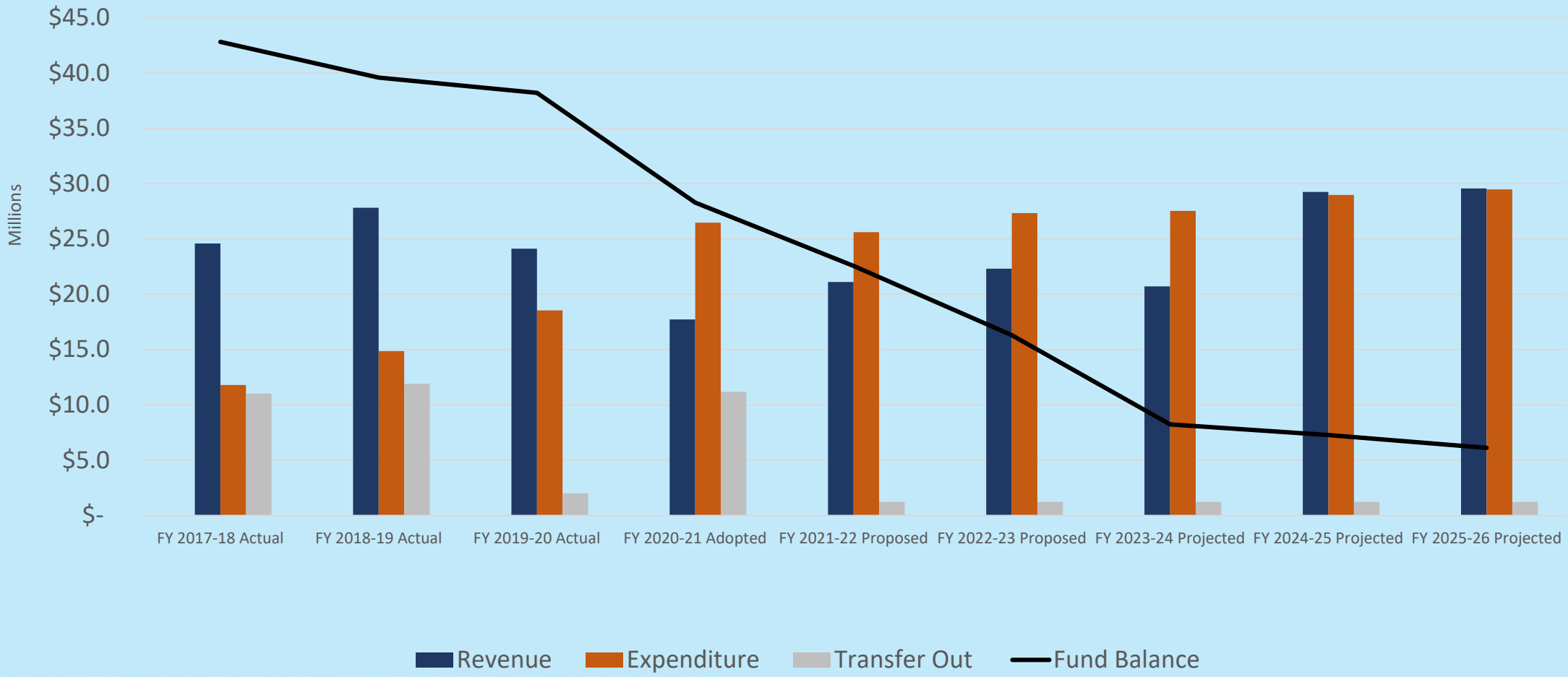
- City Council and voter limits on City funds for the Great Park and for Fiscal Transparency (Resolution 06-71 & Measure V)
- Agreements with Heritage Fields El Toro address financing and development
- Community Facilities District 13-3: Great Park CFD for funding



Great Park Funds



Operating Fund: Planned Use of Reserves



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Great Park Capital Projects

- \$109M Existing Projects Approved, \$70.3M Remaining Funding:
 - Administration Building
 - Cultural Terrace Parking Lot
 - Visitor Center Plaza Rehabilitation

- \$17M Proposed New Funding, New and Existing Projects (Over 5 years)
 - LIFOC (Western Cultural Terrace) Site Preparation
 - Soccer and Baseball Facility Improvements
 - Phase 2 and 3 of Shade Master Plan



Great Park Development

- **On-Going Efforts:**
 - Southern California Veterans Cemetery
 - Administration Building
 - Pretend City Children's Museum
 - Botanical Gardens
- **Potential Future Efforts:**
 - Museums
 - Commercial Recreation
 - Golf Course

Returning to Board in Spring/Summer for renewed **Master Plan** discussions

