

**AGENDA ITEM 4**



# REQUEST FOR FINANCE COMMISSION ACTION

**MEETING DATE:** JANUARY 19, 2021

**TITLE:** ASSUMPTIONS, BASELINE PROJECTIONS AND PRELIMINARY  
BALANCING MEASURES FOR FISCAL YEAR 2021-23 TWO-  
YEAR BUDGET AND FISCAL YEAR 2021-26 FIVE-YEAR PLAN

Director of Financial Management &  
Strategic Planning

## RECOMMENDED ACTION

Receive and provide input on the assumptions, resulting baseline projections and preliminary balancing measures for the Fiscal Year 2021-23 Two-Year Budget and Fiscal Year 2021-26 Five-Year Financial Plan; for the City's key funds including the General Fund, the Building & Safety Fund, and Orange County Great Park Funds.

## EXECUTIVE SUMMARY

The City of Irvine develops a Two-Year Budget in the context of a longer Five-Year Strategic Business Plan. The latter aligns City department goals, performance indicators and budget allocations with the City Council's strategic priorities, provides initial financial projections for five years and, if shortfalls are anticipated, balancing measures.

This report discusses the assumptions utilized to prepare the baseline financial projections for revenues and expenditures, the resulting forecast, City Council strategic priorities guiding departmental operations and spending, balancing principles and preliminary balancing measures.

The City's revenues have been significantly impacted by COVID-19, with long-term issues anticipated in the General Fund as well as the Building and Safety Fund. Annual projected baseline **General Fund** shortfalls range from \$10.5 million to \$14.04 million over the five-year period. The **Building and Safety Fund** is projected to run out of cash in the next Fiscal Year, despite the anticipated infusion of resources from the General Fund reserves by the end of the current year.

Preliminary balancing measures have been developed in alignment with the City's five strategic priorities and based on six balancing principles.

The City's **strategic priorities** are:

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

The **balancing principles** are as follows:

1. Prioritize essential services
2. Avoid layoffs
3. Maximize savings by renegotiating contracts, controlling overtime, and re-evaluating all discretionary spending
4. Maximize discretionary revenues by matching fees to costs of services
5. Continue responsible investments in the City's infrastructure
6. Minimize further impacts on City's fiscal reserves

The resulting **preliminary balancing measures** are as follows:

## General Fund

Citywide Measures	FY 2021-22 Proposed	FY 2022-23 Proposed	FY 2023-24 Forecast	FY 2024-25 Forecast	FY 2025-26 Forecast
<b>Beginning Surplus/(Deficit)</b>	<b>(10,502,308)</b>	<b>(11,691,743)</b>	<b>(11,033,560)</b>	<b>(14,039,471)</b>	<b>(11,722,321)</b>
Temporarily postpone loan repayment to Asset Management Fund	2,944,391	3,384,895	3,725,891	4,150,548	4,367,396
Temporarily postpone additional \$2 million payment to CalPERS	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Utilize Internal Services fund balances	1,385,066	1,385,066	1,385,066	1,385,066	1,385,066
<b>After Citywide Options Surplus/(Deficit)</b>	<b>(4,172,851)</b>	<b>(4,921,782)</b>	<b>(3,922,603)</b>	<b>(6,503,857)</b>	<b>(3,969,859)</b>
<b>Department Measures in Expenditures</b>					
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
Continue renegotiating all City contract services	1,534,388	1,691,284	1,507,299	1,948,333	1,687,468
Continue to manage overtime	1,037,647	914,000	813,000	763,000	759,427
Reflect actual usage of anticipated internal services	370,377	410,529	491,046	535,377	517,836
Continue being diligent in utilization of supplies	345,283	342,077	356,343	366,138	369,883
Utilize internal staffing for training, adjust business expenditures citywide, reducing off-site meetings	108,493	116,635	93,147	90,316	77,613
<b>Total</b>	<b>4,972,357</b>	<b>5,017,811</b>	<b>4,814,364</b>	<b>5,268,398</b>	<b>4,985,466</b>
<b>Department Measures in Revenues</b>					
Charge fees for special services as appropriate	343,818	346,894	350,032	353,233	356,497
Utilize grant reimbursements for non-personnel expenses	200,000	-	391,000	-	-
Increase volume of tennis programming	10,000	10,000	10,000	10,000	10,000
<b>Total</b>	<b>553,818</b>	<b>356,894</b>	<b>751,032</b>	<b>363,233</b>	<b>366,497</b>
<b>Department Measures in Revenues/Expenditures</b>	<b>5,526,174</b>	<b>5,374,705</b>	<b>5,565,396</b>	<b>5,631,631</b>	<b>5,351,964</b>
<b>Projected Surplus/(Deficit)</b>	<b>1,353,323</b>	<b>452,923</b>	<b>1,642,793</b>	<b>(872,226)</b>	<b>1,382,104</b>
<b>Ending Estimated Contingency Reserves</b>	<b>47,323,798</b>	<b>47,776,721</b>	<b>49,419,514</b>	<b>48,547,288</b>	<b>49,929,392</b>
<b>Percent of Operating Expenditures</b>	<b>22.1%</b>	<b>21.4%</b>	<b>21.6%</b>	<b>20.4%</b>	<b>20.5%</b>

**Building and Safety Fund** balancing measures will include fee increases based on the ongoing cost of services study. Potential fee increase scenarios and their impacts on the fund's cash balance are projected below.

Building and Safety Fund Cash Balance	2021-22 Estimate	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate
No Fee Increase	<b>(314,093)</b>	<b>(1,510,905)</b>	<b>(2,955,661)</b>	<b>(4,891,963)</b>	<b>(7,283,628)</b>
15% Fee Increase in FY 2021-22	1,751,407	2,175,630	2,303,278	1,892,208	980,017
6% Annual Fee Increase for years 1, 2 & 3	512,107	813,208	1,537,568	1,543,557	1,035,914

The **Orange County Great Park**, and its operating fund, is projected to be impacted due to COVID-19 over the next several years. The baseline budget includes reduced revenue assumptions due to significantly lower rental and tournament use projections. It is anticipated expenditures will outpace revenues in this fund by \$5.5 million to \$8 million in

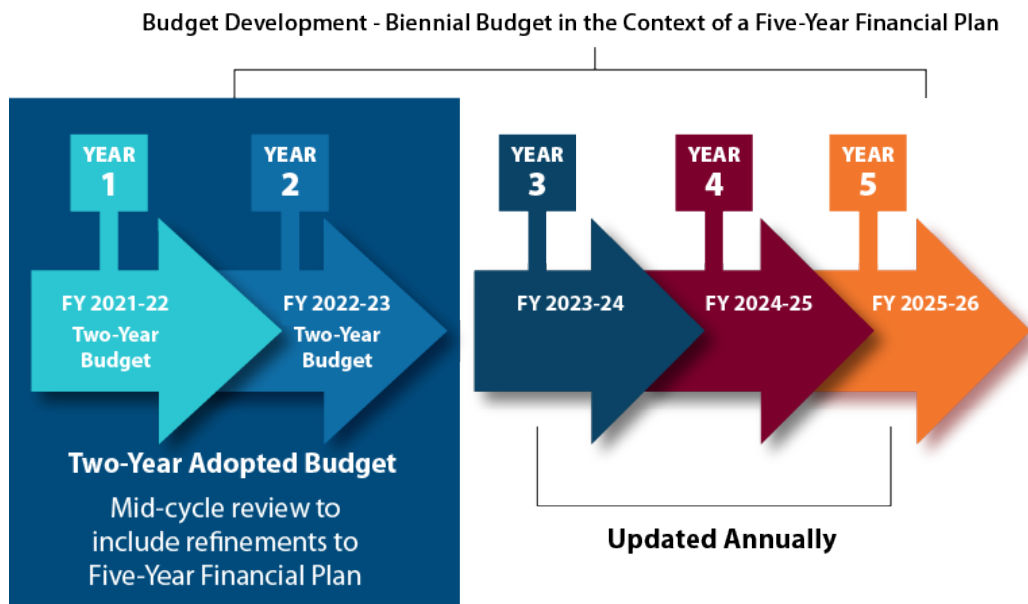
the three projected years beginning in FY 2021-22. These impacts will significantly affect fund balances for the Great Park Operating Fund. In future years, revenues are expected to recover and new revenue streams are anticipated to come online.

### COMMISSION/BOARD/COMMITTEE RECOMMENDATION

Not Applicable.

### ANALYSIS

The City's baseline Five-Year Financial Plan forms the foundation for the Two-Year Budget. Once the assumptions, projections, funding priorities and balancing guidelines are discussed with the Finance Commission, City Council, and are presented to the residential and business community, a balanced budget will be developed and presented in May. Upon approval in June, the two-year budget will go into effect on July 1, 2021, with quarterly financial updates and budget revisions each year, as necessary.



The City of Irvine's Budget is linked to the City Council's five Strategic Priorities, through departmental goals and performance measures. The five **strategic priorities** are:

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
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Financial projections for the next five years are presented with balancing principles that will set the foundation for budget balancing measures that meet City standards for excellent service and align with the City's Strategic Priorities. The six key **balancing principles** set forth in preparation of the baseline budget include:

1. Prioritize essential services
2. Avoid layoffs
3. Maximize savings by renegotiating contracts, controlling overtime, and re-evaluating all discretionary spending
4. Maximize discretionary revenues by matching fees to costs of services
5. Continue responsible investments in the City's infrastructure
6. Minimize further impacts on City's fiscal reserves

#### A. GENERAL FUND FORECAST AND BALANCING MEASURES

The City's revenues have been substantially impacted by COVID-19, but are anticipated to rebound from pent-up demand and an anticipated vaccine in mid-2021, and is expected to recover an average of 4.7 percent over the five-year period; however, staff projects that baseline expenditure growth continues to outpace revenue growth. Annual baseline General Fund shortfalls range from \$10.5 million to \$14 million over the next five-year projected period. The FY 2021-26 General Fund Baseline Assumptions Fiscal Summary is provided (Attachment).

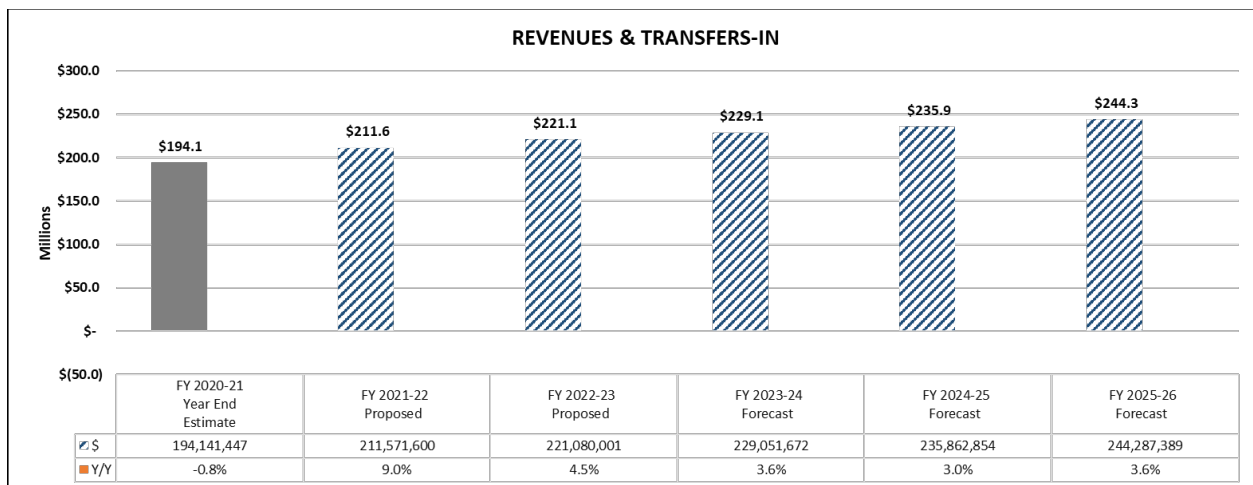
Baseline Budget	FY 2021-22 Proposed	FY 2022-23 Proposed	FY 2023-24 Forecast	FY 2024-25 Forecast	FY 2025-26 Forecast
Revenues & Transfers-In	211,571,600	221,080,001	229,051,672	235,862,854	244,287,389
Expenditures & Transfers-Out	222,073,908	232,771,744	240,085,232	249,902,325	256,009,710
<b>Baseline Shortfall</b>	<b>(10,502,308)</b>	<b>(11,691,743)</b>	<b>(11,033,560)</b>	<b>(14,039,471)</b>	<b>(11,722,321)</b>

## Revenues

Revenue estimates are developed by the City's Budget Office with input from external and internal subject-matter experts using a variety of techniques, including trend analysis, judgmental forecasting, and expert opinion. City staff continue to actively engage with industry leaders regarding the projected baseline budget, including the Irvine Company, local hotels, The Irvine Chamber of Commerce, Asian Business Association of Orange County, and the Orange County Automobile Dealers Association. Staff also relies on outside expert opinion from a variety of sources that include the Chapman Economic & Business Review, the UCLA Anderson Economic Outlook, the Los Angeles Economic Development Corporation (LAEDC), the City's sales tax and property tax consultants HdL Coren & Cone (HdL), and reports from various state and federal agencies. The baseline assumptions incorporate these various information sources and analytical methods, and takes into account national, state, and local economic conditions as well as legislative and development factors. The City continues to monitor revenues to gain a clearer understanding of the pandemic's ongoing fiscal impacts.

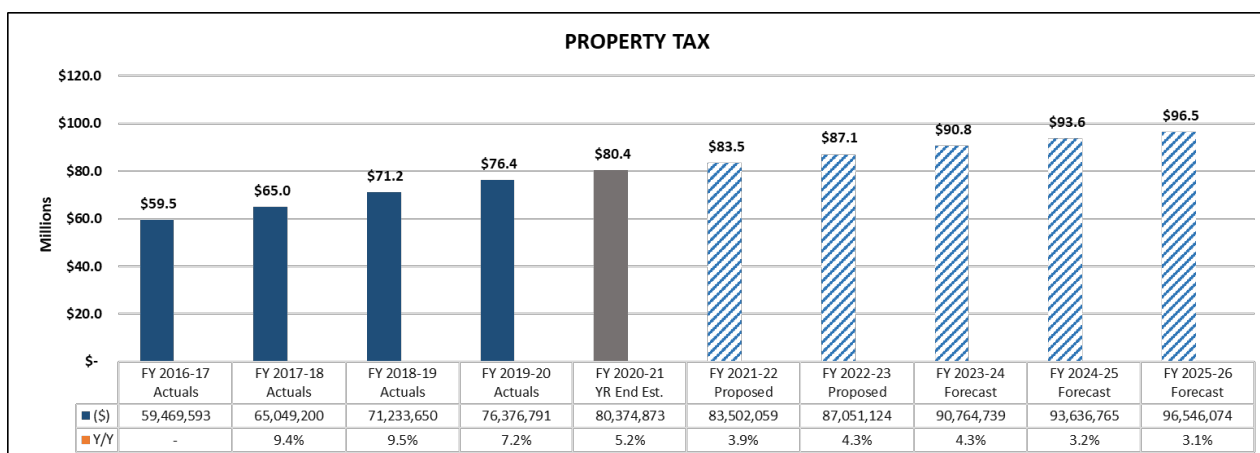
Four major revenue sources (Property Tax, Sales Tax, Hotel Tax, and Program and Service Fees) make up approximately 83 percent in FY 2021-22 and 84 percent in FY 2022-23 of General Fund revenues.

Over the five-year projection, General Fund revenues are anticipated to rebound from the ongoing negative impacts from COVID-19. Growth is anticipated to be approximately 9 percent in FY 2021-22, then an average moderate growth of recovery of 3.0 to 4.5 percent in the remaining four fiscal years. Projected revenue growth is primarily due the continued housing demand for Irvine properties and recovery of Irvine businesses anticipated to be reopened that were closed during the pandemic. The fiscal forecast critically depends on a vaccine that is anticipated to be widely distributed and businesses reorganizing to meet the new normal of consumer expectations of safety.



- **Property Tax**

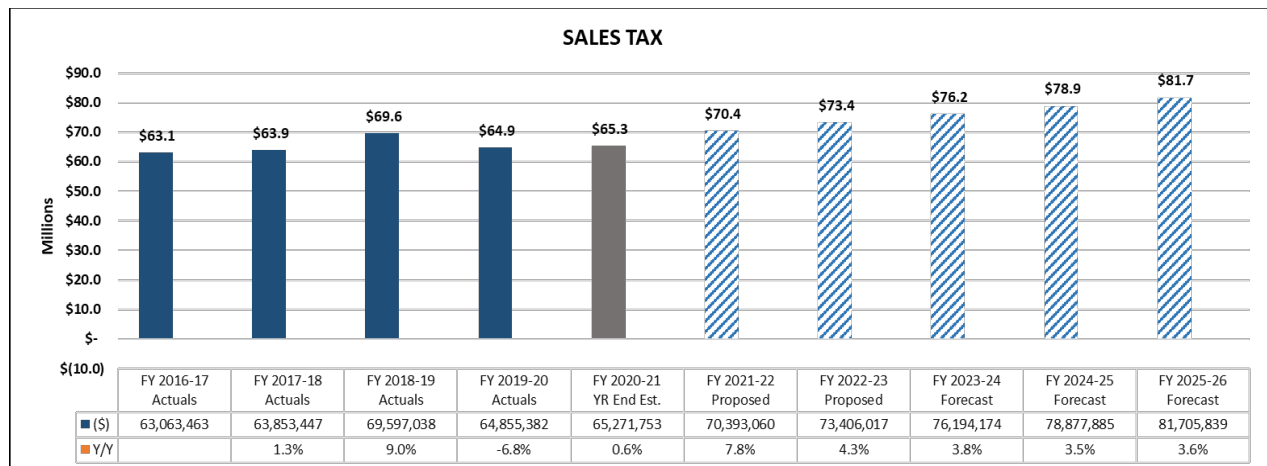
The City's property tax revenue has grown exponentially reflecting both new development and increasing property values in Irvine. After the recession, growth began in FY 2012-13 and is expected to continue through FY 2025-26. Home prices continue to increase and housing demand, especially in the new home market, remains healthy. At the same time, the City's property tax consultant projects inflation below 1 percent along with lower year-over-year property turnover, resulting in a slower growth than the 8-9 percent seen historically. Based on these factors, the City's property tax revenues are projected to increase 3.9 percent in FY 2021-22, 4.3 percent in FY 2022-23, and an average 3.5 percent annually after.



- **Sales Tax**

The sales and use tax rate in Orange County is 7.75 percent. Irvine receives 1 percent from the California Board of Equalization of all taxable sales occurring within the City. The City works closely with its sales tax consultant, HdL, in forecasting sales tax revenue. Based on HdL's analysis of the trend in year-to-date tax receipts, macroeconomic conditions (done in collaboration with HdL's partner Beacon Economics) and an examination of local business data, HdL anticipates the City's sales tax revenue to rebound due to pent-up demand and recovering businesses that were closed during State and County mandates due to the pandemic. The growth is projected to be at pre-pandemic levels with an anticipated vaccine in 2021 and the reopening of currently closed businesses, an increase of 7.8 percent from the FY 2020-21 year-end estimates and averaging 3.8 percent as the City continues to recover over the remaining forecast.

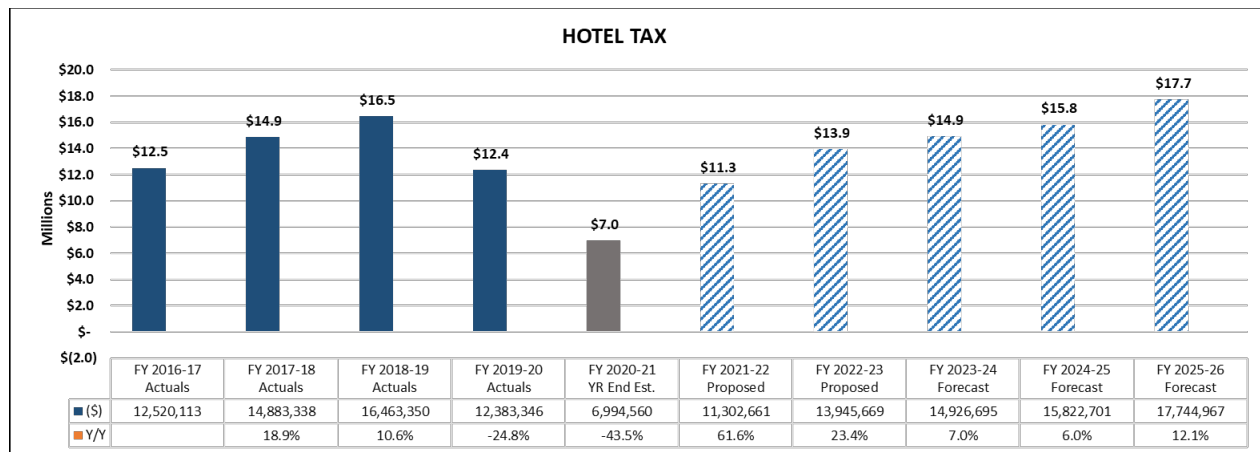




- *Hotel Tax*

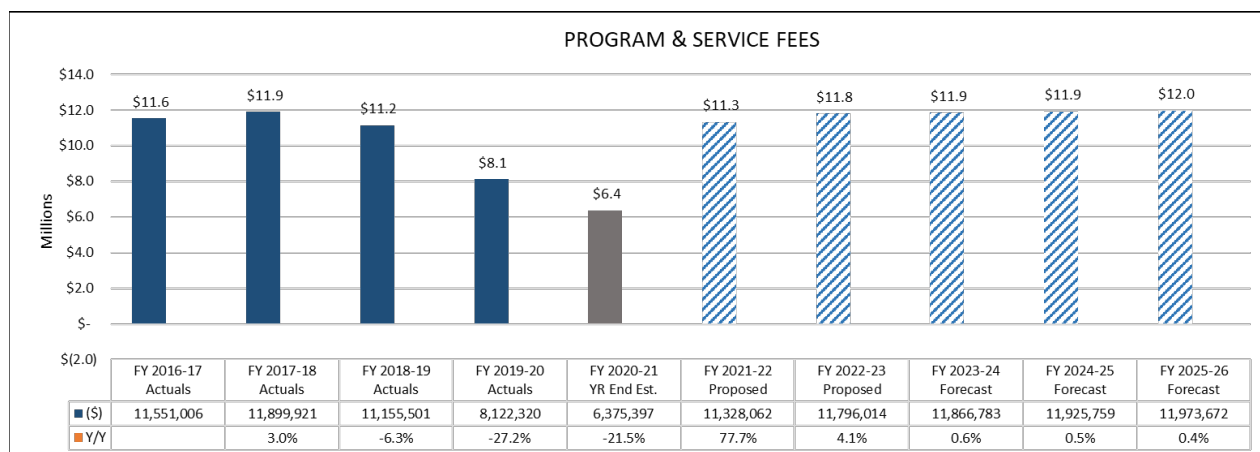
Hotel tax (also known as transient occupancy tax or TOT) is an 8 percent tax applied to the cost of hotel or other lodging stays of less than 30 days and is entirely accounted for in the General Fund. The City's hotel revenues continue to be severely impacted by COVID-19, decreasing by approximately 59.4 percent in the current fiscal year. Recovery for hotel revenues is dependent on travel restrictions, conferences, corporate travel, sporting events, and the anticipation of the vaccine in 2021. However, the City is not projecting strong increases in the operating metrics for City hotels until it sees a return of the business traveler due to the nature of travel to the City which is driven by 60 percent corporate business travel, 30 percent group travel and 10 percent leisure. Irvine is expected to experience a weaker recovery than surrounding areas in the hospitality industry due to these measurements. The City is not anticipated to reach historical levels through 2025. Growth in FY 2022-23 includes the anticipation of two new hotels coming online in the City.

In addition to the City's base 8 percent hotel tax, the City's hotel improvement district (HID) collects a 2 percent assessment (included in other revenue). Of the HID revenue, 75 percent of the tax proceeds are designated for the Greater Irvine Chamber of Commerce to promote tourism within the City and attract, recruit, and retain businesses in the City. The remaining 25 percent is allocated to support City cultural activities at the Barclay Theatre and community and cultural programs such as Irvine Adult Day Health Services. In FY 2021-22, HID revenue is expected to be approximately \$1.3 million, or 31.3 percent, under the pre-pandemic peak of FY 2018-19 and the forecast does not recover to these levels until 2025.



- Program and Service Fees**

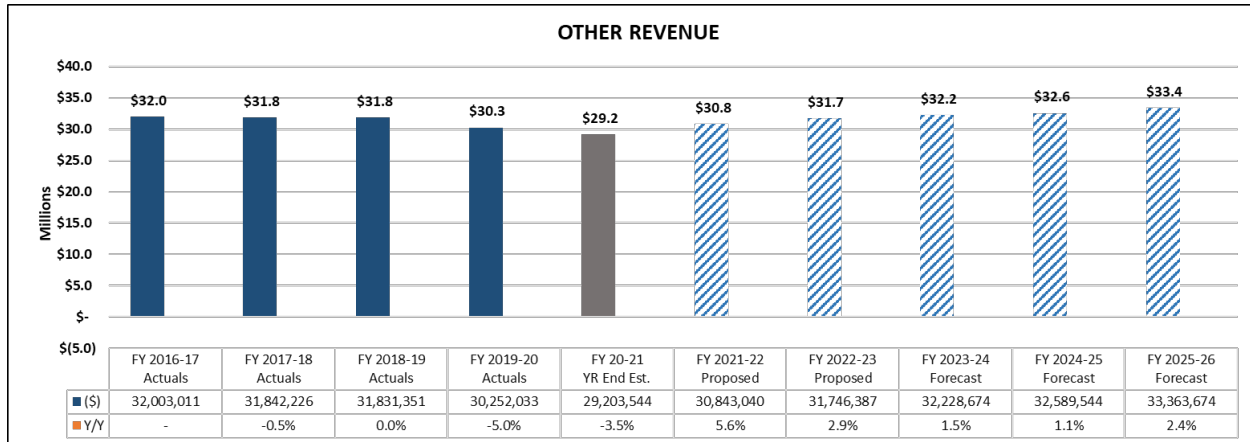
Program and Service Fees continue to be impacted from COVID-19. Reductions are attributed to the continuing COVID-19 pandemic and related factors such as social distancing and State and County mandates and restrictions. Along with current State guidelines, these factors eliminate or substantially limit participation in indoor programs and restricts athletic games and tournaments for this fiscal year. Staff anticipates FY 2021-22 to recover close to normal operating levels followed by a 4 percent increase into FY 2022-23 as full programming levels are achieved. Over the remaining three years, an increase of 1.6 percent is forecast based on steady programming rates and no fee increases. Community Services' part-time service model enables potential revenue decreases to be partially offset by corresponding expenditure reductions.



- Other General Fund Revenues**

Other revenues account for approximately 14.6 percent of General Fund income and include documentary transfer tax (1.7 percent), utility users tax (2.3 percent), franchise tax (4.2 percent), licenses and permits (0.7 percent), fines and forfeitures (0.9 percent),

revenues from other agencies (2.0 percent), fees for services (0.6 percent), Hotel Improvement District assessment revenue (1.3 percent) and other miscellaneous items (0.9). Historical growth rates were used to calculate the revenues for the next five years on many of the revenue categories in this group. Revenues in this category remain relatively flat. The City continues to monitor revenues closely to gain a clear understanding of the pandemics fiscal impacts.

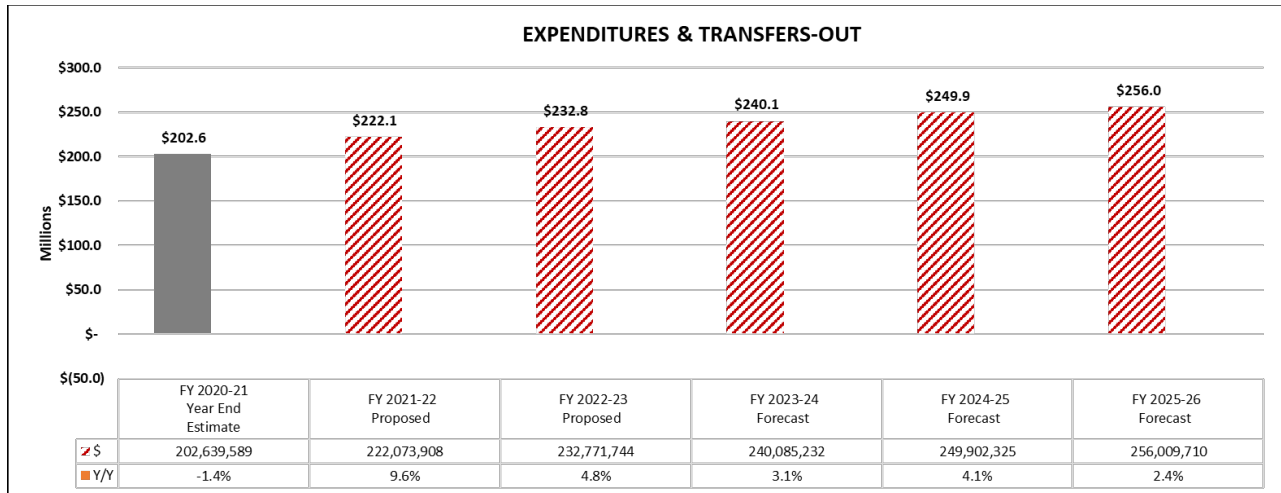


## Expenditures

Irvine continues to grow and mature, resulting in an increasing demand for City services, infrastructure maintenance, and repair needs. The five-year expenditure forecast, with input from individual departments, takes into consideration these anticipated needs. Anticipated expenditures align with the City Council priorities and include the City's six key balancing principles set forth by City Council in preparation of the baseline budget and include:

1. Prioritize essential services
2. Avoid layoffs
3. Maximize savings by renegotiating contracts, controlling overtime, and re-evaluating all discretionary spending
4. Maximize discretionary revenues by matching fees to costs of services
5. Continue responsible investments in the City's infrastructure
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To meet current service demands, overall General Fund baseline expenditures are anticipated to increase on average 4.8 percent, mainly due to growth in salaries and benefits (including retirement) for existing staff and 19 additional positions, increases in contract services costs, and higher internal service costs such as information technology, mail and print services, and fleet and facility maintenance.



Baseline expenditures also include the following items:

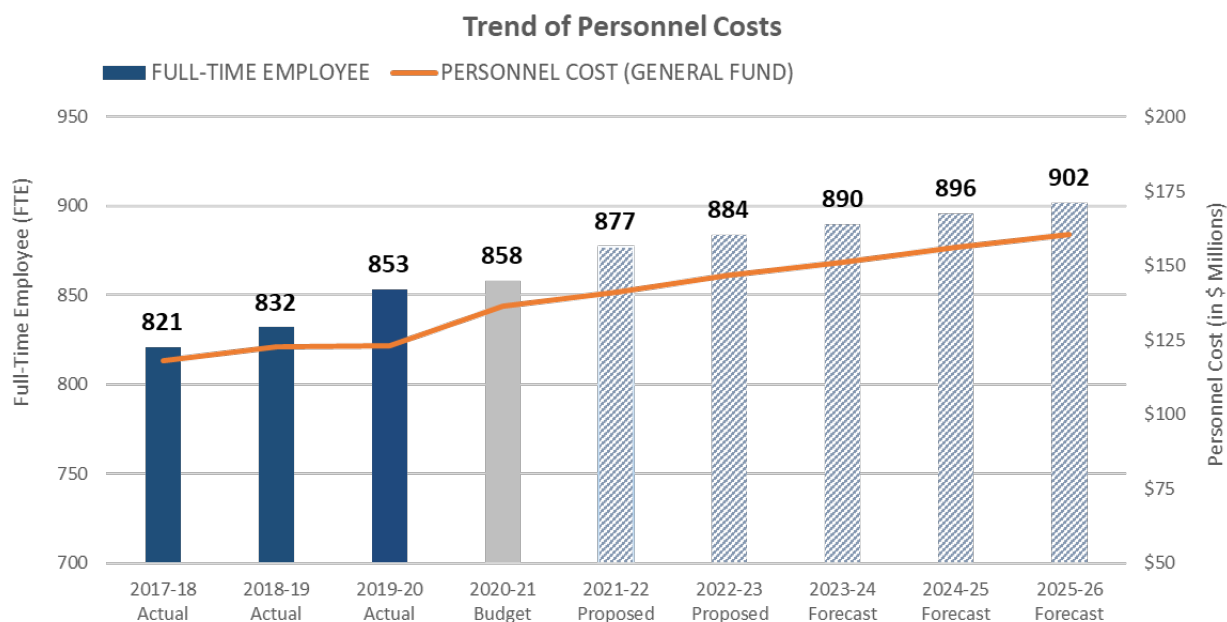
- \$4 million in direct support and nearly \$7 million in indirect assistance to Irvine's schools based on the 2016 City Council adopted Partnership for Educational Excellence program.
- \$2 million for the pension pay down plan to continue reducing the unfunded liabilities and help stabilize and mitigate future pension costs.
- Approximately \$5.4 million in FY 2021-22 for landscape, lighting, and park maintenance at neighborhood and community parks citywide from the General Fund, which is projected to grow substantially to \$10.2 million in FY 2025-26. This increase is due to \$1.6 million of fund balance being utilized in FY 2021-22. Thereafter expenditures escalate due to contract service increases that are primarily related to landscape maintenance contracts which are anticipated to increase 24 percent over the forecast period for all parks, along with increased funding for deferred maintenance efforts for the City's signal network. The five-year forecast also includes increases in maintenance and utility costs for the new Gateway Community Center projected to open in the summer of 2024.
- The remaining program cost is funded by assessments to property owners, property tax, and miscellaneous revenues.
- Approximately \$0.5 million annually to support senior programs such as the home delivered meal program, nutrition transportation, and in-home services.
- *Personnel*

Personnel costs represent 63.3 percent of the City's General Fund expenditures in FY 2021-22. Mindful of the increasing costs of California Public Employees Retirement System (CalPERS), City Council implemented a plan in 2013 to pay down the City's unfunded pension liabilities and help stabilize future pension costs. The results of this prudent fiscal initiative is a substantial drop in pension costs beginning in FY 2021-22, from \$27.5 million to \$25.4 million or nearly 7.5 percent decrease compared to the prior

year. However, CalPERS costs rapidly increase due to CalPERS not meeting fiscal interest earning projections and grows to \$30.9 million by 2025. The forecast includes CalPERS projected increased costs from the 4.7 percent return in 2019 (anticipated to be 7 percent) that will impact FY 2022-23. It does not include additional unfunded liabilities increases due to anticipated interest rate reductions that are expected to be deliberated by CalPERS Board in 2021, which could cause substantial long-term increases to the unfunded liabilities.

Overall, baseline personnel costs are projected to increase annually an average of 3.3 percent over the next five years.

- Baseline assumptions include merit increases and 1 percent cost-of-living adjustments (COLAs) mandated by labor agreements.
- Historically, City positions have stayed vacant for a period of time while recruitments are conducted. Consequently, a vacancy rate of 4 percent is assumed for sworn positions and 6 percent for civilians.
- Retirement assumptions have been provided by CalPERS and are discussed in detail below.
- Given growth in City population and developed structures, and the addition of new facilities, staffing is anticipated to increase, especially in Public Safety and Community Development. To meet the needs of the community and ensure the provision of essential services is met, 19 positions are included in the baseline forecast in FY 2021-22, 7 in FY 2022-23, and 6 in each FYs 2023-26.



- Public Safety is requesting five positions and one upgrade in FY 2021-22, seven positions in FY 2022-23, and six positions in FY 2023-24, FY 2024-25 and 2025-26. Roughly half of these positions are sworn personnel, who will ensure our police staffing will keep pace with our growing population and calls for service from the public. The remaining position requests address service demand needs in our Property and Evidence, Animal Services, Communications, Investigations, Records, Public Information, Regulatory Affairs, Crime Scene Investigations, Traffic, Information Technology and Business Desk units.
- The City Manager's Office is adding two positions to the Public Information Office utilizing savings elsewhere in the budget, to meet the increasing volume of communication with the community and City staff.
- Community Development is proposing adding one full time position, a Lead Enforcement Officer and is requesting the renewal of four limited-term building inspector positions. The limited-term positions serve for three years and are renewed as needed. This provides flexibility to meet variable workloads while limiting long-term personnel costs. City inspection teams are currently averaging 428 inspections per day, which equates to 14 inspections per inspector. For comparison, the national average is 10.5 inspections per inspector per day. The Lead Enforcement Officer position is being requested to meet the increase in code enforcement case workloads. Between FY 2018-19 and FY 2019-20, the number of cases increased 20 percent; additionally the length of time a case is open has increased 54 percent. Code enforcement is dealing with more high profile and complex cases, including many important quality of life issues, such as short-term rentals.
- As the City continues to expand, demand for fiscal support services become heavily impacted. In Financial Management and Strategic Planning, a Management Analyst I is requested to perform human resources functions, such as recruitments, personnel matters, onboarding new employees, and processing personnel documents. A Management Analyst I to provide necessary information technology support to payroll, accounting, invoice, and budget systems. A Senior Buyer is proposed to meet the increasing needs of the Purchasing Team, which has seen a 27 percent increase in the number of bids since 2015. Additionally, it is proposed to transition an extended part-time Purchasing staff to full-time in order to provide ongoing administrative support with vendor insurance, Public Records Requests, and purchase orders.
- The City Clerk's office is proposing a Deputy City Clerk to cover current City Clerk staff during absences, additional public meetings, and increased agenda management requirements that require additional support.
- Community Services is proposing a Community Services Specialist to provide coverage for ongoing service demands, including support to guest services, managing attractions, training, and direct support of up to 16 part-time staff and 24 volunteers.

- *Retirement*

The City participates in the California Public Employees Retirement System (CalPERS) to provide retirement benefits to its employees. CalPERS is a defined benefit plan where the participant and the employer contribute to the plan. CalPERS offers benefits for miscellaneous members (those who are not involved in law enforcement) and Safety members (involved in law enforcement, the protection of public safety, or designated by law as local safety). CalPERS establishes an employer rate, which the City must pay for each participating employee, as well an employee rate. The information below represents rates paid by employees and the City, as of Fiscal Year 2021-22.

<b>Safety</b>	<b>Tier 1</b>	<b>\$</b>		<b>Tier 3</b>	<b>\$</b>
Hire Date	Hired Prior to 1/1/2013			Hired on or after 1/1/2013	
Defined Benefit Plan Formula	3% at 50			2.7% at 57	
Required Employee Contribution	9.00%	1,776,971		12.75%	915,415
Additional Employee Contribution	3.00%	592,324			
Required Employer Contribution*	20.53%	4,053,468		23.53%	1,689,389
Employer Paid UAL Payment	14.73%	2,908,309		14.73%	1,057,573

<b>Non-Safety</b>	<b>Tier 1</b>	<b>\$</b>	<b>Tier 2</b>	<b>\$</b>	<b>Tier 3</b>	<b>\$</b>
Hire Date	Hired Prior to 4/14/2012		Hired Prior to 4/14/2012		Hired on or after 1/1/2013	
Defined Benefit Plan Formula	2.7% at 55		2% at 55		2% at 62	
Required Employee Contribution	8.00%	2,340,982	7.00%	677,897	7.50%	2,220,106
Required Employer Contribution	11.17%	3,268,596	11.17%	1,081,730	11.17%	3,306,478
Employer Paid UAL Payment	10.18%	2,978,900	10.18%	985,856	10.02%	2,965,470

\* Required Employer Contribution is a blended rate for all benefit groups in the plan.  
Safety Tier 1 pays 3.0 percent of the employer contribution.

Irvine employees pay their full employee rate. Classic Tier I Safety employees also pay 3 percent of the employer rate to offset the disparity of the California Public Employees' Pension Reform Act of 2013. The Act made several changes to the pension benefits that may be offered to employees hired after January 1, 2013 and include setting a new maximum benefit and a lower-cost pension formula for new employees.

The employer rate is an actuarial calculation provided to the City by CalPERS each year. The total is comprised of two factors: the estimated percentage of salary based on employee demographics such as age and salary. The second is a lump sum payment due to pay down an unfunded accrued liability.

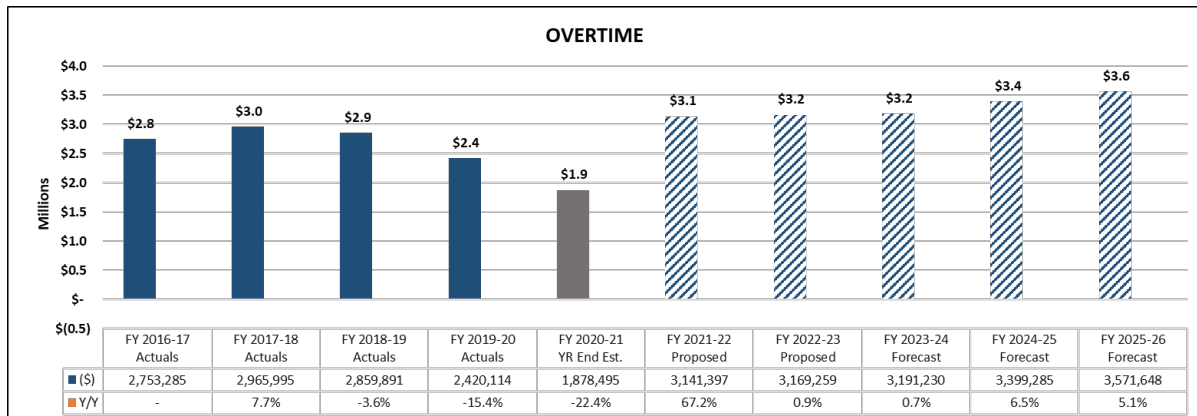
An unfunded actuarial liability (UAL) is the difference between the estimated amount of a pension plan's obligations and the current value of its assets. The disparity can be caused by differences in rates of termination, retirement, mortality, salary growth and the difference in investment returns compared to plan assumptions.



To address the unfunded pension liability, the City of Irvine adopted an Accelerated Pension Liability Paydown Plan (Paydown Plan). The goal is to attain a funding level of 98 percent utilizing reserve funds from the City's Asset Management Plan (AMP) of \$5 million per year and \$2 million per from the General Fund to make additional contributions to CalPERS. Due to the COVID-19 pandemic and the anticipated severe impacts on revenues, the City Council adopted cost-containment measures and the City did not make the FY 2019-20 and FY 2020-21 additional discretionary payments. The additional contributions are included in the baseline budget projections.

- *Overtime*

Overtime consists of unanticipated additional staff time needed for major or emergency events. Forecasted overtime is based on historical trends, but may differ between fiscal years, as it is situational and highly dependent on unanticipated emergency events. FY 2020-21 estimates for overtime expenditures are anticipated to be \$1.9 million due to the cost containment measure to lower usage across all City departments due to negative COVID-19 revenue impacts. Overtime is budgeted in baseline to pre-pandemic levels as normal operations return.

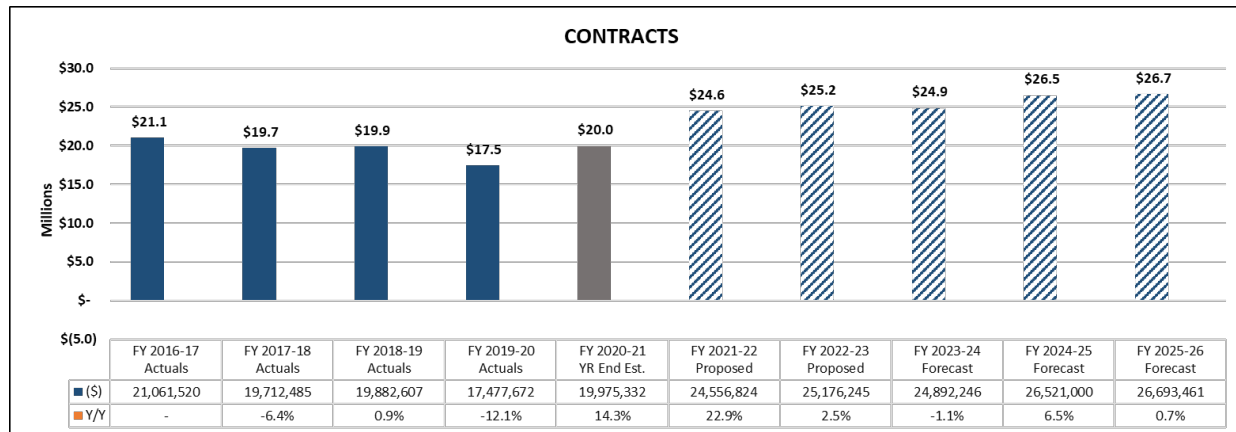


- *Contract Services*

The City of Irvine contracts with vendors to provide services to the City, such as specialized consulting, legal, financial, landscape and facility maintenance and program support services provided on a contract basis. Contract services accounts for 11.1 percent of the overall General Fund Budget in FY 2021-22. The Baseline Budget reflects an in-depth review of contracts by staff and adjustments for contractual agreements. The top five highest General Fund contract expenditures for FY 2021-22 are \$3.1 million for Landscape Maintenance, \$2.3 million for Contract Instructors in Community Services, \$2.0 million for Tree Trimming, \$1.2 million for Weed Abatement and Open Space Management, and \$0.8 million for Building Maintenance. Increases to contract costs are primarily due to State mandated prevailing and/or minimum wage increases and the



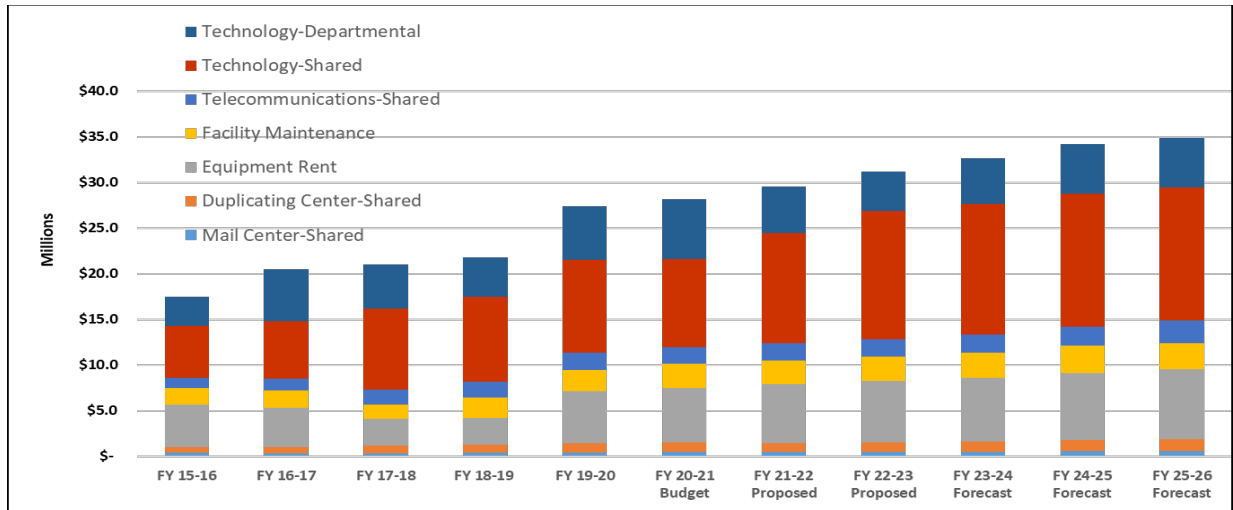
inclusion of additional City infrastructure (streets, trees, community centers, signalized intersections, bike trails, etc.) into the City's inventory.



- Internal Service Charges**

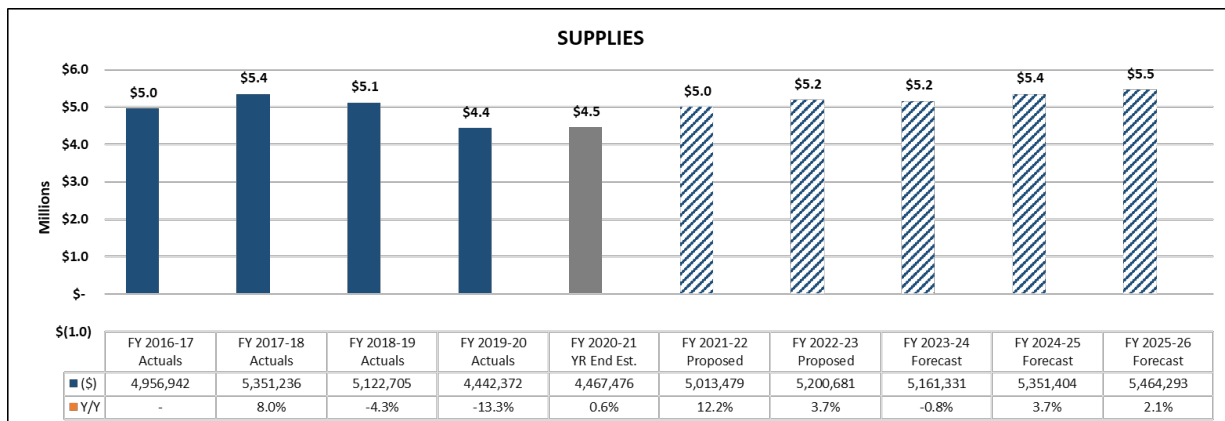
The City uses internal service funds to provide services to the operating departments on a cost reimbursement basis. These services are funded by Internal Service Charges, which are collected from the operating departments. Costs are allocated to departments for compensated absences, information technology, Civic Center maintenance, telephone, mail, print services, and equipment rent based on usage and consumption. Internal Services account for 12.7 percent of General Fund Expenditures.

The majority of increases in internal service charges are from changes in equipment rent and department related technology charges. Equipment rent is designed to recover the maintenance, replacement and fuel cost of City vehicles and equipment. The FY 2021-22 internal service charge to the departments for equipment rent was increased to reflect the full cost recovery method of services provided and replacement schedules. Internal Service charges also increased in FY 2020-21 due to substantial technology project and contract costs.



- Supplies**

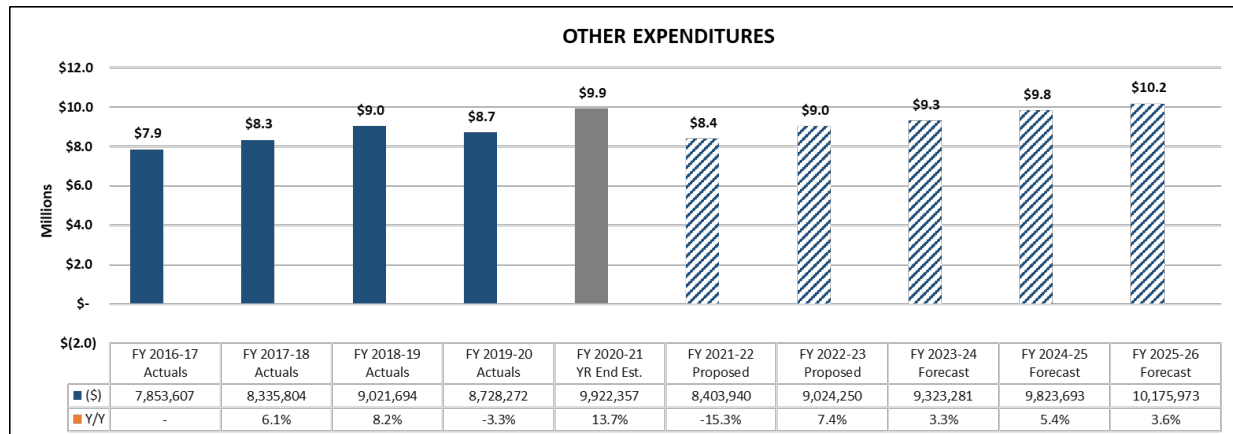
Supplies include purchases of consumable items, which commonly have a short life span, such as office supplies, forms, postage, small tools, minor vehicle and office equipment, and Public Safety supplies. General Fund supplies have increased \$0.5 million in the FY 2021-22 baseline assumptions from the prior year. The increase is related to various equipment and supplies needs throughout the Departments, ranging from training and equipment to technology related supplies and equipment.



- Other Expenditures**

All other expenditures represent 3.8 percent of total expenditures and include: training & business expenses, utilities, capital equipment, repairs & maintenance, and miscellaneous. Of these expenditures, the three largest for FY 2021-22 are \$2.7 million in utilities for the City, \$1.9 million of training & business expenses for staff and officers, and miscellaneous expenses which includes the HID payment to the Irvine Chamber of Commerce of \$2.1 million. Historical average growth rates are used for many of the expenditures categories in this group. The drop in FY 2021-22 reflects a reduced transfer

of Hotel Improvement District revenues to the Irvine Chamber of Commerce (75 percent) due to the severe negative impacts on the hospitality industry.



- Awards/Contributions**

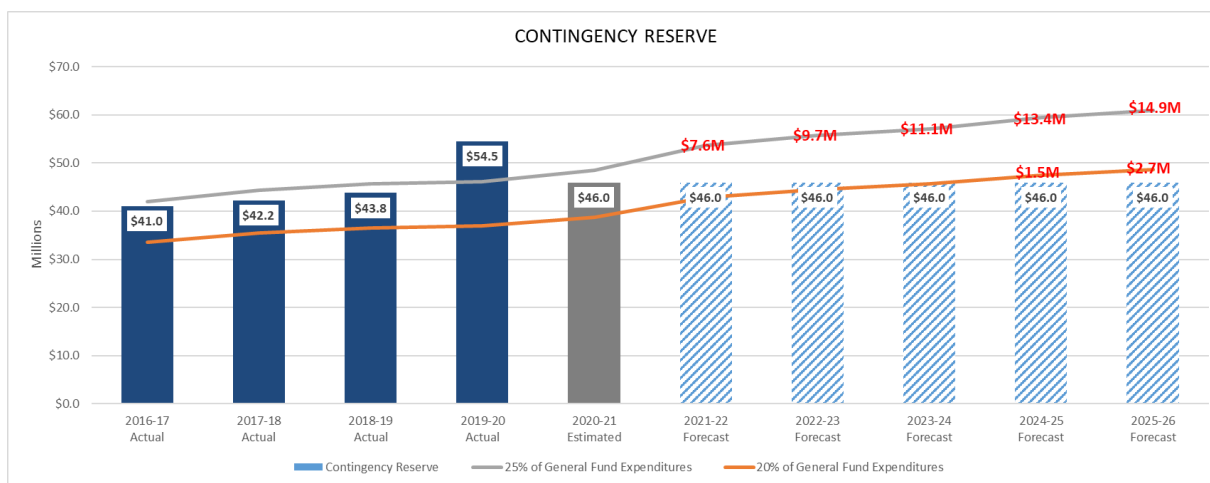
The FY 2021-26 Baseline Budget assumptions includes expenditures for community support and grants, including \$992,256 to the Barclay Theatre that increases yearly with the consumer price index, \$10,000 to the OC Human Relations Commission, a \$50,000 Community Impact Grant and \$120,000 to support the Irvine Adult Day Care center, of which \$20,000 is a matching sponsorship, and \$25,000 for the Task Force for Drowning Prevention. Additionally, \$50,000 has been budgeted for awards to various community groups (\$10,000 per Councilmember). The Baseline Budget includes over \$11 million in continued support for direct and indirect funding to Irvine's schools.

City Awards and Contributions								
General Fund	2019-20 Actual	2020-21 Budget	2020-21 Estimate	2021-22 Proposed	2022-23 Proposed	2023-24 Forecast	2024-25 Forecast	2025-26 Forecast
<b>HID Revenue</b>	<b>3,095,837</b>	<b>4,309,997</b>	<b>1,748,640</b>	<b>2,825,665</b>	<b>3,486,417</b>	<b>3,731,674</b>	<b>3,955,675</b>	<b>4,436,242</b>
Chamber of Commerce (75%)	2,322,597	3,232,497	1,311,480	2,119,249	2,614,813	2,798,756	2,966,756	3,327,182
City of Irvine (25%)	773,240	1,077,500	437,160	706,416	871,604	932,919	988,919	1,109,061
<b>APPROPRIATIONS</b>								
Barclay	943,500	992,800	992,800	1,012,656	1,032,909	1,053,567	1,074,639	1,096,131
Barclay (HVAC)	397,500	397,500	397,500					
Irvine Adult Day Health	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Task Force for Drowning Prevention		25,000	25,000	25,000	25,000	25,000	25,000	25,000
<b>SUBTOTAL CONTRIBUTIONS</b>	<b>1,461,000</b>	<b>1,535,300</b>	<b>1,535,300</b>	<b>1,157,656</b>	<b>1,177,909</b>	<b>1,198,567</b>	<b>1,219,639</b>	<b>1,241,131</b>
Community Awards (\$10,000 per Councilmember)	54,730	50,000	50,000	50,000	50,000	50,000	50,000	50,000
OC Human Relations Commission		10,000	10,000	10,000	10,000	10,000	10,000	10,000
<b>SUBTOTAL COMMUNITY AWARDS</b>	<b>54,730</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>
Contract Services for Property & Sales Tax Consulting	184,403	230,000	230,000	230,000	230,000	230,000	230,000	230,000
Special Assessments and Taxes outside City Boundaries	124,744	170,000	170,000	170,000	170,000	170,000	170,000	170,000
<b>Non-Departmental Contracts Property/Sales</b>	<b>309,147</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>
<b>TOTAL EXPENDITURES</b>	<b>1,824,877</b>	<b>1,995,300</b>	<b>1,995,300</b>	<b>1,617,656</b>	<b>1,637,909</b>	<b>1,658,567</b>	<b>1,679,639</b>	<b>1,701,131</b>
Educational Partnership (Does not include over \$6.2M in City Funded Indirect support)	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
<b>NET DEPARTMENT COST</b>	<b>5,824,877</b>	<b>5,995,300</b>	<b>5,995,300</b>	<b>5,617,656</b>	<b>5,637,909</b>	<b>5,658,567</b>	<b>5,679,639</b>	<b>5,701,131</b>
General Fund Support to Awards & Contributions	(\$5,051,637)	(\$4,917,800)	(\$5,558,140)	(\$4,911,240)	(\$4,766,305)	(\$4,725,649)	(\$4,690,720)	(\$4,592,071)

The Hotel Improvement District (HID) is a 2 percent assessment upon all hotel room rentals. HID assessment revenues are distributed 75 percent to fund the Irvine Chamber of Commerce's Destination Irvine Program to attract and recruit businesses and tourism to Irvine. The remaining 25 percent is to fund City cultural programs and activities. Excluding the Irvine Chamber of Commerce portion of HID Revenue, the \$4 million Educational Partnership support, and non-departmental funded contracts, the City has allocated \$1.5 million per year to fund awards and contributions over the past three years.

- *Contingency Reserve*

The City Council set forth the goal of funding the contingency reserve to 25 percent of its adopted General Fund appropriations budget. In FY 2020-21, the City is anticipated to utilize \$11.5 million to cover shortfalls in the General Fund and Building and Safety Fund and the Contingency Reserve Fund Balance is estimated to be \$46 million (or 22.4 percent). Based on the projected balances, the contingency percentage for FY 2021-22 and FY 2022-23 would be 22.1 percent, and 21.4 percent, respectively. The baseline projections for Contingency Reserve would require an additional \$7.6 million in fund balance to meet the 25 percent contingency goal in FY 2021-22, and if no additional funding is added until FY 2022-23, \$9.7 million would be necessary to meet the 25 percent goal. The graph below shows the amount necessary to meet the 20 and 25 percent goal through the five-year period.



## Preliminary Balancing Measures

Based on the City's strategic priorities and balancing principles established above, the following preliminary balancing measures have been developed to address the General Fund baseline shortfalls.

Citywide Measures	FY 2021-22 Proposed	FY 2022-23 Proposed	FY 2023-24 Forecast	FY 2024-25 Forecast	FY 2025-26 Forecast
<b>Beginning Surplus/(Deficit)</b>	<b>(10,502,308)</b>	<b>(11,691,743)</b>	<b>(11,033,560)</b>	<b>(14,039,471)</b>	<b>(11,722,321)</b>
Temporarily postpone loan repayment to Asset Management Fund	2,944,391	3,384,895	3,725,891	4,150,548	4,367,396
Temporarily postpone additional \$2 million payment to CalPERS	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Utilize Internal Services fund balances	1,385,066	1,385,066	1,385,066	1,385,066	1,385,066
<b>After Citywide Options Surplus/(Deficit)</b>	<b>(4,172,851)</b>	<b>(4,921,782)</b>	<b>(3,922,603)</b>	<b>(6,503,857)</b>	<b>(3,969,859)</b>
<b>Department Measures in Expenditures</b>					
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
Continue renegotiating all City contract services	1,534,388	1,691,284	1,507,299	1,948,333	1,687,468
Continue to manage overtime	1,037,647	914,000	813,000	763,000	759,427
Reflect actual usage of anticipated internal services	370,377	410,529	491,046	535,377	517,836
Continue being diligent in utilization of supplies	345,283	342,077	356,343	366,138	369,883
Utilize internal staffing for training, adjust business expenditures citywide, reducing off-site meetings	108,493	116,635	93,147	90,316	77,613
<b>Total</b>	<b>4,972,357</b>	<b>5,017,811</b>	<b>4,814,364</b>	<b>5,268,398</b>	<b>4,985,466</b>
<b>Department Measures in Revenues</b>					
Charge fees for special services as appropriate	343,818	346,894	350,032	353,233	356,497
Utilize grant reimbursements for non-personnel expenses	200,000	-	391,000	-	-
Increase volume of tennis programming	10,000	10,000	10,000	10,000	10,000
<b>Total</b>	<b>553,818</b>	<b>356,894</b>	<b>751,032</b>	<b>363,233</b>	<b>366,497</b>
<b>Department Measures in Revenues/Expenditures</b>	<b>5,526,174</b>	<b>5,374,705</b>	<b>5,565,396</b>	<b>5,631,631</b>	<b>5,351,964</b>
<b>Projected Surplus/(Deficit)</b>	<b>1,353,323</b>	<b>452,923</b>	<b>1,642,793</b>	<b>(872,226)</b>	<b>1,382,104</b>
<b>Ending Estimated Contingency Reserves</b>	<b>47,323,798</b>	<b>47,776,721</b>	<b>49,419,514</b>	<b>48,547,288</b>	<b>49,929,392</b>
Percent of Operating Expenditures	22.1%	21.4%	21.6%	20.4%	20.5%

## B. OTHER KEY FUNDS FORECAST AND BALANCING MEASURES

### Building and Safety Fund

The Building and Safety Fund accounts for the development processing activities in the City including plan check, inspection, and permit issuance. The City charges permit and plan check fees to recoup the cost of providing these services. Fees remained unchanged for twelve years between 2007 and 2019. During this time, the City's costs for providing these services, including salaries and benefits, continued to increase. Fees were increased 20 percent in 2019 and, although the increase helped close the gap between costs and revenues, a gap persists. The Building and Safety Fund has had a declining fund balance since FY 2018-19 and a negative fund balance as of the end of FY 2019-20. During this time, staff has been able to cut costs by over \$1 million a year by freezing vacancies and reducing contract labor expenses. In addition, in FY 2020-21 up to \$3 million may need to be transferred from the City's General Fund reserves to avoid a negative cash balance. Staff continues to evaluate other balancing options for the next budget cycle including fee increases.

Due to COVID-19, new plan check and permit revenue decreased by 30 percent in 2020 exacerbating the fund's financial difficulties. Revenue is expected to recover in 2021 due to a continued strong housing market and ongoing commercial construction. Over the next five years, staff anticipates that development activity will slowly taper off as the City approaches buildout.

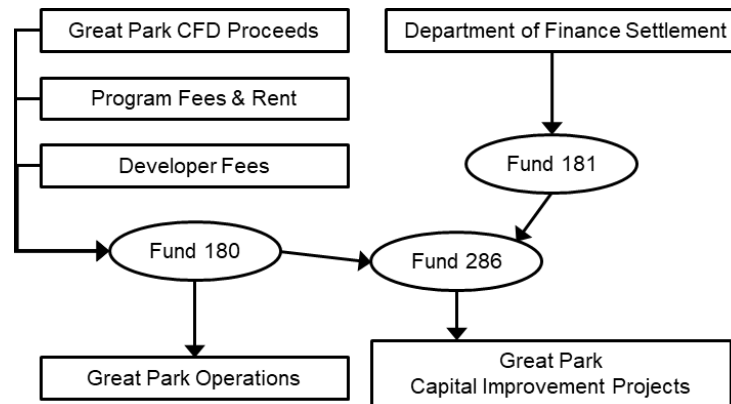
The chart below compares the cash and fund balances with and without two different fee increase scenarios. The estimates include a FY 2020-21 transfer-in and a beginning cash balance of \$0. The cash balance recovers with either a one-time fee increase of 15 percent or a phased in 6 percent increase over the next three years. It should be noted that any fee increases will need to be verified with a fee study and staff has recently commissioned a fee study and is evaluating other balancing options.

<b>Building and Safety Fund Baseline Budget</b>	<b>2021-22 Estimate</b>	<b>2022-23 Estimate</b>	<b>2023-24 Estimate</b>	<b>2024-25 Estimate</b>	<b>2025-26 Estimate</b>
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
Expenditure & 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)
<b>15% Fee Increase in Year 1</b>	<b>2021-22 Estimate</b>	<b>2022-23 Estimate</b>	<b>2023-24 Estimate</b>	<b>2024-25 Estimate</b>	<b>2025-26 Estimate</b>
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
Expenditure & 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
<b>6% Annual Fee Increase For Years 1, 2 &amp; 3</b>	<b>2021-22 Estimate</b>	<b>2022-23 Estimate</b>	<b>2023-24 Estimate</b>	<b>2024-25 Estimate</b>	<b>2025-26 Estimate</b>
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
Expenditure & 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

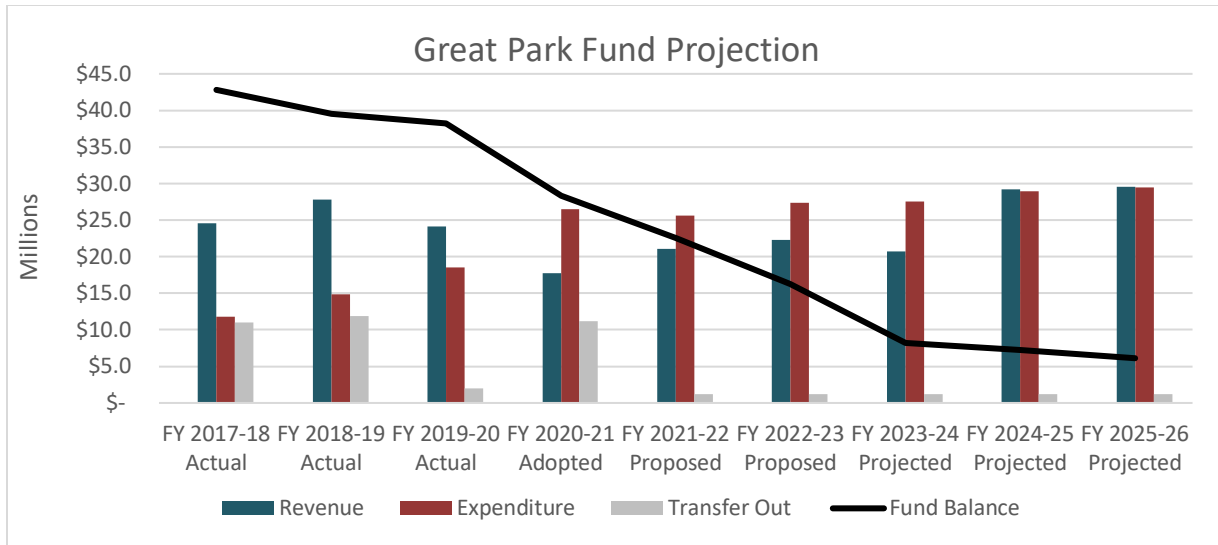
## Orange County Great Park Funds

The FY 2021-26 Orange County Great Park Baseline Budget was developed by the City's operating departments based on existing City Council policies and directives. Projections include operations, maintenance, and development costs of both existing and prospective projects, and reflect the expenditure and revenue impacts of future projects.

The Orange County Great Park operates under three funds: the Great Park Operating Fund 180 (Operating Fund), the Department of Finance Settlement Fund 181 (Settlement Fund), and the Great Park Development Fund 286 (Development Fund). The Operating Fund and Settlement Fund account for all revenues. The Development Fund receives revenues from either the Operating Fund or Settlement Fund, and funds Capital Improvement Projects.

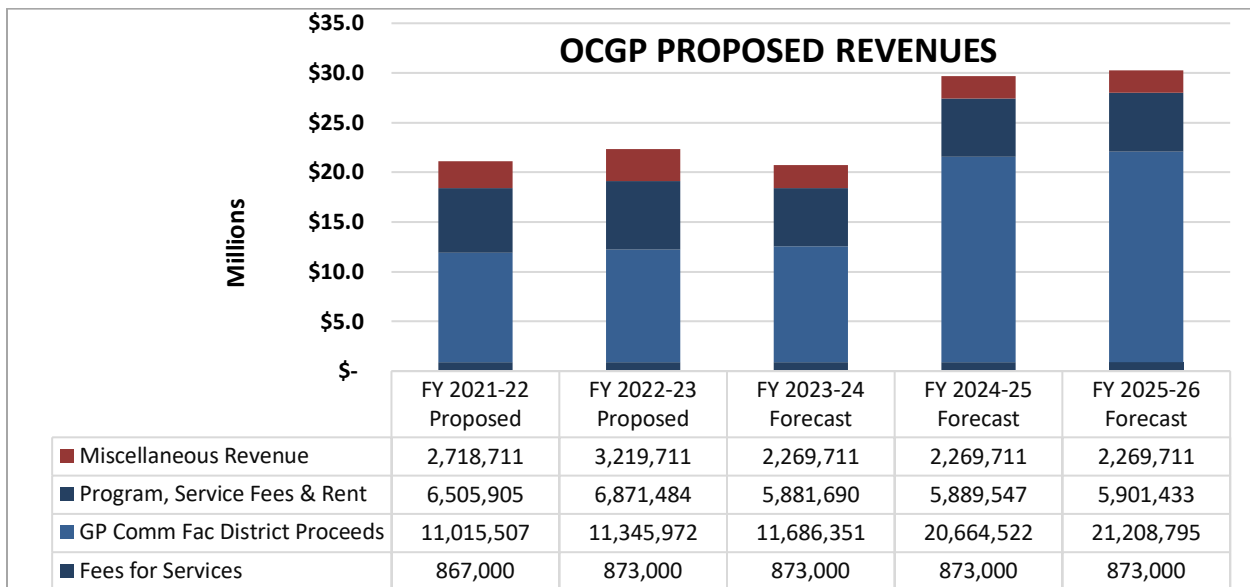


The trend of the Great Park Operating Fund, as projected over the past five years, is for expenditures to outpace revenues through FY 2023-24. In the following years, FY 2024-26, revenues increase and are expected to offset expenditures. This is due to increasing program revenue, new lease revenue and increased Great Park Community Facility District (Great Park CFD) proceeds. It is anticipated expenditures will outpace revenues in this fund by as much as \$5.5 million to \$8 million annually beginning in FY 2021-22. These impacts will significantly affect fund balances for the Great Park Operating Fund. In future years, revenues are expected to recover and new revenue streams are expected to come on line.



## Great Park Revenues

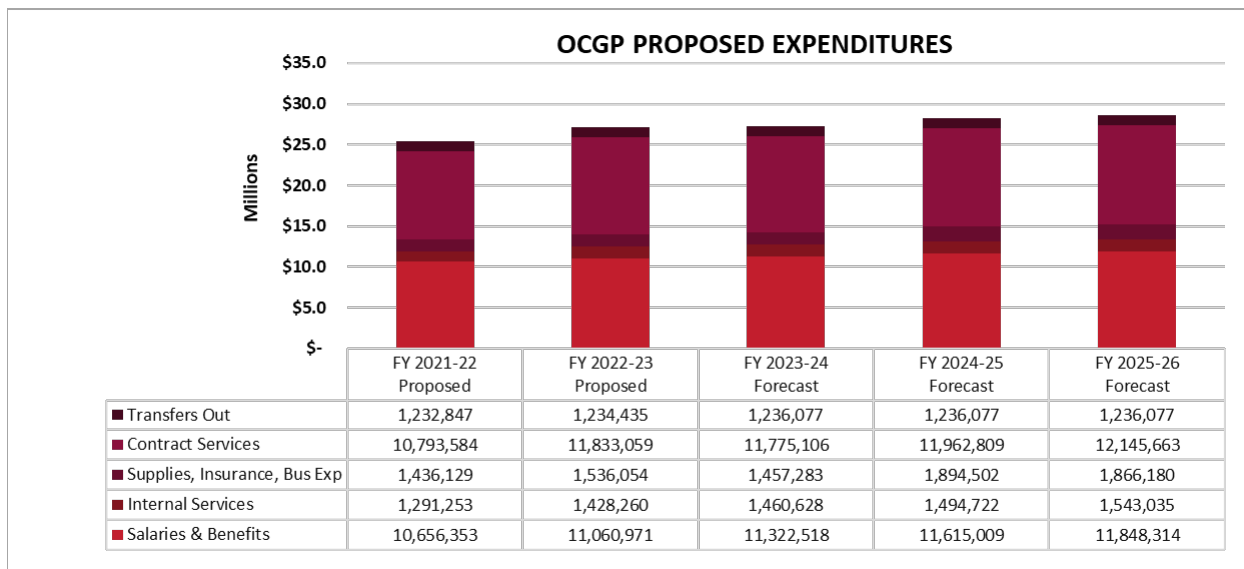
During the mid-year budget review in June 2020, the City revised revenue projections down due to significant impacts to field and facility rentals and tournament usage. At the time, staff projected a moderated rebound in FY 2020-21. Program revenues are expected to normalize in FY 2021-22. Additionally, revenue from City leases, particularly Wild Rivers, is also projected to begin in FY 2022-23. Finally, additional Community Facilities District funds are expected to start in FY 2023-24, which are expected to offset operating costs, eliminating continued fund decline.





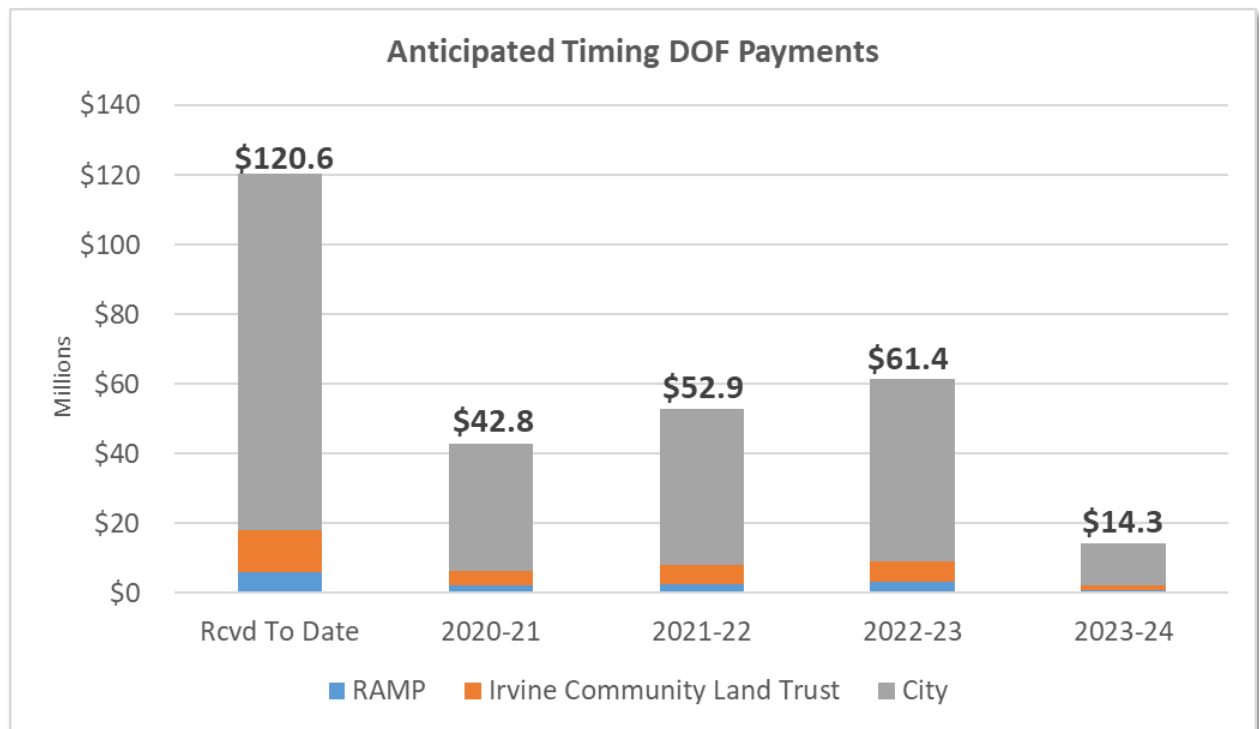
## Great Park Expenditures

Great Park expenditures fall into two categories: operations and maintenance, and development. Operations and maintenance costs, driven mostly by contract services, include the maintenance and rehabilitation of athletic fields, parking lots, trails, buildings, and facilities. These costs are expected to increase in the coming years due to rising California labor costs and operational costs as additional areas of the park are developed. Development costs (excluding Capital Improvement Program construction costs) are expected to decline over the forecasted period as the areas approach completion of the development cycle.



The Department of Finance Settlement Fund will receive revenues totaling \$292 million from the settlement reached with the California Department of Finance following the dissolution of the Irvine Redevelopment Agency; the City expects to receive all settlement funds by the end of FY 2023-24. The City Council allocated current and future Settlement Fund revenues during the FY 2019-21 budget process, as follows:

<b>Great Park Settlement Fund Allocations (Fund 181)</b>		<i>In millions</i>
<b>Department of Finance Settlement Agreement</b>		<b>\$ 292.00</b>
<b>Approved Allocations</b>		
<b>Irvine Community Land Trust (10%)</b>		<b>29.20</b>
<b>Great Park Infrastructure Rehabilitation (5%)</b>		<b>14.60</b>
<b>Irvine Ranch Water District Connection Fees (Loan to 180)</b>		<b>10.30</b>
Cultural Terrace Parking Lot	11,500,000.00	
Cultural Terrace Roadway Edge Improvements	5,420,000.00	
Farm and Food Lab Temporary Relocation	445,000.00	
Great Park Administration Building	17,000,000.00	
Future IRWD Connection Fees	3,613,375.00	
Roadway and Parking Improvements	6,400,000.00	
Public Art Installations	397,500.00	
Shade Improvements	2,150,000.00	
Volleyball Improvements	125,000.00	
Great Park Stadium Concessions Upgrades	1,000,000.00	
<b>Great Park Capital Improvement Projects</b>		<b>48.10</b>
Civic Center Parking Lot Rehabilitation	1,429,750.00	
Parking Lot Rehabilitation	400,000.00	
Ryan Lemmon Stadium Improvements	241,000.00	
Scoreboard Replacement	275,000.00	
Sweet Shade Park Universal Playground	709,000.00	
Turtle Rock Community Park – Parking Lot	580,000.00	
Turtle Rock Community Park – Site Drainage	646,000.00	
Electrical Pedestal Rehabilitation	135,240.00	
Eucalyptus Windrow Trees Removal and Replacement	400,000.00	
Hick Canyon Wash Landscaping	2,600,000.00	
Bike Trail Pavement Rehabilitation	250,000.00	
Irvine Station ADA Improvements	176,713.00	
Bikeway Improvements	500,000.00	
Freeway Bike Trail Pavement Rehabilitation	200,000.00	
<b>City-wide Capital Improvement Projects</b>		<b>8.40</b>
<b>Cultural Terrace Development (Clearing, Grading, Infrastructure)</b>		<b>141.10</b>
<b>Contingency Reserve Fund</b>		<b>8.10</b>
<b>Asset Management Plan</b>		<b>32.00</b>
<b>Total approved allocations</b>		<b>\$ 292.00</b>



## BUDGET DEVELOPMENT TIMELINE

The creation of the City's two-year budget begins with the Finance Commission reviewing the initial baseline budget, followed by the City Council. After receiving input from businesses, the community, Finance Commission and City Council, detailed departmental budgets, along with longer-term plans will be presented to the Finance Commission in April. Following commission input, the citywide Two-Year Budget and Five-Year Plan will be presented to the City Council in May for final adoption in June 2021.

January 19	Baseline Budget Projections presented to the Finance Commission
January 26	Baseline Budget Projections presented to the City Council
March	Community Outreach Online Presentation
March, April, May	Budget Presentations to the Transportation Commission, Community Services Commission, and the Planning Commission
April	Department Budget Presentations and Capital Improvement Plan to the Finance Commission
May	Proposed Two-Year Budget presented to the City Council
June	Final budget submitted to City Council for approval

**ALTERNATIVES CONSIDERED**

Not applicable.

**FINANCIAL IMPACT**

The FY 2021-26 Five-Year General Fund Baseline forecast reflects increasing shortfalls in each of the next five years, ranging from \$10.5 million to \$14.04 million per year. Preliminary balancing measures presented in this report reflect the City's strategic priorities and balancing principles discussed in this report.

**REPORT PREPARED BY**

Barbara Arenado, Deputy Director  
Jonathan Nih, Senior Management Analyst

**ATTACHMENT**

FY 2021-26 General Fund Baseline Assumptions

## FY 2021-26 General Fund Baseline Budget

GENERAL FUND	FY 2020-21					
	Estimate	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
<b>Revenues</b>						
Property Tax	80,374,873	83,502,059	87,051,124	90,764,739	93,636,765	96,546,074
Sales Tax	65,271,753	70,393,060	73,406,017	76,194,174	78,877,885	81,705,839
Hotel Tax	6,994,560	11,302,661	13,945,669	14,926,695	15,822,701	17,744,967
Program & Service Fees	6,375,397	11,328,062	11,796,014	11,866,783	11,925,759	11,973,672
Franchise Tax	9,041,424	8,789,261	8,853,947	8,987,633	9,124,587	9,264,478
Utility Users Tax	4,766,028	4,793,165	4,857,890	4,928,520	4,995,069	5,062,550
Revenue from Other Agencies	4,149,252	4,325,471	4,260,470	4,302,492	4,346,439	4,390,106
Documentary Transfer Tax	3,530,219	3,544,063	3,611,400	3,690,851	3,772,050	3,855,035
Assessment Revenue	1,748,640	2,825,665	3,486,417	3,731,674	3,955,675	4,436,242
Fines and Forfeiture Revenue	1,515,000	1,808,600	1,809,036	1,809,471	1,809,571	1,809,671
Licenses and Permit Revenue	1,501,340	1,576,250	1,576,250	1,579,013	1,581,803	1,584,621
Fees for Services	1,242,083	1,252,720	1,313,780	1,347,987	1,385,816	1,425,190
Miscellaneous Revenues	1,192,984	1,387,913	1,448,493	1,328,891	1,102,328	1,024,909
Development Fees	306,400	316,100	299,700	287,962	276,854	266,345
Motor Vehicle In Lieu	210,174	223,832	229,006	234,180	239,354	244,528
<b>Revenues Subtotal</b>	<b>188,220,127</b>	<b>207,368,882</b>	<b>217,945,213</b>	<b>225,981,065</b>	<b>232,852,656</b>	<b>241,334,227</b>
Transfers-In	5,921,320	4,202,718	3,134,788	3,070,607	3,010,198	2,953,162
<b>TOTAL REVENUES</b>	<b>194,141,447</b>	<b>211,571,600</b>	<b>221,080,001</b>	<b>229,051,672</b>	<b>235,862,854</b>	<b>244,287,389</b>
<b>Expenditures</b>						
Salaries and Benefits	129,429,896	140,669,598	146,322,861	150,688,636	155,835,067	160,112,663
Internal Service Charges	24,334,466	28,211,103	29,616,951	30,873,651	32,344,534	33,122,754
Contract Services	19,975,332	24,556,824	25,176,245	24,892,246	26,521,000	26,693,461
Supplies	4,467,476	5,013,479	5,200,681	5,161,331	5,351,404	5,464,293
Miscellaneous	4,933,835	3,471,052	3,987,092	4,191,916	4,387,253	4,775,624
Overtime Salaries	1,849,359	3,141,397	3,169,259	3,191,230	3,399,285	3,571,648
Utilities	2,648,161	2,702,666	2,773,082	2,845,570	2,960,925	2,953,431
Training & Business Expense	1,939,139	1,928,269	1,960,969	1,987,352	2,019,484	2,056,894
Repairs & Maintenance	487,222	487,953	489,107	489,443	502,031	516,024
Capital Equipment	125,000	25,000	25,000	25,000	170,000	90,000
Less Cost Allocated	(211,000)	(211,000)	(211,000)	(216,000)	(216,000)	(216,000)
<b>Expenditures Subtotal</b>	<b>189,978,886</b>	<b>209,996,341</b>	<b>218,510,247</b>	<b>224,130,375</b>	<b>233,274,983</b>	<b>239,140,792</b>
Transfers-Out	12,660,703	12,077,567	14,261,497	15,954,857	16,627,342	16,868,918
<b>TOTAL EXPENDITURES</b>	<b>202,639,589</b>	<b>222,073,908</b>	<b>232,771,744</b>	<b>240,085,232</b>	<b>249,902,325</b>	<b>256,009,710</b>
<b>Surplus/(Deficit)</b>	<b>(8,498,142)</b>	<b>(10,502,308)</b>	<b>(11,691,743)</b>	<b>(11,033,560)</b>	<b>(14,039,471)</b>	<b>(11,722,321)</b>

ATTACHMENT