

AGENDA ITEM 5



REQUEST FOR FINANCE COMMISSION ACTION

MEETING DATE: MARCH 1, 2021

TITLE: FISCAL YEAR 2020-21 SECOND QUARTER BUDGET UPDATE

Director of Financial Management
& Strategic Planning

RECOMMENDED ACTION

1. Recommend City Council receive and file the Fiscal Year 2020-21 Second Quarter Budget Update.
2. Recommend City Council approve a General Fund budget adjustment to decrease FY 2020-21 athletic revenue by \$62,150 to reflect a 50 percent reduction in Irvine Sports Committee fees for Fall 2020 and Spring 2021 field allocations due to impacts from COVID-19.
3. Recommend City Council approve a budget adjustment to decrease FY 2020-21 System Development Charge revenue and re-appropriate \$3.15 million funding from CIP #381902, the Walnut Bike Trail Lighting & Landscaping project, to FY 2023-24 due to slowing development activity and impacts from COVID-19.

EXECUTIVE SUMMARY

This report provides a second quarter update of the City's financial position in Fiscal Year (FY) 2020-21. At this time, preliminary analysis of City revenues and expenses suggests a likely General Fund shortfall of **\$8.5 million** by fiscal year-end, and an additional **\$3 million** year-end shortfall in the Building and Safety Fund. The City has limited means to address this potential collective \$11.5 million shortfall with the use of the carried over CARES funding from the prior year and General Fund reserves. These solutions, however, are one-time in nature, and future structural imbalances will be corrected in the upcoming budget cycle.

The outbreak of COVID-19 continues to significantly impact City revenues. The City took swift actions early on to reduce expenditures through a vacancy freeze and overtime management; renegotiating City contracts for price reductions; delaying capital improvement projects to preserve cash; and limiting expenses on supplies, training, and administrative needs.

- In the General Fund, FY 2020-21 year-end revenues are estimated to be under budget by \$23.2 million, offset by projected year-end expenditure reductions of \$14.6 million.
- In the Building and Safety Fund, FY 2020-21 year-end revenues are estimated to be under budget by \$5.8 million, offset by projected year-end expenditure reductions of \$2.3 million.

The City has carried over \$3.1 million from FY 2019-20 CARES Act funding to help offset this year's deficit. Additionally, the City has \$54.5 million in the Contingency Reserve. If the year-end combined deficit of \$11.5 million remains, it will leave the City's General Fund contingency at \$46.1 million, or 2.6 percent below the City's 25 percent contingency reserve goal.

GENERAL FUND	ADJUSTED BUDGET	SECOND QUARTER YEAR-END PROJECTION	VARIANCE BUDGET VS. 2nd QUARTER PROJECTIONS
REVENUES/TRANSFERS-IN	\$ 214,397,958	\$ 191,174,352	\$ (23,223,606)
EXPENDITURES/TRANSFERS-OUT	\$ 214,267,278	\$ 199,670,235	\$ 14,597,043
GENERAL FUND SURPLUS/(DEFICIT)		\$ (8,495,883)	
BUILDING & SAFETY FUND SHORTFALL		\$ (3,000,000)	
TOTAL SURPLUS/(DEFICIT)		\$ (11,495,883)	
CARES ACT FUNDING		\$ 3,094,621	
CONTINGENCY RESERVE		\$ 8,401,262	
CONTINGENCY RESERVE BALANCE		\$ 46,124,934	22.4%

ATHLETIC FEE REDUCTION

Non-profit Irvine youth sports organizations are facing unprecedented times with major impacts to operations and services due to COVID-19. Youth sports has not been able to resume normal play, impacting both fall and spring allocations. Due to the limited activity allowed and the financial impacts experienced this fiscal year, staff is recommending a 50 percent reduction to the Irvine Sports Committee fees for the Fall 2020 and the Spring 2021 seasons. Approved fees are based on an organization's team roster, which accounts for resident and non-resident participants. Based on current roster data, staff estimates the proposed 50 percent fee reduction will reduce FY 2020-21 athletic revenues by \$62,150.

SYSTEM DEVELOPMENT CHARGE (SDC) FUND

New development activity continues to be substantially impacted by COVID-19, resulting in decreases in System Development Charge (SDC) revenue. To prevent the SDC Fund from having a negative balance at the end of FY 2020-21, staff is recommending to re-appropriate \$3.15 million in SDC funding for the Walnut Bike Trail Lighting & Landscaping project to FY 2023-24. This shift in funding priority will not impact the project's design funds and will allow the project to be ready for construction once funds are available.

COMMISSION/BOARD/COMMITTEE RECOMMENDATION

Not applicable.

ANALYSIS

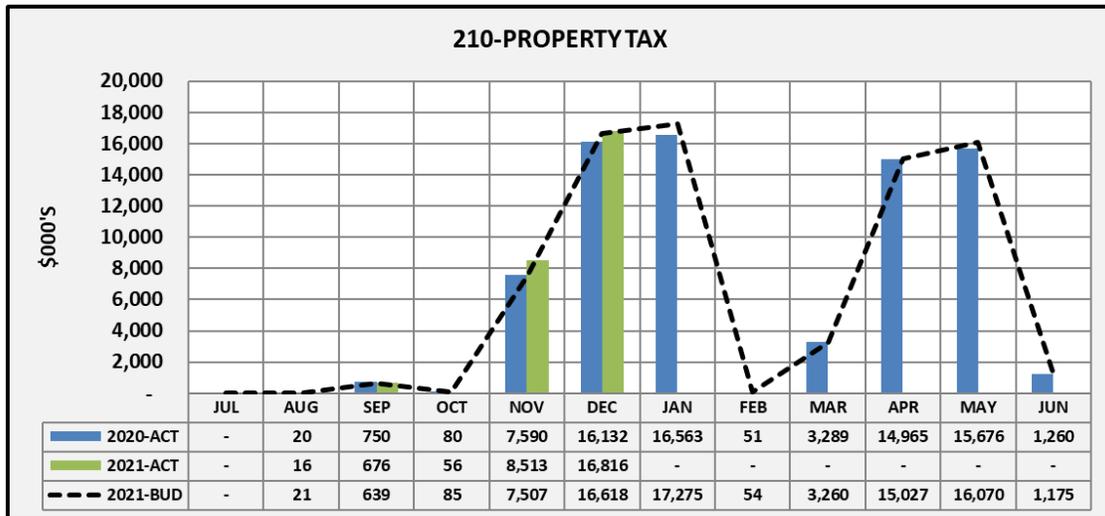
City staff continues to actively engage with industry leaders regarding the local business forecast, including the Irvine Company, local hotels, and the Greater Irvine Chamber of Commerce. Businesses face competing challenges and uncharted waters as they continue to navigate the effects of the pandemic. They are also addressing and expanding their online capabilities to support increased demand while making plans to gradually reopen stores.

To develop the financial forecast, the Budget Office meets with City departments to gather revenue projections, reviews and analyzes data with the City's consultants, and evaluates analysis on potential future pandemic funding. Preparing for an uncertain future requires consideration of a wide range of factors, as well as direct and indirect influences on the City. This report represents the City's best estimates based on the most current information. The FY 2020-21 Second Quarter Budget Update Report (Attachment 1) is based on actuals from July 1, 2020 through December 31, 2020.

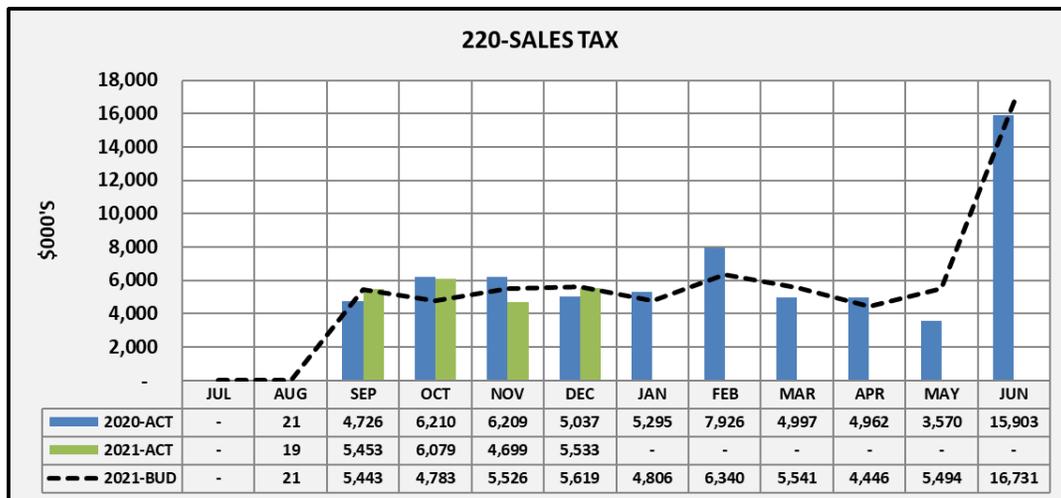
REVENUES

Based on second quarter results, FY 2020-21 General Fund year-end revenues are estimated to be approximately \$23.2 million, or 10.8 percent, below budget due to the continuing detrimental impacts related to COVID-19. Additional data and analysis is provided in the Second Quarter Budget Update Report (Attachment 1).

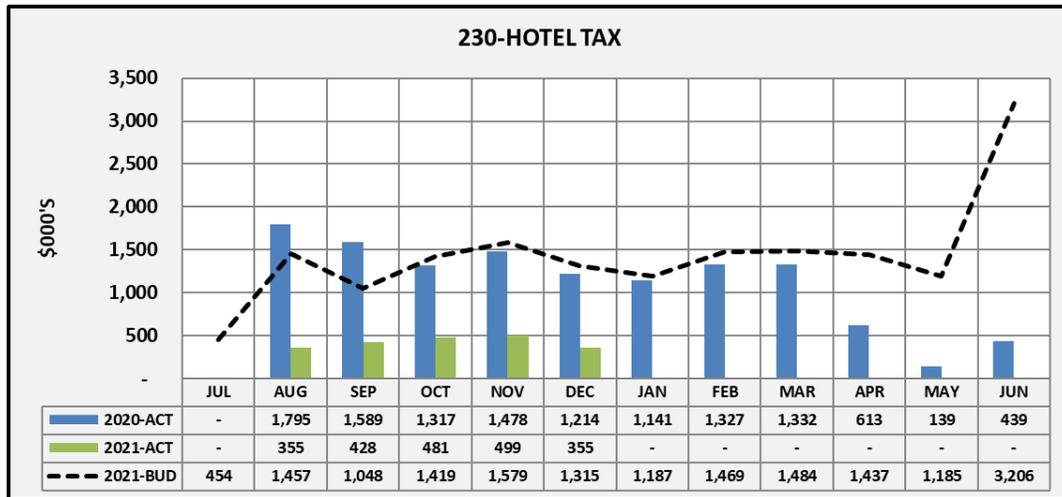
- **Property Tax** revenues are projected to exceed the budget by \$2.6 million, or 3.4 percent. This anticipated increase in property tax payments is primarily attributed to a higher than budgeted growth rate in the City's assessed valuation. Property tax bills typically reflect property values anywhere from 18 months to several years prior to collection. As a result, property tax revenues are less responsive to current events in the short-term. Unprecedented low interest rates, strong demand, and the City's school and public safety reputations have continued to motivate buyers to enter the real estate market in Irvine.



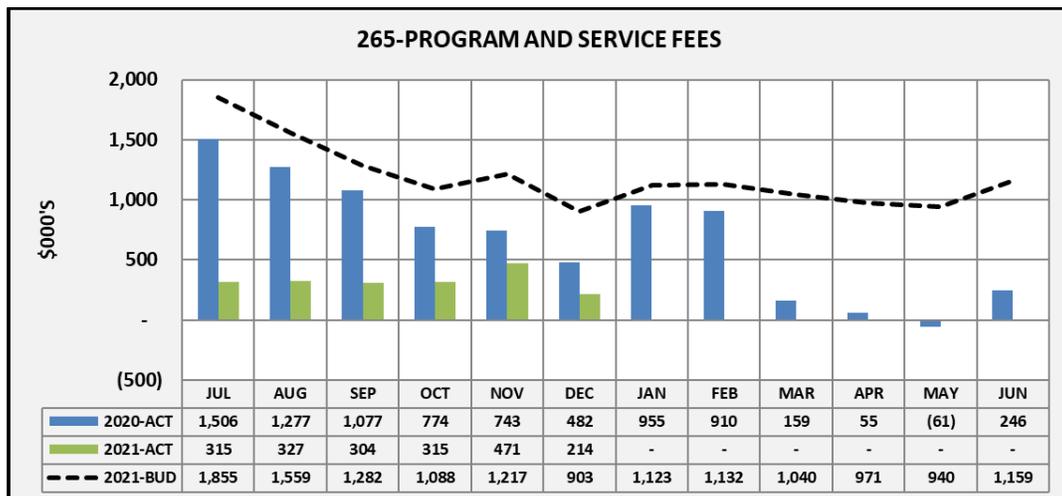
- Sales Tax** revenue has benefited from an influx of stimulus payments into the economy and a large increase in online sales. The City has outperformed surrounding areas and the state in many sales tax categories pushing the City’s revenues from the State and County Pools higher as consumers shift to online purchases. Prior to the pandemic it was anticipated sales tax was going to exceed expectations. Sales Tax is estimated to be near budget by year-end; however, uncertainties are expected to result in uneven shifts through FY 2020-21.



- Hotel Tax** revenue is estimated to be \$10.8 million, or 62.9 percent, below budget by fiscal year-end due to the abrupt and detrimental effects of COVID-19 on Irvine hotels and the nation’s travel industry as a whole. Hotel occupancy is slowly recovering and the rate of recovery is dependent upon social distancing measures and consumer expectations for hotels to implement safety measures. It is anticipated that hotel tax will not recover through the end of this fiscal year.



- Assessment Revenue** reflects the Hotel Improvement District’s (HID) 2 percent assessment applied to hotel or other lodging stays of less than 30 days. Seventy-five 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. The HID revenue is expected to be approximately \$2.7 million, or 62.9 percent, under budget by the end of the year.
- Program and Service Fees** year-end revenues are estimated to be under budget by \$10.2 million, or 71.3 percent. Reductions are attributed to the continuing COVID-19 pandemic and subsequent 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 prevent athletic games and tournaments. Community Services’ part-time service model enables the revenue decreases to be partially offset by corresponding expenditure reductions.

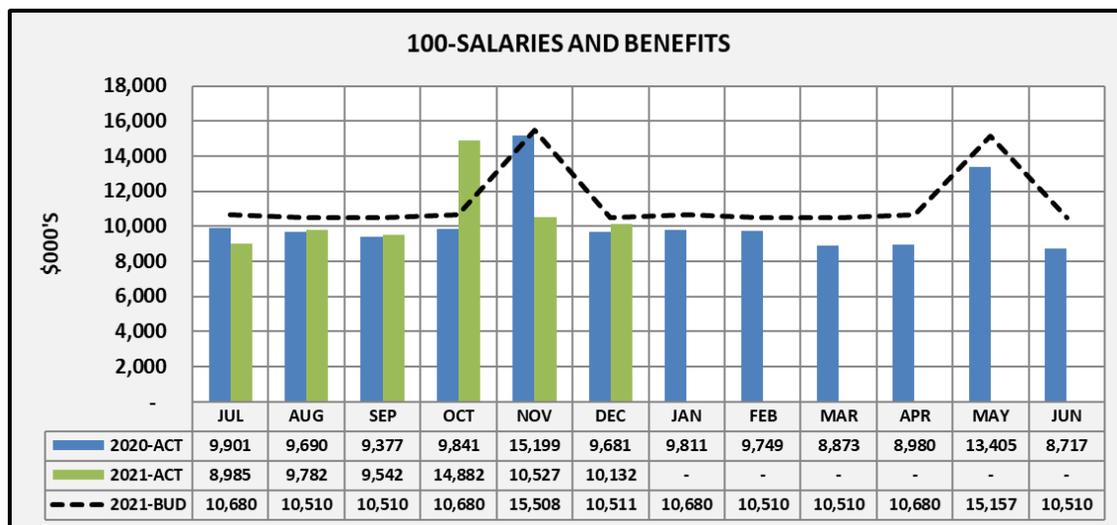


EXPENDITURES

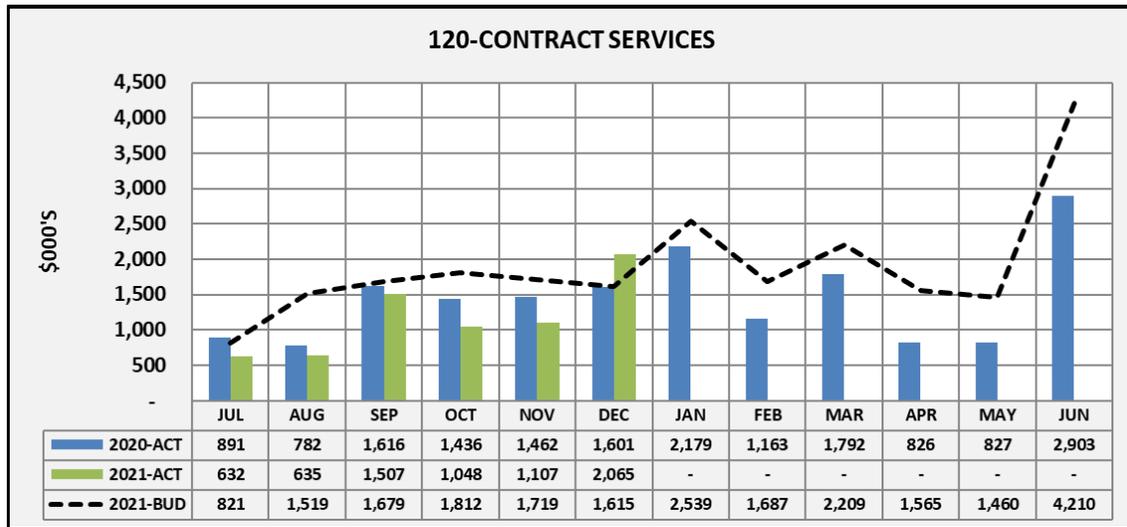
Cost-containment measures, implemented by City Council and appointed leadership, have allowed the City to continue to reduce expenditures. Cost containment measures included freezing positions and overtime, renegotiating contracts, reviewing all capital projects, restricting non-essential expenses, and most recently, monitoring department budgets at the line item with the Interim City Manager and making correction adjustments where necessary. FY 2020-21 General Fund year-end expenditures are estimated to be under budget by approximately \$14.6 million, or 6.7 percent, due to these ongoing reductions. The Second Quarter Budget Update Report (Attachment 1) provides further information and analysis of the fiscal year's expense activity.

The majority of expenditure savings will occur in two budget categories, personnel costs and contract services.

- **Personnel Costs** are projected to be under budget by \$6.4 million, or 4.7 percent by fiscal year-end, primarily due to normal attrition and freezing of vacant positions as cost-containment measures, as well as a reduction in part-time staffing from the closure of facilities and City programs.



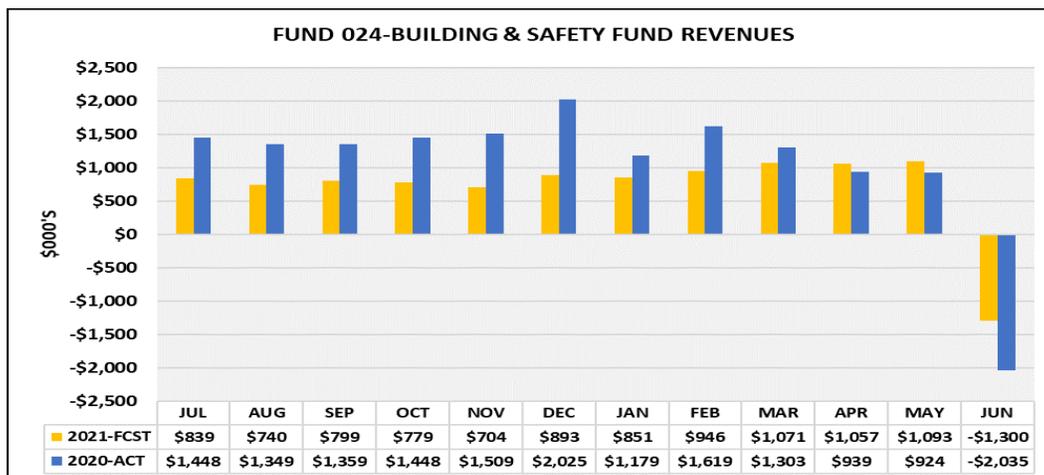
- **Contract Service** fiscal year-end savings are expected to be \$3.6 million, or 15.8 percent, as a result of the City's proactive renegotiation of all contracts with consultants, vendors, and suppliers.



- Additional Savings:** The City is continuing to reduce spending on supplies, training, meetings, postage, printing, advertising, and publishing. Further cost savings, information, and analysis can be found in the Second Quarter Budget Update Report (Attachment 1).

Building and Safety Fund (024)

The Building and Safety Fund accounts for operations including permitting, plan review, and inspections in the Community Development Department. The Fund has incurred an operating loss for the past three years due in part to a long period without fee increases and slowing development activity. As part of a citywide fee study, fees were increased by 20 percent as of August 1, 2019. The increased fees have helped, but the Fund continues to have a net operating loss. The Fund had a 40 percent decrease in revenue through December 2020 due to COVID-19 and the related economic slowdown. Staff anticipates that the fund will have a cash shortfall of approximately \$3 million by year-end.



SYSTEM DEVELOPMENT CHARGE (SDC) FUND

The impacts of COVID-19 have substantially affected new development activity in the City, resulting in decreases in SDC revenue. The City imposes a one percent SDC on all new development within the City, which is accounted for in a special revenue fund. This fee was established pursuant to Title 2, Division 9, Chapter 6 of the City’s Municipal Code. Due to COVID-19, decreases in revenue will cause the SDC Fund to have a negative fund balance by year-end.

To address the SDC Fund shortfall, staff is recommending to re-appropriate \$3.15 million in SDC funding for the Walnut Bike Trail Lighting & Landscaping project and reprogram construction funds to FY 2023-24 (Attachment 2). This shift in priority will not impact the design funds and will allow the project to be ready for construction once funds are allocated in FY 2023-24.

ATHLETIC FEE REDUCTION AND BUDGET ADJUSTMENT

Due to the COVID-19 pandemic, non-profit Irvine youth sports organizations are facing unprecedented times with major impacts to operations and services. Since March 2020, youth sports has not been able to resume normal play impacting both Fall and Spring allocations. Under current state guidelines, youth sports are limited to individual skills and drills, with all players required to maintain at least six feet of distance between each other. There have been no games, events, or tournaments allowed during this fiscal year.

In January 2021, staff met with individual members of the Irvine Sports Committee to discuss the operational and fiscal impacts due to COVID-19. The primary concern from the Irvine Sports Committee groups is the guidelines have restricted the youth sports program (e.g., no games, events, and tournaments), which impact their ability to charge and collect fees from participants. Due to the limited activity allowed and the financial impacts experienced this fiscal year, staff is recommending a 50 percent reduction to the Irvine Sports Committee fees for the Fall 2020 and Spring 2021 seasons. The below chart outlines the proposed fee reductions for consideration.

FY 2020-21 PROPOSED FEE REDUCTION FOR IRVINE SPORTS COMMITTEE

	Current Fees	Proposed Fee Reduction of 50%
Irvine Resident	\$10/player (primary season only)	\$5/player (primary season only)
Non-Resident	\$150/player annually	\$75/player annually

As shown above, the City Council approved fees are based on an organization’s team roster, which accounts for resident and non-resident participants. Based on current roster data, staff estimates the proposed 50 percent fee reduction will reduce FY 2020-21 athletic revenues by \$62,150 (Attachment 3).

FY 2020-21 FISCAL IMPACT TO PROPOSED FEE REDUCTIONS

	Budget	Revised Budget	Variance
Fall 2020 Season	\$99,800	\$49,900	(\$49,900)
Spring 2021 Season	\$24,500	\$12,250	(\$12,250)
Total:	\$124,300	\$62,150	(\$62,150)

RESERVES

The City Council established the Contingency Reserve Fund to be used to help mitigate the effects of unanticipated disruptions, natural disasters, and severe unforeseen events, such as COVID-19. The City has \$54.5 million in the contingency reserve and an additional \$3.1 million of CARES Act funding from the prior year to help offset this year's deficit. If the year-end combined deficit of \$11.5 million remains, this will leave the City's General Fund contingency at \$46.1 million, or 2.6 percent below the City's 25 percent contingency reserve goal.

ALTERNATIVES CONSIDERED

None.

FINANCIAL IMPACT

In the General Fund, FY 2020-21 year-end revenues are estimated to be under budget by \$23.2 million, offset by projected year-end expenditure reductions of \$14.6 million. At this time, preliminary analysis of City revenues and expenses suggests a likely General Fund shortfall of \$8.5 million by fiscal year-end, and an additional \$3 million year-end shortfall in the Building and Safety Fund. The City has limited means to address this potential collective \$11.5 million shortfall, with the use of the carried over CARES Act funding from the prior fiscal year and General Fund reserves. These solutions, however, are one-time in nature, and the ongoing structural imbalances are being reviewed and adjusted in the upcoming budget cycle.

REPORT PREPARED BY Barbara Arenado, Deputy Director
Jonathan Nih, Senior Management Analyst

ATTACHMENTS

1. Fiscal Year 2020-21 Second Quarter Budget Update
2. Budget Adjustment: System Development Charge Fund
3. Budget Adjustment: Athletic Fee Reduction



FY 2020-21 Q2 BUDGET UPDATE

JULY - DECEMBER 2020

GENERAL FUND SUMMARY

The Second Quarter Budget Update for Fiscal Year (FY) 2020-21 provides an analysis of General Fund revenues and expenditures based on July 1, 2020 through December 31, 2020 actuals.

Revenues & Expenditures

BUDGET CATEGORY	2019-20 ACTUAL	2020-21 ADJUSTED BUDGET	Q2 YEAR-END PROJECTION	VARIANCE BUDGET VS. Q2 SURPLUS/(DEFICIT)
REVENUES				
PROPERTY TAX	76,376,791	77,731,639	80,374,873	2,643,234
SALES TAX	64,855,382	64,750,396	65,271,753	521,357
HOTEL TAX	12,383,346	17,239,986	6,404,654	(10,835,332)
PROGRAM AND SERVICE FEES	8,122,322	14,268,808	4,097,105	(10,171,703)
FRANCHISE TAX	8,954,033	9,518,219	9,141,424	(376,795)
OTHER REVENUES ¹	21,298,001	24,367,590	19,963,223	(4,404,367)
SUB-TOTAL REVENUE	191,989,874	207,876,638	185,253,032	(22,623,606)
TRANSFERS IN	3,707,580	6,521,320	5,921,320	(600,000)
TOTAL RESOURCES	195,697,454	214,397,958	191,174,352	(23,223,606)
EXPENDITURES				
SALARY & BENEFITS	123,223,777	136,446,880	130,020,476	6,426,404
INTERNAL SERVICE	24,289,422	24,316,859	24,317,216	(357)
CONTRACT SERVICES	17,477,672	22,835,609	19,226,054	3,609,555
SUPPLIES	4,442,372	5,226,992	3,873,917	1,353,075
OVERTIME SALARIES	2,420,114	2,809,560	1,894,918	914,642
OTHER EXPENDITURES ²	8,728,271	9,970,675	7,676,951	2,293,724
SUB-TOTAL APPROPRIATIONS	180,581,628	201,606,575	187,009,532	14,597,043
TRANSFERS OUT	24,969,187	15,755,324	15,755,324	-
SUBTOTAL EXPENDITURES	205,550,815	217,361,899	202,764,856	14,597,043
FY 2019-20 YEAR-END ADJUSTMENTS ³		(3,094,621)	(3,094,621)	
TOTAL EXPENDITURES	205,550,815	214,267,278	199,670,235	14,597,043
NET SURPLUS/(DEFICIT)			(8,495,883)	

1 - Includes Utility Users Tax, Assessment Revenue, Documentary Transfer Tax, Revenue From Other Agencies, Licenses & Permits, Fines & Forfeitures, Fees For Services, Miscellaneous, Development Fees, and Motor Vehicle in-Lieu.

2 - Includes Miscellaneous, Utilities, Training/Bus Expense, Repairs & Maintenance, Capital Equipment, and Cost Allocated.

3 - FY 2019-20 Year-end allocations/budget adjustments removed to reflect FY 2020-21 estimates

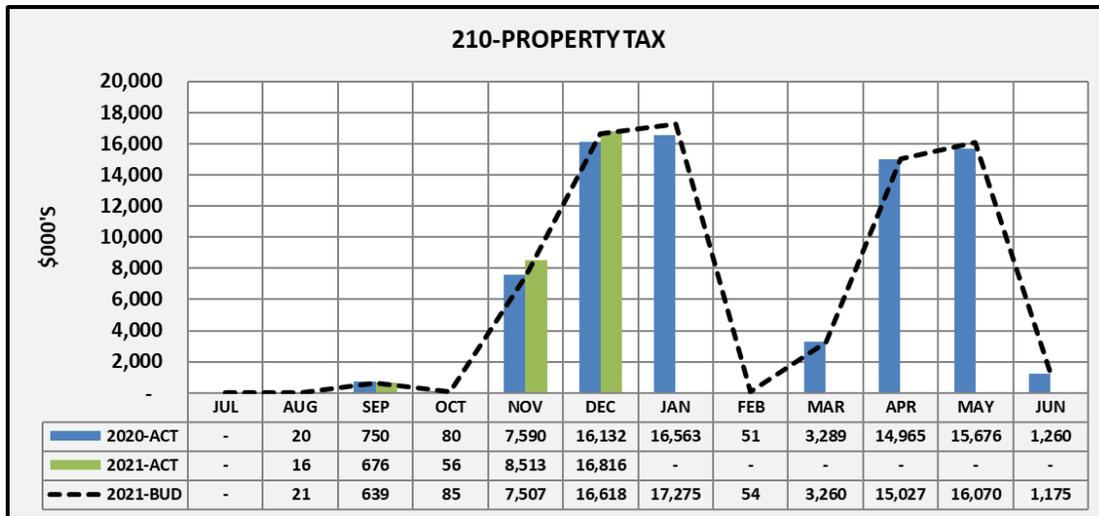
SUMMARY

The development of the FY 2020-21 Second Quarter Budget Update includes actuals to date and projected year-end estimates based on assumptions regarding revenue and expenditure fluctuations, taking into account the anticipated impacts of the pandemic. Estimates and projections may drastically change and fluctuate due to changes in State and County mandates, further unanticipated issues due to COVID-19, or other unforeseen events.

At this time, based on second quarter results and analysis from each of the City's departments on revenues and expenditures, year-end estimates for FY 2020-21 revenues are projected to be \$23.2 million below budget and expenditure reductions are estimated to be under budget by \$14.6 million. Departments continue to implement cost containment measures adopted by City Council that include freezing vacancies and overtime, renegotiating contracts for price reductions, delaying projects to preserve cash, and limiting expenses in supplies, training, and business expenditures.

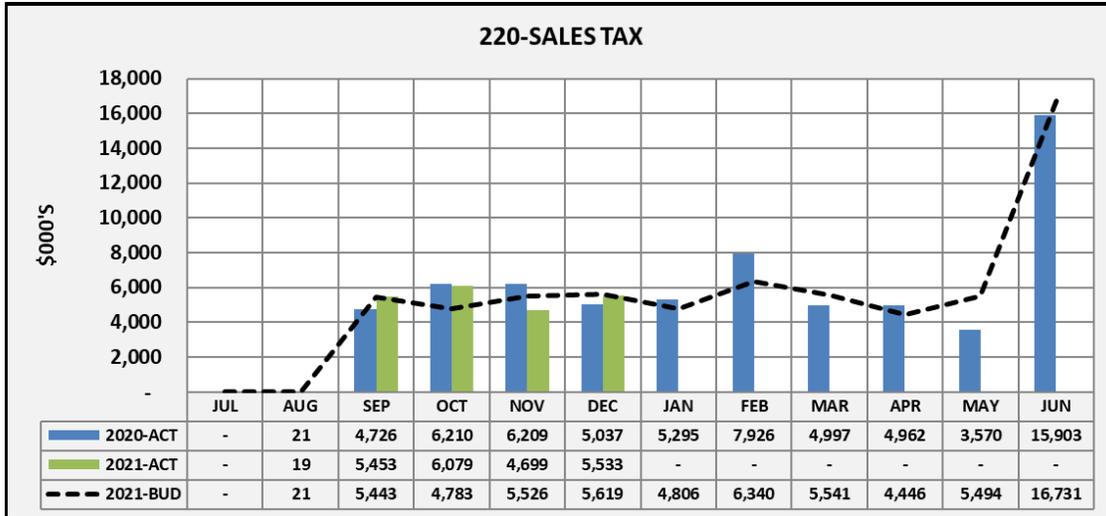
REVENUES

PROPERTY TAX revenues are estimated to be \$2.6 million, or 3.4 percent higher than budget by fiscal year-end. The increase is mostly due to the overall sales and market value increases that helped add value to the City’s assessed valuations. The City’s FY 2020-21 Assessed Valuation, as released by The Orange County Assessor, is \$90 billion, an increase of 5.91 percent or \$5 million from the prior year. Residential property tax payments are largely received by the City in the months of December and April. Property tax provides 36 percent of annual budgeted General Fund operating revenues.



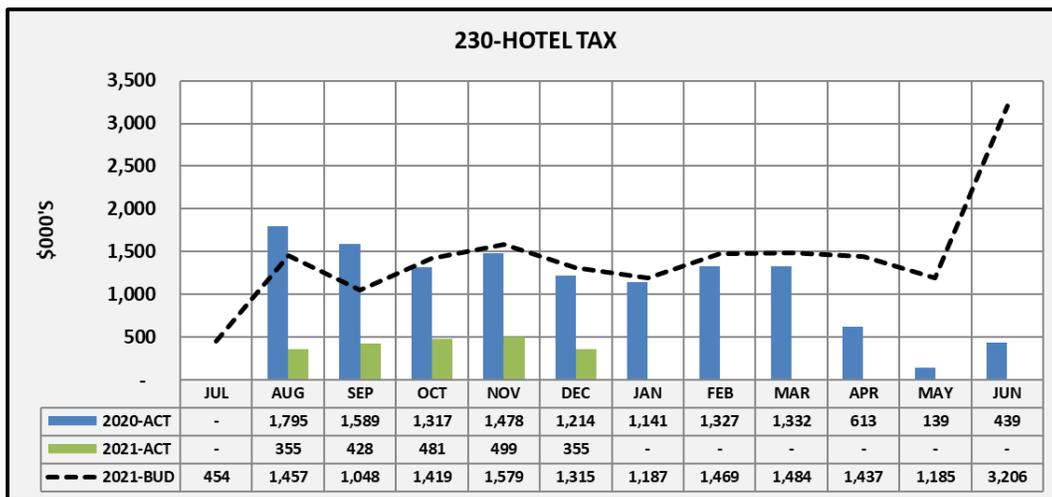
SALES TAX is collected by the state and advanced to the City on a monthly basis with funds distributed two months following the period the revenue is earned. Because of this timing difference, only four months of revenues has been received at the end of the second quarter.

Year-end estimates for Sales Tax are projected to be \$65.3 million which is \$521,357, or 0.8 percent, above budgeted amounts. Pandemic uncertainties are expected to continue to result in volatile sales tax revenues through FY 2020-21 fluctuating on recovery, resurgence, and other unanticipated events making year-end projections difficult. It is also important to note, this assumption includes a potential \$1.3 million takeaway from a CDTFA audit that will continue to overinflate revenues until its reversal; the timing of which is unknown and City staff is monitoring closely. The City has outperformed surrounding areas and the state in forecasted sales tax categories over the previous year; however it is important to note these estimates reflect an optimistic outlook and continuing recovery.



HOTEL TAX second quarter results for FY 2020-21 were \$5.2 million, or 70.9 percent, under budget due to the continued detrimental effects of the COVID-19 pandemic on the travel industry. Hotel occupancy is slowly recovering, but the rate of recovery is dependent upon social distancing measures, expectations for the hotels to implement safety measures, and restrictions mandated by the State. Of the 22 hotels located in Irvine, 21 are open at varying levels. Negative fiscal impacts continue as travel restrictions remain and events shift online.

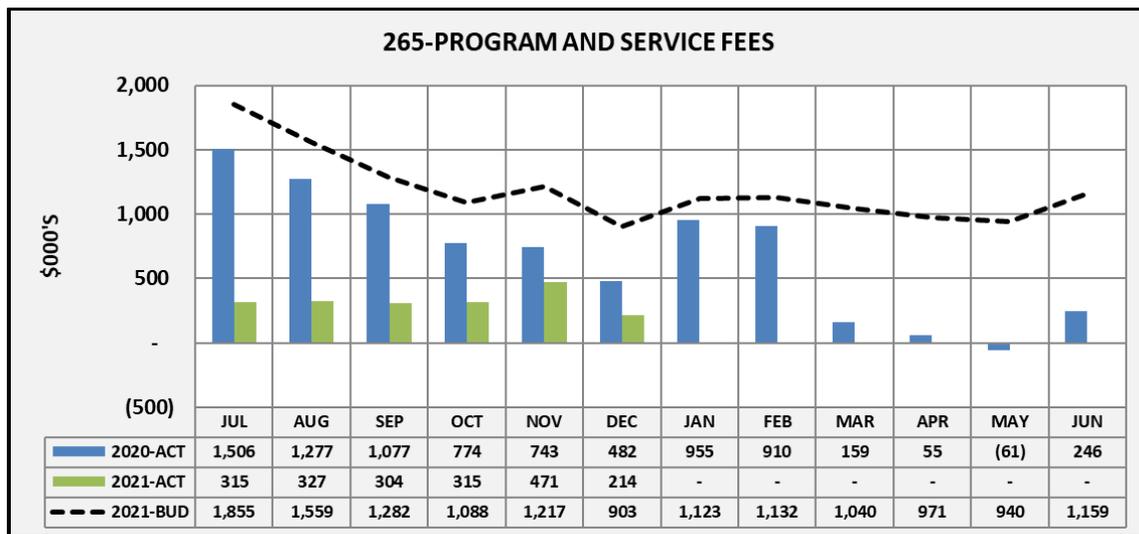
Year-end estimates for Hotel Tax are expected to be under budget by \$10.8 million, or 62.9 percent, due to the continued travel restrictions and the postponement of conferences and athletic events. Hotel forecasts remain flat until travel restrictions diminish and travel policies open up. It is anticipated that the hotel industry will continue to be negatively impacted until 2022. Due to the nature of travel to the City, driven 60 percent by corporate business travel, 30 percent by group and event travel, and 10 percent by leisure travel, Irvine is expected to experience a weaker recovery than surrounding areas in the hospitality industry.



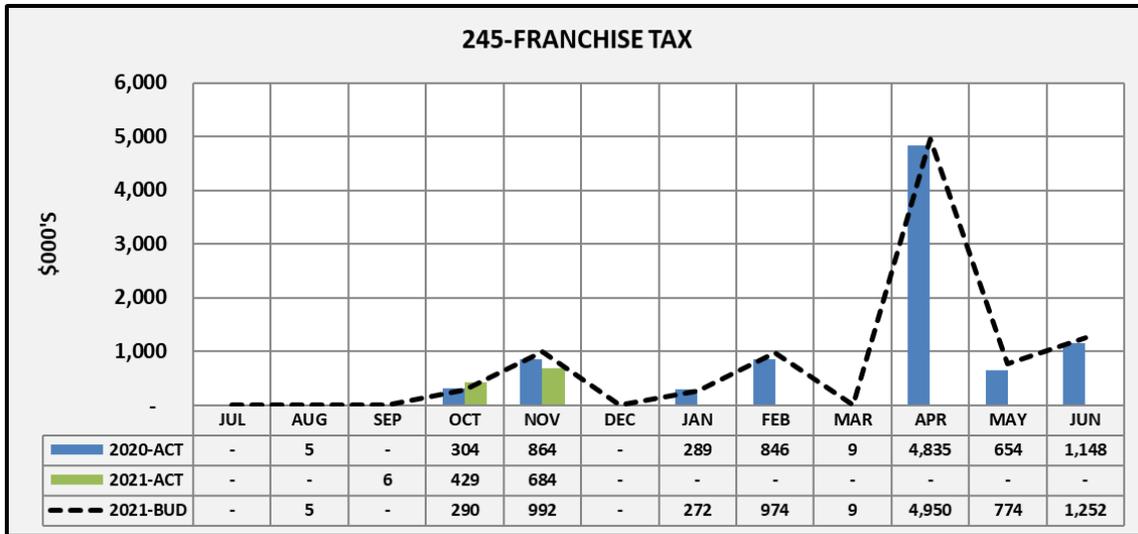
- ASSESSMENT REVENUE: HOTEL IMPROVEMENT DISTRICT (HID)** collects a 2 percent assessment applied to hotel or other lodging stays of less than 30 days. Seventy-five percent of the tax proceeds are specifically designated for the Greater Irvine Chamber of Commerce to promote tourism within the City to attract, recruit and retain businesses in the City. The remaining 25 percent is allocated to support City cultural activities at the Barclay Theatre. HID revenue closely aligns with hotel tax and is anticipated to be under budget \$2.7 million, or 62.9 percent, by the end of the year under the same hotel tax assumptions.

PROGRAM AND SERVICES FEES second quarter revenues year-to-date are \$6.0 million, or 75.4 percent, below budget. Variances are attributed to the continuing COVID-19 pandemic and other related factors such as social distancing and State and County mandates. Along with current state guidelines these factors eliminate or substantially limit participation in indoor programming and prevent athletic games and tournaments. While these factors and the corresponding results are unprecedented, the department’s service model has enabled expenditure savings in part-time salaries, contract services and supplies to offset these reductions.

The FY 2020-21 year-end revenue projection for Program and Service Fees is estimated to be \$10.2 million, or 71.3 percent, below budget for the fiscal year. The City expects impacts from the COVID-19 pandemic to adversely affect year-end results. City staff remain cautiously optimistic and the City will continue to gradually open as outlined in State and County re-opening orders.

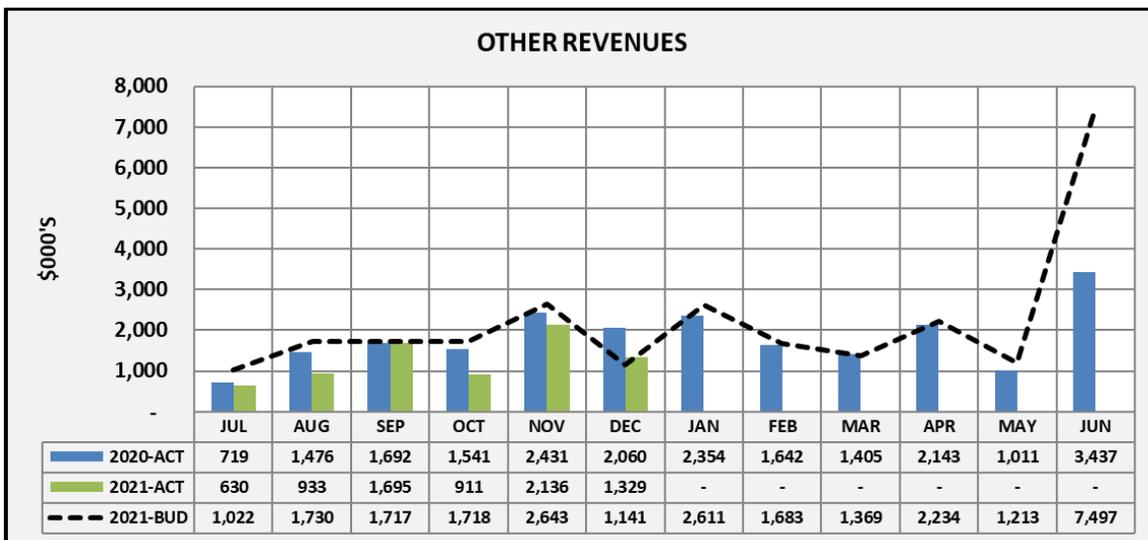


FRANCHISE TAX revenues are received in the second through fourth quarters of each fiscal year. However, the year-end estimate for this revenue category is projected to decline \$376,795, or 4 percent, under budget due to the reduction in the cable category of Franchise Tax revenue. This is largely due to the transition of many households from cable networks to streaming services and is expected to continue through this fiscal year.



OTHER REVENUES include Utility Users Tax, Documentary Transfer Tax, Revenues from Other Agencies, Licenses & Permits, Fines & Forfeitures, Fees for Services, Development Fees, Motor Vehicle In Lieu, Miscellaneous Revenues, and Transfers-In.

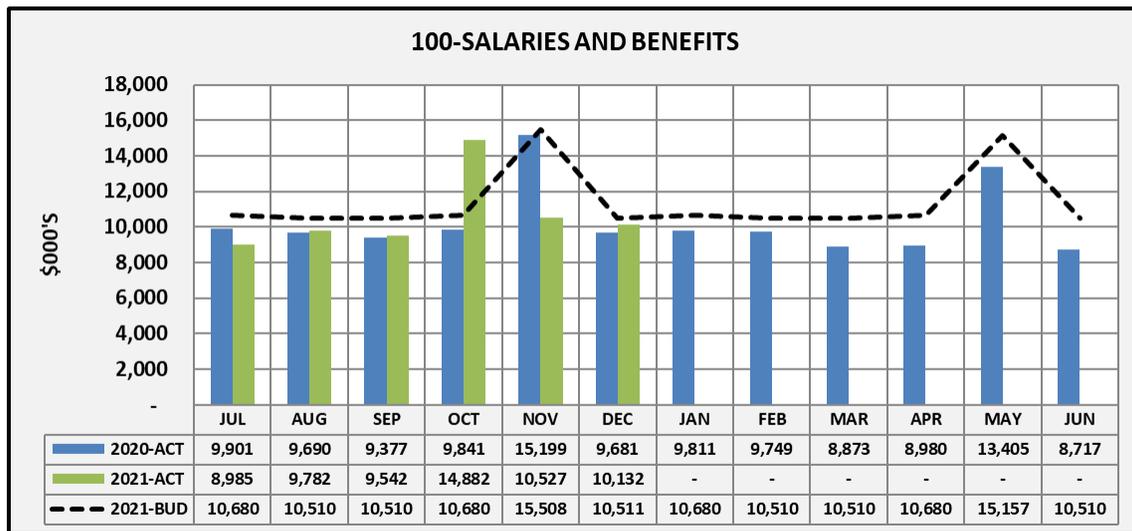
Year-end estimates for Other Revenues are expected to be \$4.4 million, or 18.1 percent, under budget due to decreased revenues from ongoing pandemic effects in Documentary Transfer Tax due to decreases in the number of property sales transactions, Licenses & Permits from temporary closures from the COVID-19 pandemic, Fines & Forfeitures due to lower than anticipated vehicle violations from less commuting on City roads, and Development Fees from reduced development activity in the City.



EXPENDITURES

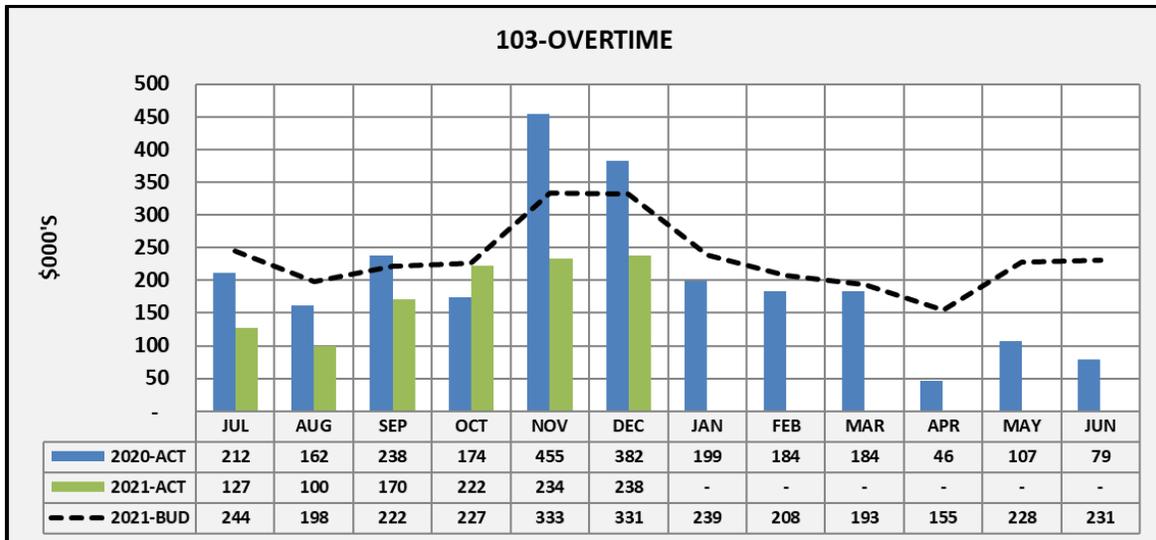
SALARIES & BENEFITS in the second quarter were under budget by approximately \$4.5 million, or 6.6 percent, primarily due to a monthly average in the first quarter of 71 vacant positions, which includes normal attrition and the frozen vacant positions as part of the City Council adopted cost-containment measures in response to the pandemic. Additionally, \$2 million of the savings is from decreases in part-time salaries for Community Services due to COVID related program and facility closures.

Fiscal year-end estimates are anticipated to be \$6.4 million, or 4.7 percent under budget due to continued cost containment measures from freezing vacant positions and overtime, and from a reduction in part-time salaries due to reduced participation levels in programs and services.



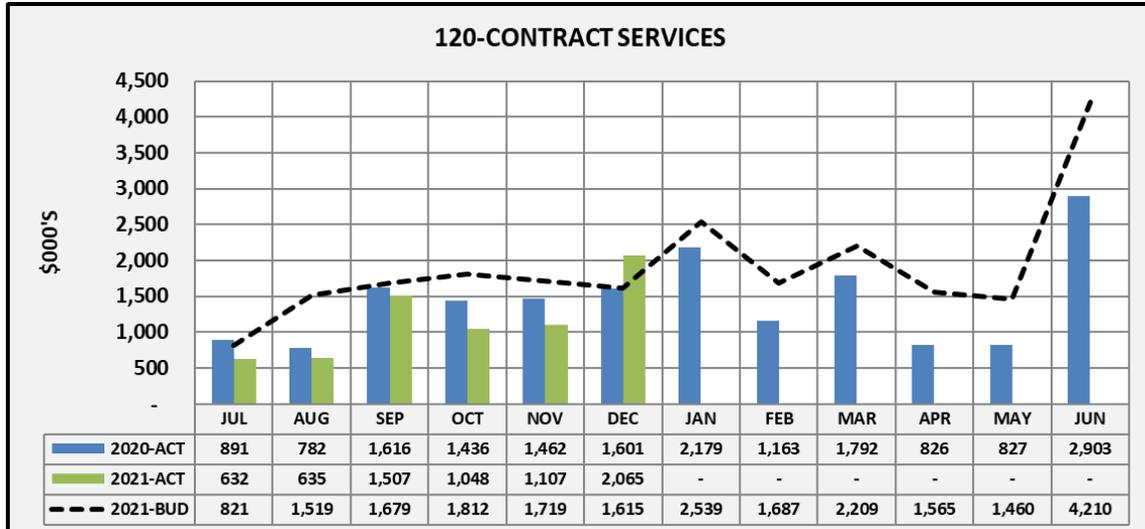
OVERTIME was down \$465,317, or 29.9 percent, under budget for the second quarter due to the implementation of the cost containment measures. The impact of COVID-19 and stay-at-home orders minimized overtime expenses.

Year-end estimates for Overtime expenditures are anticipated to be under budget by \$914,642, or 32.6 percent primarily from Public Safety and Community Services. The variance in overtime is due to lower than anticipated usage in Public Safety and the continued reduction of participation levels in programs and services as a result of COVID-19.



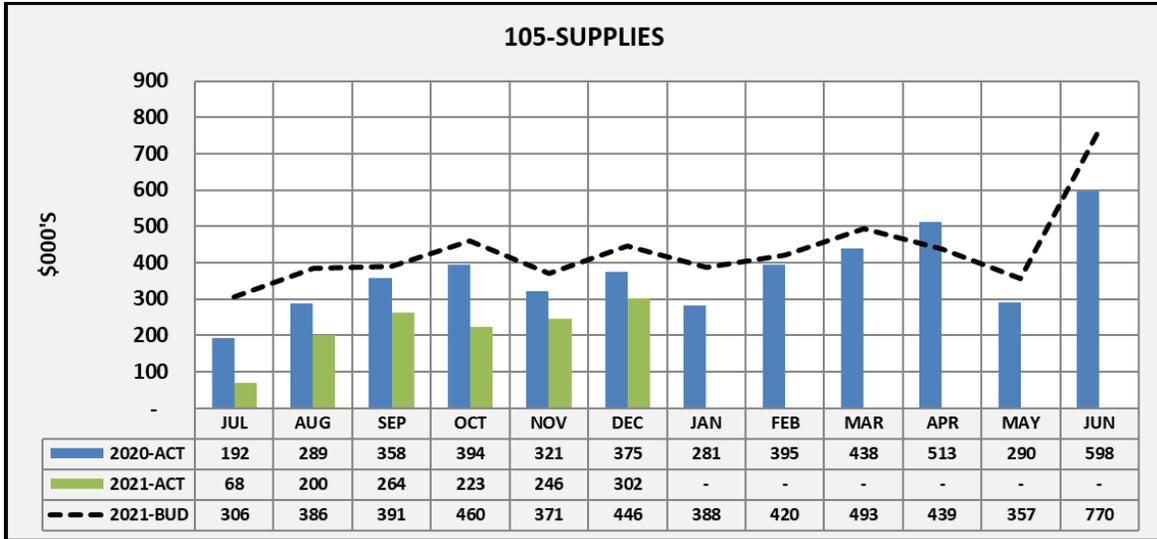
CONTRACT SERVICES ended the second quarter \$2.2 million, or 23.7 percent, under budget due to cost-containment savings, timing of contracts, continued negotiation and reductions of contracts Citywide.

Year-end estimates are expected to be \$3.6 million, or 15.8 percent, under budget due to reduced need for contract instructors related to lower participation level in contract classes, reduction of in-person citywide programs, the General Plan Update, and savings through negotiated price adjustments across all City departments.

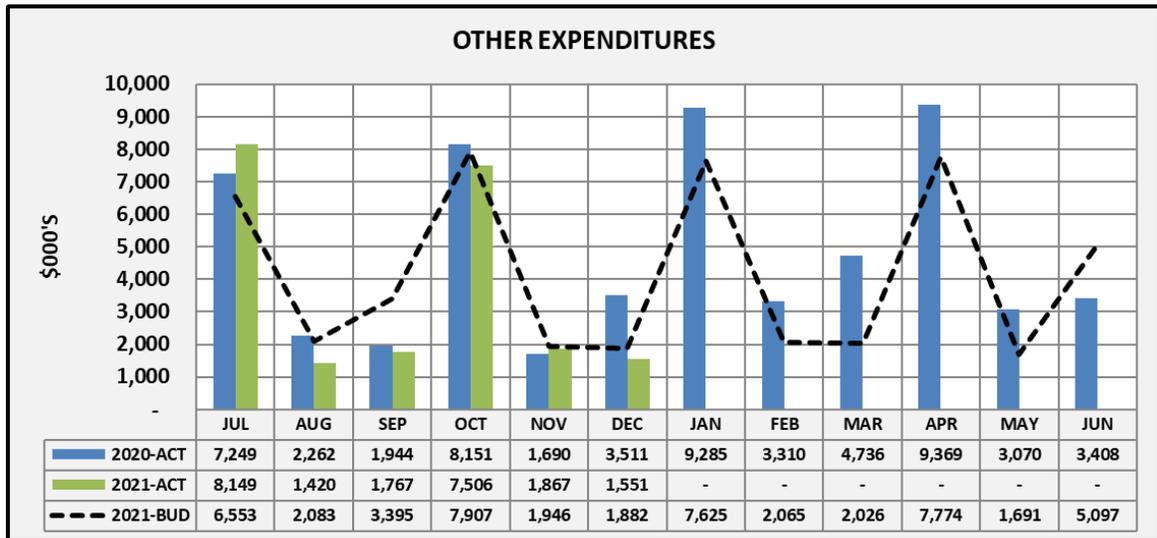


SUPPLIES were \$1.1 million, or 44.8 percent, below budget for the second quarter due to program and facility closures and lower usage of supplies across all departments as the majority of City staff continues to work from home.

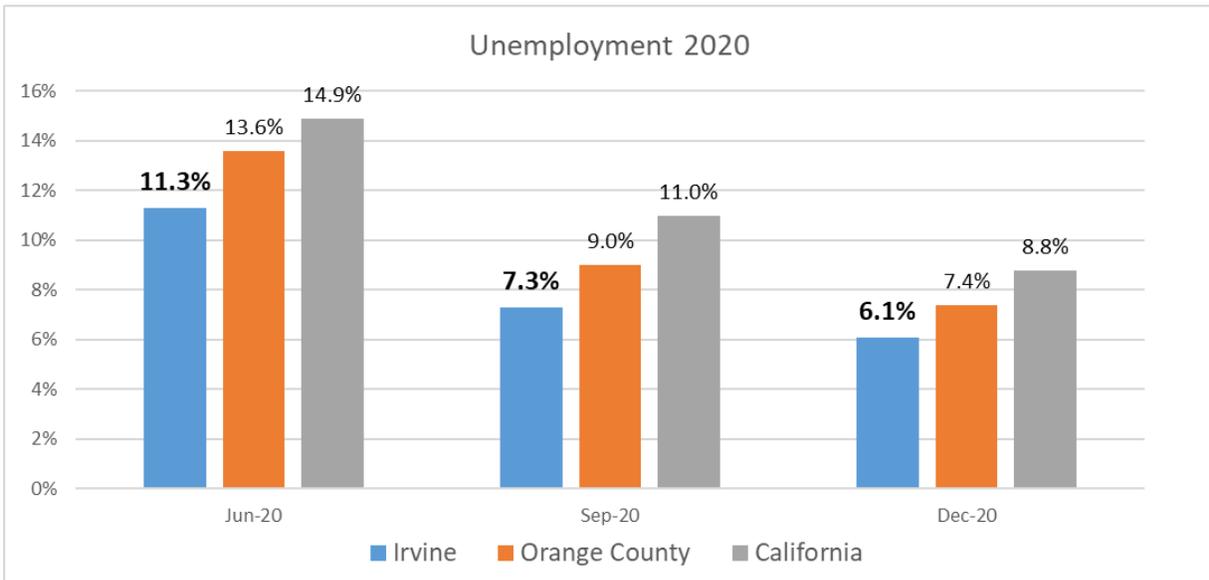
Year-end estimates are expected to be \$1.4 million, or 25.9 percent, under budget due to continued telecommuting by City staff and program and facility closures.



OTHER EXPENDITURES include Internal Services, Utilities, Training/Business Expense, Repairs & Maintenance, Capital Equipment, Less Cost Allocated, Miscellaneous, and Transfers-Out. Year-end estimates for Other Expenditures are expected to be \$2.3 million, or 23 percent, below budget as the City continues to recover from impacts of the pandemic. Cost containment measures remain in effect throughout this fiscal year.



OTHER ECONOMIC FACTORS: Following sharp increases in April, unemployment has trended down, but still remains above pre-pandemic levels. The unemployment rate in December for Irvine was 6.1 percent, down from 7.3 percent in September and below State and County levels.



VACANCIES AND RECRUITMENTS

The table below shows the number of authorized positions, vacant positions, and the vacancy rate by department, as of December 29, 2020. The recruitment process is ongoing and the number of vacant positions fluctuates from month-to-month due to a variety of factors, including turnover, internal promotions, and the hiring freeze due to the COVID-19 pandemic.

Full-Time Vacancies by Department

Q2 STAFFING OVERVIEW			
DEPARTMENT	AUTHORIZED POSITIONS	VACANT POSITIONS	VACANCY RATE
CITY MANAGER'S OFFICE	23	1	4.3%
CITY CLERK'S OFFICE	15	1	6.7%
COMMUNITY DEVELOPMENT	111	9	8.1%
COMMUNITY SERVICES	131	9	6.9%
FIN MGMT & STRATEGIC PLANNING	36	2	5.6%
HUMAN RESOURCES & INNOVATION	31	2	6.5%
PUBLIC SAFETY	341	22	6.5%
PUBLIC WORKS	170	25	14.7%
TOTAL	858	71	8.3%

VACANT POSITIONS BY DEPARTMENT

CITY MANAGER - 1

MANAGEMENT ANALYST I

CITY CLERK - 1

MUNI RECORDS ADMINISTRATOR

COMMUNITY DEVELOPMENT - 9

ASSOCIATE PLANNER
 MANAGER, NEIGHBORHOOD SERVICES
 PERMIT SPECIALIST II (2)
 PRINCIPAL PLANNER
 SR BUILDING INSPECTOR
 SR MANAGEMENT ANALYST
 SR PERMIT SPECIALIST
 SR PLANNER

COMMUNITY SERVICES - 9

ASSOCIATE PLANNER
 COMM SERVCS SPECIALIST (3)
 COMMUNITY SVCS SUPERVISOR
 CS PROGRAM COORDINATOR
 MANAGER, COMMUNITY SERVCS
 PROGRAM ASSISTANT
 TRANSIT PROGRAM DISPATCHER

FIN MGMT & STRATEGIC PLANNING - 2

FINANCE ADMINISTRATOR
 MANAGER, FISCAL SERVICES

HUMAN RESOURCES & INNOVATION - 2

INFORMATION TECH ADMINISTRATOR
 MANAGEMENT ANALYST II

PUBLIC SAFETY - 22

BUSINESS SVCS ADMINISTRATOR
 CRIME ANALYST
 POLICE OFFICER (13)
 POLICE RECRUIT (2)
 PS DISPATCHER (2)
 PS RECORDS SPECIALIST (2)
 VEHICLE INSTALLATION TECH

PUBLIC WORKS - 25

ASSOCIATE ENGINEER
 CONSTRUCTION INSPECTOR (3)
 EQUIPMENT MECHANIC
 FACILITIES MAINT SPEC (2)
 FACILITIES MAINT SUPV
 FACILITIES MAINT TECH
 LANDSCAPE MAINT SPEC (3)
 LEAD STREET MAINT TECH
 MANAGEMENT ANALYST II
 MANAGER, PUBLIC SERVICES
 SR CONSTRUCTION INSPECTOR
 SR MANAGEMENT ANALYST
 SR OFFICE SPECIALIST
 SR PROJECT MANAGER (3)
 SR TRANSPORTATION ANALYST
 SR TRANSP ENGINEER
 STREET MAINT SPECIALIST
 STREET MAINTENANCE SUPERVISOR

INFORMATION TECHNOLOGY

The table below is a summary from the Q2 FY 2020-21 Strategic Technology Plan. The IT budget is 25.9 percent spent as of December 31, 2020.

Description	Adjusted Budget	YTD Actuals	Encumbrances	Percent of Adjusted Budget
IT Outsourced Services (Perspecta)	5,106,254	1,879,585	504,066	37%
Projects & Service Contracts	13,998,710	461,905	1,521,500	3%
Software/Hardware Maintenance	5,105,186	3,006,804	697,505	59%
Telecommunications	1,496,990	693,544	27,981	46%
Labor & Business Expenses	2,950,612	1,373,733	-	47%
TOTAL	28,657,752	7,415,572	2,751,051	25.9%

The Information Technology Strategic Plan identifies key projects which align with those goals. The following table provides the status of the key active projects and planned implementation dates as of December 31, 2020.

Enterprise Projects	Budget	Status	Planning / Business Requirement	Implementation	Completed	Schedule
City Mobile App & Lucity Integration	\$5,000	95%		✓		3/30/2021
Visitor Registration	\$16,000	100%			✓	12/30/2020
Multi Factor Authentication	\$220,000	5%	✓			6/30/2021
Annual Security Assessment	\$100,000	1%	✓			12/30/2021
Cloud Hosting	TBD	1%	✓			12/30/2021
Backup & Disaster Recovery	\$400,000	20%		✓		3/30/2021
Digital Signs	\$75,000	20%		✓		4/30/2021
Microsoft SharePoint	*	100%			✓	12/30/2020
Electronic Forms	*	35%		✓		12/31/2021
Public Safety Body Camera (RFP)	TBD	10%	✓			TBD
Public Safety Records Management System	\$2.9M	65%		✓		6/30/2021
Electronic Plan Review Replacement	\$3.6M	5%	✓			12/30/2023
Contract Lifecycle Management	\$14,000	95%		✓		3/30/2021

Completed	Resolving issues to achieve green status
On schedule	Requires corrective action plan to achieve green status

* Services are included in other projects/budgets.

SPECIAL FUNDS

Below is a report on key special funds, with updated fund balance estimates for fiscal year-end as of December 31, 2020.

ASSET MANAGEMENT PLAN FUND is the funding source for rehabilitation of City infrastructure, internal loans and liquidity, pay down for CalPERS unfunded liability, and reserves for natural disasters or other emergencies. The estimates below include the City Council approved \$16 million transfer from the Department of Finance (DOF) Settlement Funds in FY 2019-20 and FY 2020-21 to fund a substantial portion of asset rehabilitation costs in the coming years. Also included in FY 2019-20 is \$3.7 million from the FY 2018-19 year-end allocation of the City’s Pension Paydown Plan. During the FY 2020-21 Budget adoption, as a cost-containment measure, City Council approved to not make the additional \$7 million payment to CalPERS. This expenditure is included in the FY 2020-21 estimate.

	2018-19	2019-20	2020-21
ASSET MANAGEMENT PLAN (002)	ACTUAL	ACTUAL	ESTIMATE
BEGINNING FUND BALANCE	43,550,781	44,788,593	69,828,500
REVENUES	3,174,938	4,570,147	3,347,061
TRANSFERS-IN	9,610,762	21,705,960	18,000,000
SUB-TOTAL REVENUES	12,785,700	26,276,107	21,347,061
EXPENDITURES	11,161,888	-	7,000,000
TRANSFERS-OUT	386,000	1,236,200	602,600
SUB-TOTAL EXPENDITURES	11,547,888	1,236,200	7,602,600
FUND BALANCE - ASSIGNED	44,788,593	69,828,500	83,572,961
ENDING FUND BALANCE	44,788,593	69,828,500	83,572,961

DEVELOPMENT SERVICES FUND accounts for the financial transactions related to development case processing. Based on the recommendations of a third-party cost study, planning fees were increased by 10 percent. These fee increases were offset by decreases in the number of cases being submitted. Revenue estimates are revised downward based on lower than anticipated actual revenues, with expenditures also revised downward for additional contract and staff savings.

	2018-19	2019-20	2020-21
DEVELOPMENT SERVICES (005)	ACTUAL	ACTUAL	ESTIMATE
BEGINNING FUND BALANCE	458,881	344,561	356,217
REVENUES	3,407,369	2,759,973	2,483,976
TRANSFERS-IN	-	-	-
SUB-TOTAL REVENUES	3,407,369	2,759,973	2,483,976
EXPENDITURES	3,048,209	2,397,722	2,375,412
TRANSFERS-OUT	473,481	350,595	298,077
SUB-TOTAL EXPENDITURES	3,521,690	2,748,317	2,673,489
FUND BALANCE - UNASSIGNED	344,561	356,217	166,704
ENDING FUND BALANCE	344,561	356,217	166,704

CONTINGENCY RESERVE FUND is funding for unanticipated events or factors (including, but not limited to, economic downturn), which might require additional funding or appropriation. The City Council adopted a General Fund Contingency Reserve policy which seeks to maintain the reserve at a level between 20 to 25 percent of the General Fund adopted appropriations. The contingency reserve may be used at the discretion of the City Council to provide resources during temporary decreases in revenues, in the event of an economic downturn while expenditure reductions are implemented, or to provide resources to meet emergency expenditures in the case of flood, fire, earthquake, landslides, or other

natural disasters. The balance includes the additional FY 2019-20 Year-End savings that the City Council adopted to further support anticipated negative effects from the ensuing pandemic.

CONTINGENCY RESERVE (006)	2018-19 ACTUAL	2019-20 ACTUAL	2020-21 ESTIMATE
BEGINNING FUND BALANCE	42,212,653	43,783,246	54,526,196
REVENUES	1,570,594	2,642,949	-
TRANSFERS-IN	2,112,000	8,100,000	3,094,621
SUB-TOTAL REVENUES	3,682,594	10,742,949	3,094,621
EXPENDITURES	-	-	-
TRANSFERS-OUT	2,112,000	-	11,495,883
SUB-TOTAL EXPENDITURES	2,112,000	-	11,495,883
FUND BALANCE - RESTRICTED	5,359,614	5,828,094	6,050,366
FUND BALANCE - COMMITTED	38,423,633	48,698,102	40,074,568
ENDING FUND BALANCE	43,783,246	54,526,196	46,124,934
<i>Percent of General Fund Budget</i>	<i>23.0%</i>	<i>27.5%</i>	<i>22.4%</i>

SCHOOL SUPPORT FUND accounts for the City’s direct financial support of Irvine Schools and Irvine students through the Educational Partnership Fund and Challenge Match Grant Programs. Fund balance amounts are due to the timing of payments, which may create revenues due to interests and market gains/losses.

SCHOOL SUPPORT (007)	2018-19 ACTUAL	2019-20 ACTUAL	2020-21 ESTIMATE
BEGINNING FUND BALANCE	2,160,909	2,248,383	2,339,289
REVENUES	85,774	92,606	-
TRANSFERS-IN	4,000,000	4,000,000	4,000,000
SUB-TOTAL REVENUES	4,085,774	4,092,606	4,000,000
EXPENDITURES	3,998,300	4,001,700	4,000,000
TRANSFERS-OUT	-	-	-
SUB-TOTAL EXPENDITURES	3,998,300	4,001,700	4,000,000
APPROPRIATED FB - RESTRICTED	2,248,383	2,339,289	2,339,289
ENDING FUND BALANCE	2,248,383	2,339,289	2,339,289

BUILDING AND SAFETY FUND accounts for plan check, inspection, and permit issuance activities. User fees are charged to recoup the cost of providing these services. Revenues reflect the rate structure as recommended by the most recent cost of services study and a decline in activity. Expenditures were also revised downward to account for anticipated additional contract and staff savings in the fund. While the fund includes the City Council approved carryover of approximately \$2.9 million, anticipated revenues have been revised downward due to COVID-19.

BUILDING AND SAFETY (024)	2018-19 ACTUAL	2019-20 ACTUAL	2020-21 ESTIMATE
BEGINNING FUND BALANCE	1,791,623	(1,158,389)	(2,888,457)
REVENUES	12,058,174	13,069,105	8,505,670
TRANSFERS-IN	-	-	2,899,787
SUB-TOTAL REVENUES	12,058,174	13,069,105	11,405,457
EXPENDITURES	13,396,675	13,230,688	12,479,482
TRANSFERS-OUT	1,611,511	1,568,485	1,020,680
SUB-TOTAL EXPENDITURES	15,008,186	14,799,173	13,500,162
APPROPRIATED FB - ASSIGNED	(1,158,389)	(2,888,457)	(4,983,162)
ENDING FUND BALANCE	(1,158,389)	(2,888,457)	(4,983,162)

ORANGE COUNTY GREAT PARK FUND accounts for the administrative, operating, maintenance, and programming expenditures and revenues of the Orange County Great Park. The fund receives revenues from program activities and facilities, Community Facilities District assessments, development agreements with Heritage Fields, and public/private ground leases for interim non-park uses. Beginning FY 2019-20, the Department of Finance (DOF) settlement agreement funds were moved to the Great Park Settlement Fund to provide distinction between the OCGP operations and settlement funds.

	2018-19	2019-20	2020-21
ORANGE COUNTY GREAT PARK (180)	ACTUAL	ACTUAL	ESTIMATE
BEGINNING FUND BALANCE	321,185,827	59,469,476	63,038,155
REVENUES	27,812,837	24,113,089	19,587,339
TRANSFERS-IN FROM LLPM (FUND 119)	40,628	-	-
SUB-TOTAL REVENUES	27,853,465	24,113,089	19,587,339
EXPENDITURES	14,852,963	18,537,078	24,407,847
TRANSFERS-OUT	11,916,853	2,007,332	11,093,814
SUB-TOTAL EXPENDITURES	26,769,816	20,544,410	35,501,661
FUND BALANCE	45,284,859	37,517,799	30,955,624
DOF SETTLEMENT AGREEMENT RECEIVABLE	211,872,951	-	-
10% FOR AFFORDABLE HOUSING	(21,187,295)	-	-
SETTLEMENT AGREEMENT PAYMENT RCVD	61,844,344	-	-
LOAN TO 181-IRVINE RANCH WATER DISTRICT	10,270,000	10,270,000	10,270,000
MARINE WAY IMPROVEMENT	10,000,000	10,000,000	-
FUND BALANCE - RAMP	4,184,617	5,250,356	5,898,209
ENDING FUND BALANCE	322,269,476	63,038,155	47,123,833

*DOF - Department of Finance

*RAMP - Rehabilitation Asset Management Plan

GREAT PARK SETTLEMENT FUND was created to facilitate the documenting of the sources and uses of the settlement agreement funding. On October 24, 2014, a settlement agreement was entered into that resolved lawsuits filed by the City, Successor Agency, and the Irvine Community Land Trust against the State of California. The settlement agreement was for \$292 million over an unspecified period with the City disbursing 10 percent to the Irvine Community Land Trust. The decrease in DOF settlement agreement funds received is due to approved FY 2019-21 transfers for capital improvement projects. Other expenditures include transfers to the Contingency Reserve Fund (006) to reach the City's 25 percent funding, Asset Management Plan Fund (002) to meet the needs of forecasted rehabilitation costs, and existing and future payments for Cultural Terrace pre-development costs.

	2018-19	2019-20	2020-21
GREAT PARK SETTLEMENT FUND (181)	ACTUAL	ACTUAL	ESTIMATE
BEGINNING FUND BALANCE	-	262,800,000	238,596,502
REVENUES	-	-	-
TRANSFERS-IN	-	-	-
SUB-TOTAL REVENUES	-	-	-
EXPENDITURES	-	-	-
TRANSFERS-OUT	-	24,203,498	66,929,399
SUB-TOTAL EXPENDITURES	-	24,203,498	66,929,399
DOF SETTLEMENT AGREEMENT RECEIVABLE	-	171,449,608	160,904,736
10% FOR AFFORDABLE HOUSING	-	(17,144,961)	(16,090,474)
LOAN FROM 180 - IRWD	-	10,270,000	10,270,000
RESERVED - CULTURAL TERRACE	-	30,391,706	16,582,841
RESERVED - CIP NON-CIRC & CIRC	-	43,630,149	-
ENDING FUND BALANCE	-	238,596,502	171,667,103



CITY OF IRVINE BUDGET ADJUSTMENT REQUEST FORM

Department: Community Services
 Requestor: Michael Dominguez

Finance Comm. Date: March 1, 2021
 City Council Date: March 23, 2021

Approval Exception (A - O): _____
 (see Financial Policies - Budget Adjustment)

<i>Finance Use Only - Batch Record Number</i>	
GL	_____
JL	_____
Posting Date	_____
Posted by	_____ /date

Reason Code: 0007 Adjust Revenue Estimates

Explanation for Request:

Adjust athletic revenues to reflect 50% reduction in athletic fees for youth sports due to impacts from COVID-19.

Approvals:

Department Approval _____ Date _____

Budget Office Approval _____ Date _____

Fiscal Services Approval _____ Date _____

City Manager Approval _____ Date _____

REVENUES AND TRANSFERS-IN

Fund #	Account Number				Amount Increase or (Decrease)
	GL		JL		
	Org Key	Object Code	Job Key	Object Code	
001	0132135996	3403			(62,150)
				Subtotal	(62,150)

EXPENDITURES AND TRANSFERS-OUT

Fund #	Account Number				Amount Increase or (Decrease)
	GL		JL		
	Org Key	Object Code	Job Key	Object Code	
				Subtotal	0

CHANGE TO FUND BALANCE

Fund #	Account Number				Amount Increase or (Decrease)
	GL		JL		
	Org Key	Object Code	Job Key	Object Code	
001	0100000099	2001			(62,150)
				Subtotal	(62,150)

Fund Balance Entry Required