

AGENDA ITEM 7



REQUEST FOR FINANCE COMMISSION ACTION

MEETING DATE: NOVEMBER 16, 2020

TITLE: FISCAL YEAR 2020-21 FIRST QUARTER BUDGET UPDATE

Director of Financial Management
& Strategic Planning

RECOMMENDED ACTION

Recommend City Council receive and file the Fiscal Year 2020-21 First Quarter Budget Update.

EXECUTIVE SUMMARY

This report provides a first 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 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 the structural imbalance will need to 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 \$20.2 million, offset by projected year-end expenditure reductions of \$11.7 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.

It's far too early in this rapidly evolving and unprecedented crisis to have accurate long-term data to provide projections with total confidence. The City continues to monitor revenues and expenditures to gain a clearer understanding of the pandemic's fiscal impacts, coupled with the more recent impacts from the Silverado Fire.

The City has carried over \$3.1 million of CARES Act funding from the prior year to help offset this year's deficit. In addition, 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 million, or 2.6 percent below the City's 25 percent contingency reserve goal.

GENERAL FUND	ADJUSTED BUDGET	FIRST QUARTER YEAR-END PROJECTION	VARIANCE BUDGET VS. 1st QUARTER PROJECTIONS
REVENUES/TRANSFERS-IN	\$ 214,386,152	\$ 194,141,447	\$ (20,244,705)
EXPENDITURES/TRANSFERS-OUT	\$ 214,289,931	\$ 202,639,589	\$ 11,650,342
GENERAL FUND SURPLUS/(DEFICIT)		\$ (8,498,142)	
BUILDING & SAFETY FUND SHORTFALL		\$ (3,025,378)	
TOTAL SURPLUS/(DEFICIT)		\$ (11,523,520)	
CARES ACT FUNDING		\$ 3,094,621	
CONTINGENCY RESERVE		\$ 8,428,899	
CONTINGENCY RESERVE BALANCE		\$ 46,097,296	22.4%

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, keeping in mind the possibility of a future resurgence. Retailers will not be able to return to pre-COVID best practices and will need to make adjustments to the new normal. Businesses continue to expand their online capabilities to support increased demand while making plans to gradually reopen stores.

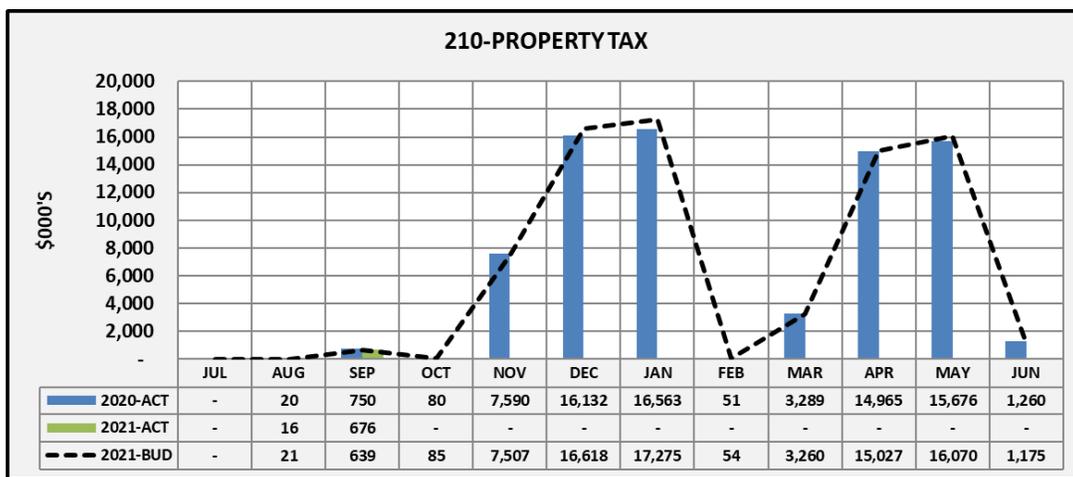
To develop the financial forecast, the Budget Office meets with City departments to gather revenue projections, review and analyze data with the City's consultants, and evaluate analysis on potential future pandemic funding. Preparing for an uncertain future requires consideration of a wide range of 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 First Quarter Budget Update Report (Attachment 1) is based on actuals from July 1, 2020 through September 30, 2020.

REVENUES

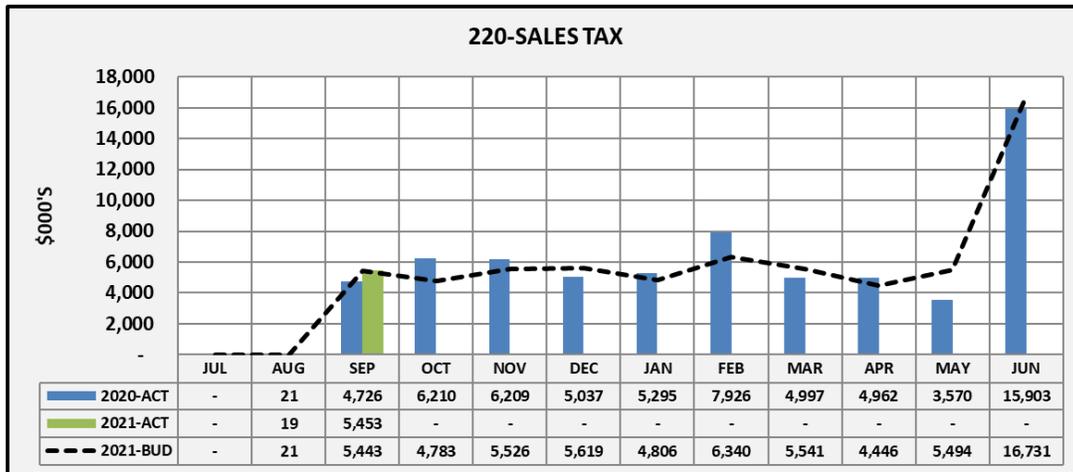
Based on first quarter results, FY 2020-21 General Fund year-end revenues are estimated to be approximately \$20.2 million, or 9.4 percent, below budget due to the

continuing detrimental negative impacts related to COVID-19. Additional data and analysis is provided in the First Quarter Budget Update Report (Attachment 1).

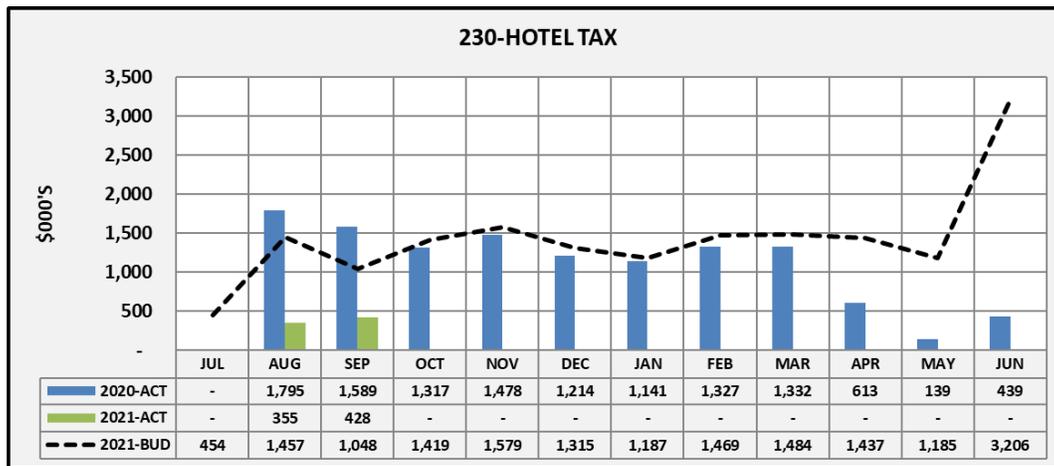
- Property Tax** revenues are projected to exceed the budget by \$2.6 million, or 3.4 percent. This anticipated increase in property tax payments are primarily attributed to a higher than budgeted growth rate in the City's assessed valuation. Property tax bills typically reflect property values anywhere 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 our revenues from the State and County Pools higher as consumers shift to online purchases. Prior to the pandemic it was anticipated sales tax was to going to exceed expectations. It is too early in the fiscal year to project an end-of-year outcome as uncertainties are expected to result in uneven gains through FY 2020-21.

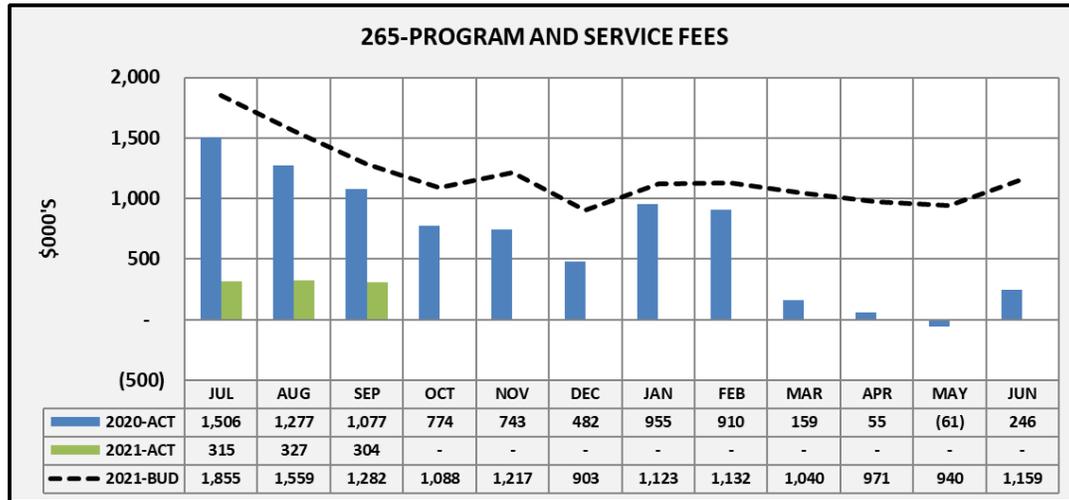


- Hotel Tax** revenue is estimated to be \$10.2 million, or 59.4 percent, below budget due to the abrupt and detrimental effects of COVID-19 on Irvine hotels and the nation’s travel industry as a whole. Hotel occupancy is slowly recovering and the rate of recovery is dependent upon social distancing 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) 2.0 percent assessment applied to hotel or other lodging stays of less than 30 days. 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 programs at Irvine Adult Day Health Services. The HID revenue is expected to be approximately \$2.6 million, or 59.4 percent, under budget by the end of the year.
- Program and Service Fees** year-end revenues are estimated to be under budget by \$7.9 million, or 55.3 percent. 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 prevent athletic games and tournaments. Community Services' part-time service model enables the revenue decreases to be offset by corresponding expenditure reductions.

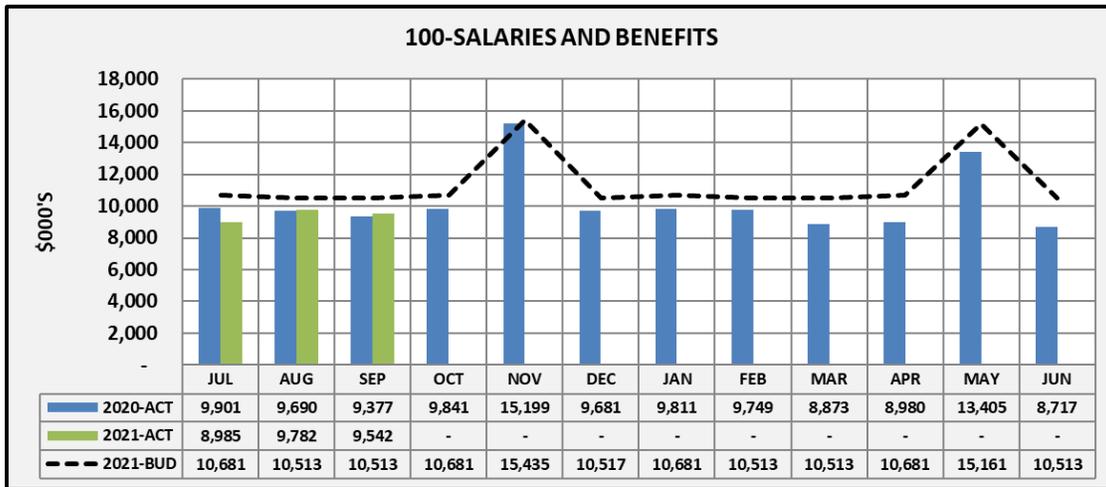


EXPENDITURES

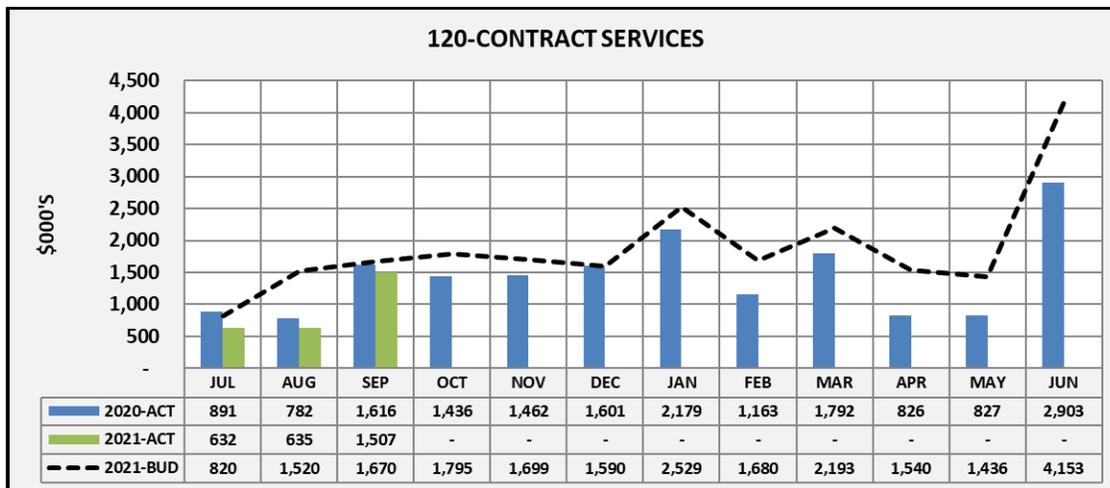
Cost-containment measures, implemented by City Council and appointed leadership, has allowed the City to continue to reduce expenditures. Cost containment measures include freezing positions and overtime, renegotiating contracts, reviewing all capital projects, restricting non-essential expenses, and 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 \$11.7 million, or 5.4 percent, due to these ongoing reductions. The First 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 \$7.0 million, or 5.1 percent, 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** year-end savings are expected to be \$2.6 million, or 11.7 percent, as a result from the City’s proactive renegotiation of all contracts with consultants, vendors, and suppliers.

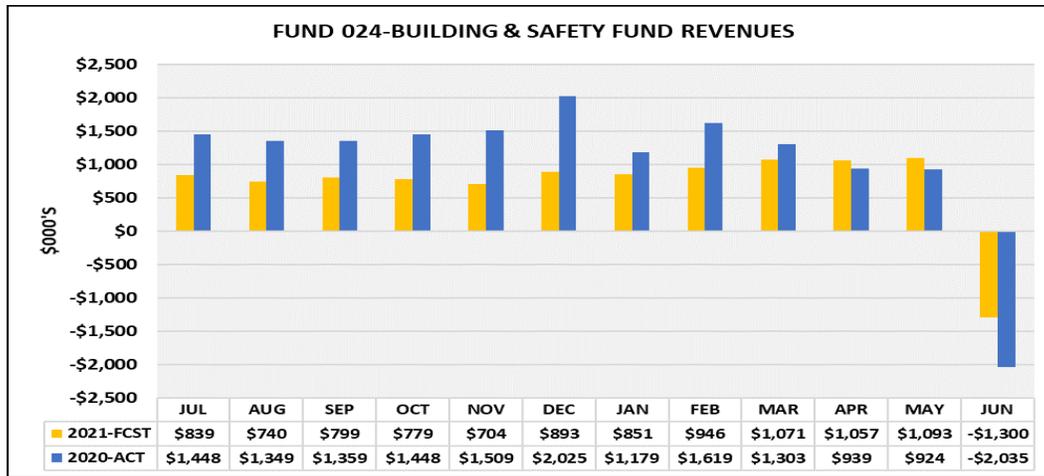


- **Additional Savings:** The City is continuing to reduce spending on supplies, training, meetings, postage, printing, advertising, and publishing. Further cost savings, information, and analysis can be found in the First Quarter Budget Update Report (Attachment 1).

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 has also seen a COVID-19 related decrease in revenue of approximately 40 percent during the last quarter of the fiscal year. The 40 percent decline in revenue is expected to continue through December 2020 as a result of COVID-19 related

economic slowdown. Staff anticipates that the fund will have a cash shortfall of approximately \$3 million by year-end.



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 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 \$20.2 million, offset by projected year-end expenditure reductions of \$11.7 million. At this time, preliminary analysis of City revenues and expenses suggests a likely General Fund shortfall of \$8.5 million by 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 year and General Fund reserves. These solutions, however, are one-time in nature, and the ongoing structural imbalances will need to be corrected in the upcoming budget cycle.

REPORT PREPARED BY Barbara Arenado, Manager of Budget & Business Planning
 Jonathan Nih, Senior Management Analyst

ATTACHMENT Fiscal Year 2020-21 First Quarter Budget Update



FY 2020-21 Q1 BUDGET UPDATE

JULY - SEPTEMBER 2020

GENERAL FUND SUMMARY

The First Quarter Budget Update for Fiscal Year (FY) 2020-21 provides an analysis of General Fund revenues and expenditures based on July 1, 2020 through September 30, 2020 actuals.

Revenues & Expenditures

BUDGET CATEGORY	2019-20 ACTUAL	2020-21 ADJUSTED BUDGET	Q1 YEAR-END PROJECTION	VARIANCE BUDGET VS. Q1 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	6,994,560	(10,245,426)
PROGRAM AND SERVICE FEES	8,122,322	14,268,808	6,375,397	(7,893,411)
FRANCHISE TAX	8,954,033	9,518,219	9,041,424	(476,795)
OTHER REVENUES ¹	21,298,001	24,355,784	20,162,120	(4,193,664)
SUB-TOTAL REVENUE	191,989,874	207,864,832	188,220,127	(19,644,705)
TRANSFERS IN	3,707,580	6,521,320	5,921,320	(600,000)
TOTAL RESOURCES	195,697,454	214,386,152	194,141,447	(20,244,705)
EXPENDITURES				
SALARY & BENEFITS	123,223,777	136,403,798	129,429,896	6,973,902
INTERNAL SERVICE	24,289,422	24,311,341	24,334,466	(23,125)
CONTRACT SERVICES	17,477,672	22,625,005	19,975,332	2,649,673
SUPPLIES	4,442,372	5,078,349	4,467,476	610,873
OVERTIME SALARIES	2,420,114	3,107,032	1,849,359	1,257,673
OTHER EXPENDITURES ²	8,728,271	10,103,703	9,922,357	181,346
SUB-TOTAL APPROPRIATIONS	180,581,628	201,629,228	189,978,886	11,650,342
TRANSFERS OUT	24,969,187	12,660,703	12,660,703	-
TOTAL EXPENDITURES	205,550,815	214,289,931	202,639,589	11,650,342

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.

SUMMARY

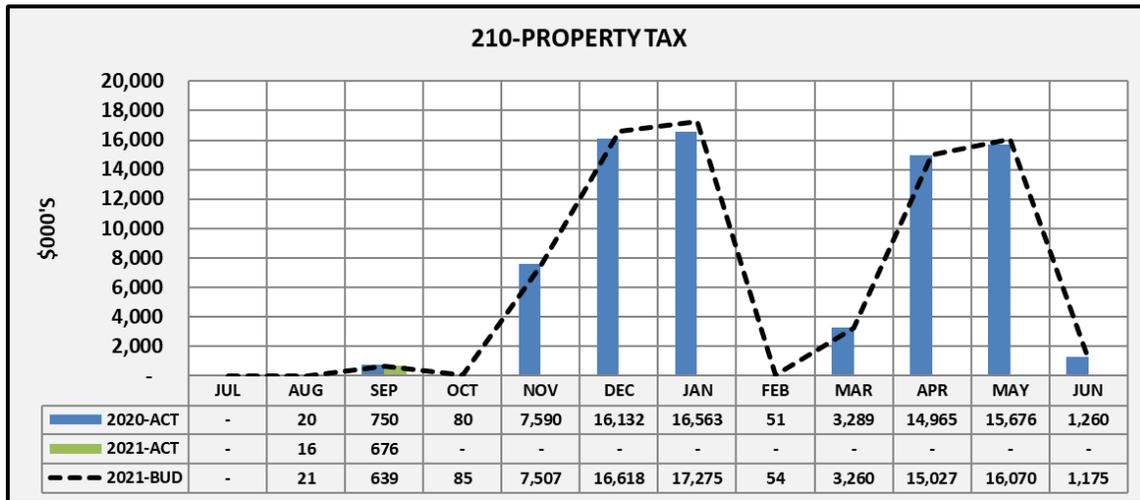
The development of the FY 2020-21 first quarter budget update includes actuals to date and projected year-end estimates based on assumptions regarding revenue and expenditure fluctuations, taking into account the anticipated impacts of the pandemic. Estimates and projections may drastically change and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

At this time, based on first 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 \$20.2 million below budget and expenditure reductions are estimated to be under budget by \$11.7 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. City Council adopted an additional \$3.1 million from FY 2019-20 year-end to the Contingency Reserve Fund to offset these anticipated impacts. Including this amount, the Contingency Reserve fund has an estimated balance of \$57.6 million.

REVENUES

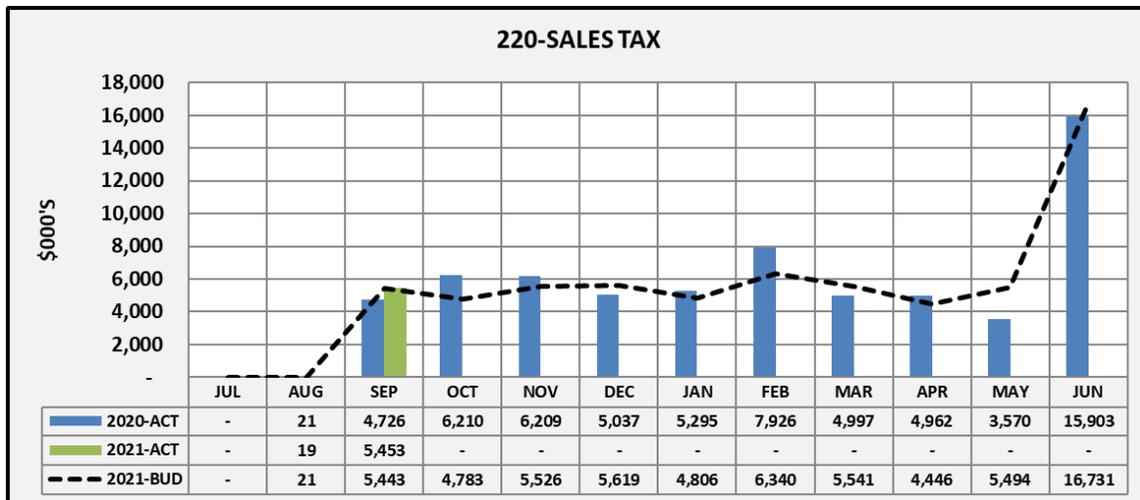
PROPERTY TAX revenues of \$692,300 for the fiscal year-to-date were over budget estimates by \$31,610, or 4.8 percent. Residential property tax payments are largely received by the City in the months of December and April. Property tax provides 36 percent of annual budgeted General Fund operating revenues.

Property Tax is estimated to be \$2.6 million, or 3.4 percent higher than budget by 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.



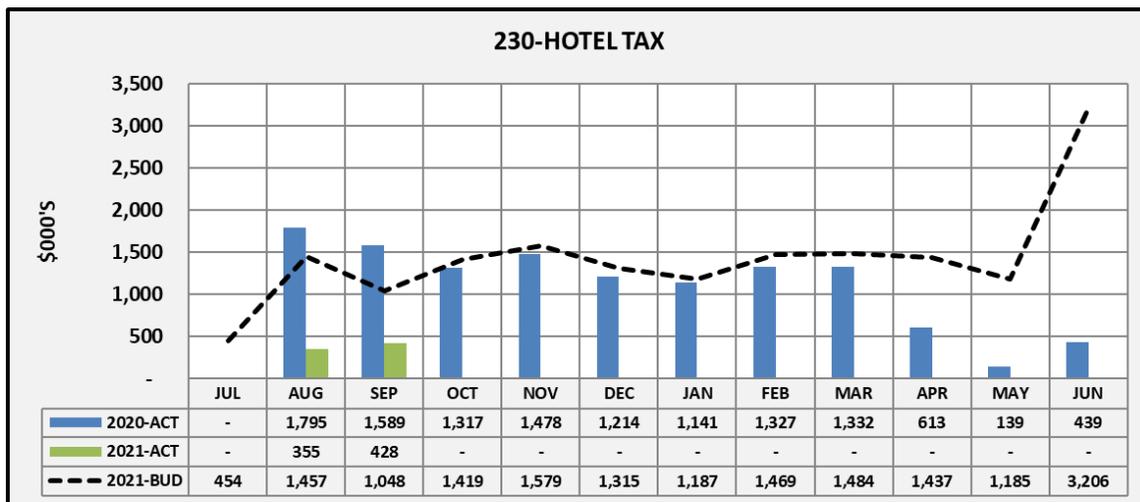
SALES TAX is collected by the state and advanced to the City on a monthly basis with funds distributed two months following the period the revenue is earned. Because of this timing difference, only one month of revenues has been received at the end of the first quarter.

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 first quarter results for FY 2020-21 were \$2.2 million, or 73.5 percent, under budget due to the continued detrimental effects of the COVID-19 pandemic on the travel industry. Hotel revenue was down 80.2 percent in August and 73.1 percent in September compared to the prior year. 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.

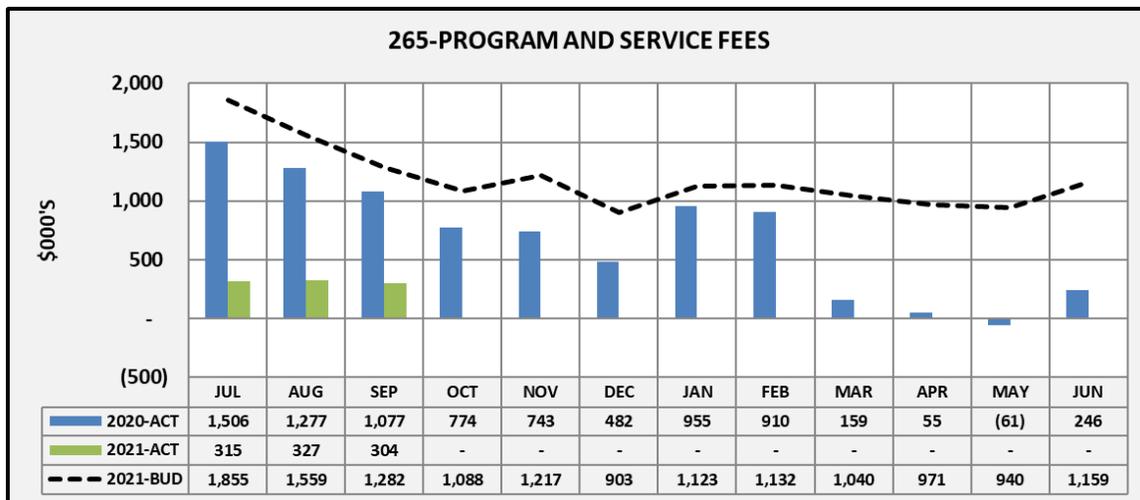
Year-end estimates for Hotel Tax are expected to be under budget by \$10.2 million, or 59.4 percent, due to the continued travel restrictions and the postponement of conferences and athletic events. Hotel forecasts remain flat until travel restrictions diminish, travel policies open up, or a vaccine becomes widely available. 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.



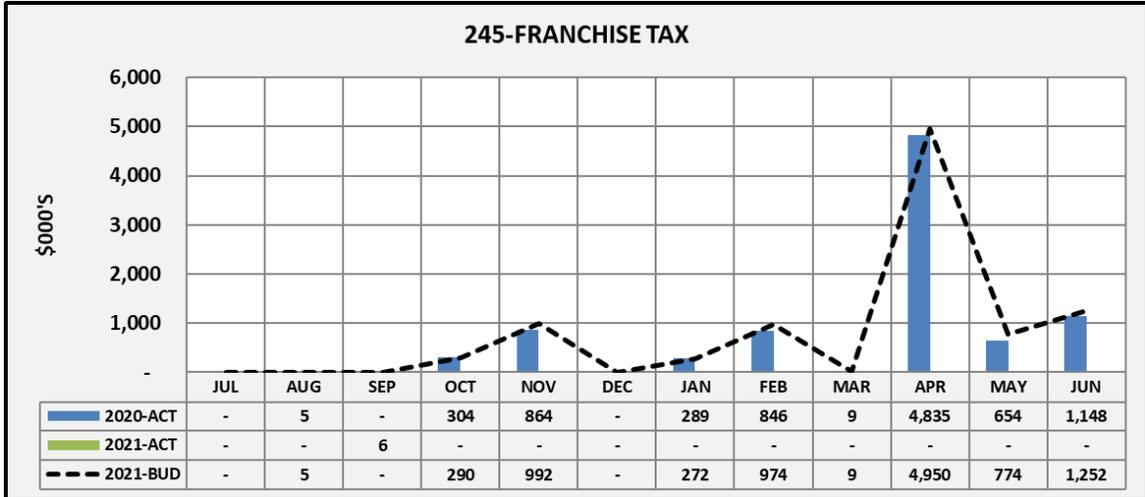
- ASSESSMENT REVENUE: HOTEL IMPROVEMENT DISTRICT (HID)** collects a 2.0 percent assessment applied to hotel or other lodging stays of less than 30 days. Seventy-five percent of the tax proceeds are specifically designated for the Greater Irvine Chamber of Commerce to promote tourism within the City to attract, recruit and retain businesses in the City. The remaining 25 percent is allocated to support City cultural activities at the Barclay Theatre and programs at Irvine Adult Day Health Services. HID revenue aligns with hotel tax, down 73.5 percent in the first quarter and is anticipated to be under budget \$2.6 million, or 59.4 percent, by the end of the year under the same hotel tax assumptions.

PROGRAM AND SERVICES FEES first quarter revenues were \$3.7 million, or 75 percent, below budget. Unfavorable variances are in child services (\$1.1 million), contract classes (\$1.0 million), facility reservations (\$0.8 million), and recreation and athletic programs (\$0.8 million). 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 (practices only at this time). 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, during the first quarter to offset these reductions.

The FY 2020-21 year-end revenue projection for Program and Service Fees is \$6.3 million, which is \$7.9 million, or 55.3 percent, below the adopted budget for the fiscal year. While this projection identifies an improving trend from first quarter, we expect impacts from the COVID-19 pandemic to adversely affect year-end results. City staff remain cautiously optimistic that the City will continue to gradually open as outlined in the State and County re-opening orders.

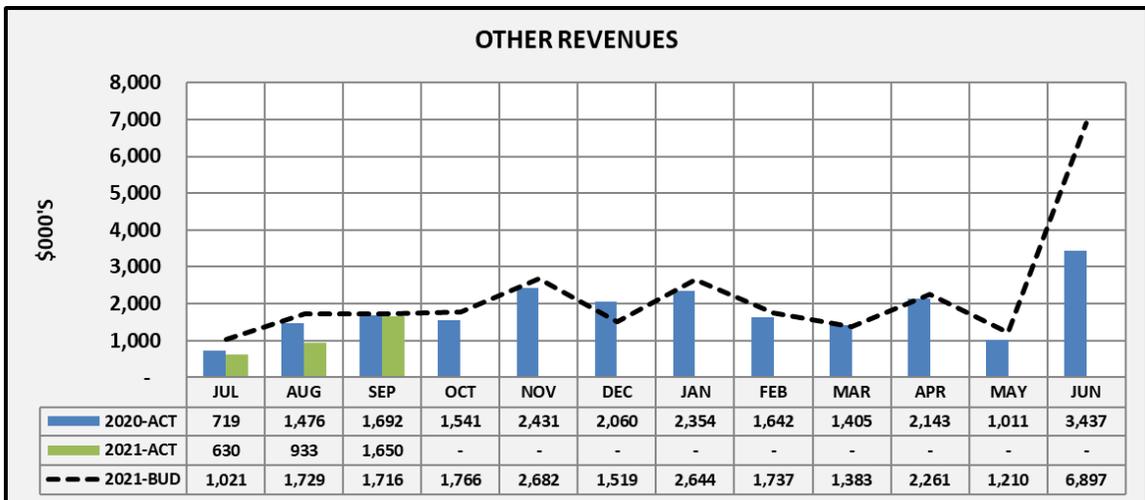


FRANCHISE TAX revenues are received in the second through fourth quarters of each fiscal year. However, the year-end estimate for this revenue category is projected to decline \$476,795, or 5.0 percent, under budget due to the reduction in the cable category of Franchise Tax revenue. This is largely 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.

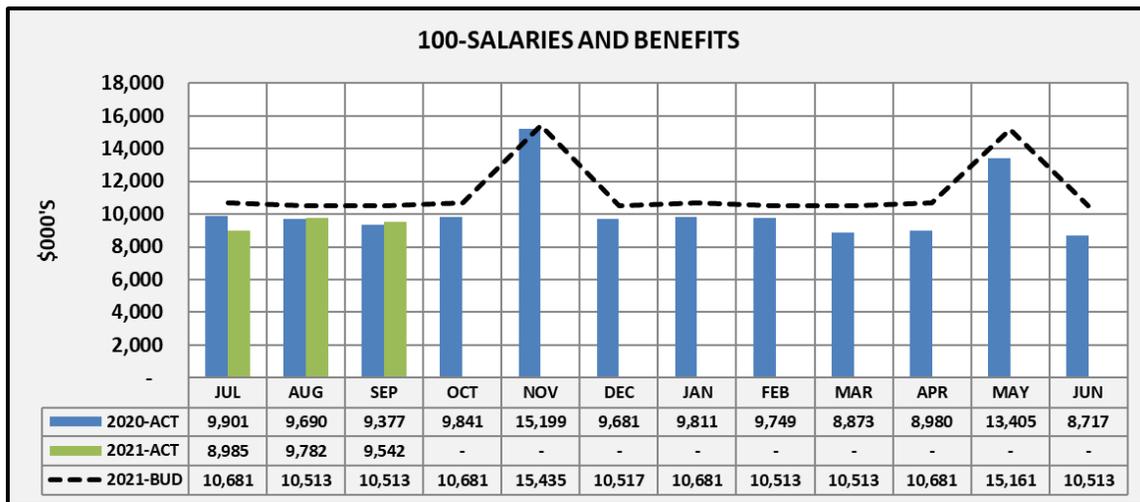
Year-end estimates for Other Revenues are expected to be \$4.1 million, or 15.5 percent, under budget due to decreased revenues from ongoing pandemic effects in Licenses & Permits from temporary closures from the COVID-19 pandemic, Fines & Forfeitures due to lower than anticipated vehicle violations from less commuting on City roads, and Development Fees from reduced development activity in the City.



EXPENDITURES

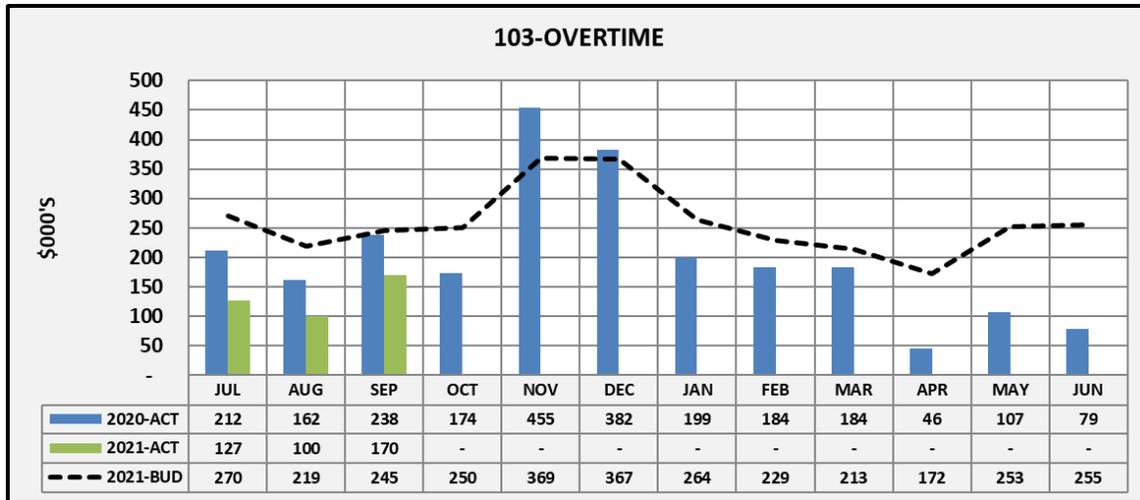
SALARIES & BENEFITS in the first quarter were under budget by approximately \$3.4 million, or 10.7 percent, primarily due to a monthly average in the first quarter of 73 vacant positions, which includes normal attrition and the frozen vacant positions as part of the City Council adopted cost-containment measures in response to the pandemic. Additionally, \$1.1 million of the savings is from decreases in part-time salaries for Community Services due to COVID related program and facility closures.

Year-end estimates are anticipated to be \$7.0 million, or 5.1 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.



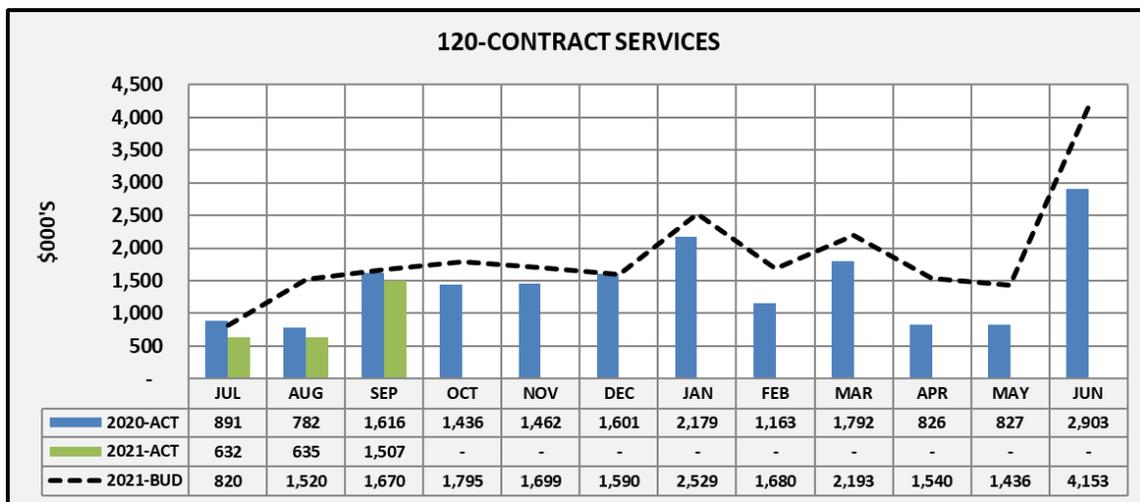
OVERTIME was down \$333,955, or 45.7 percent, under budget for the first quarter due to the implementation of the cost containment measures. The impact of COVID-19 and stay-at-home orders minimized overtime expenses.

Year-end estimates for Overtime expenditures are anticipated to be under budget by \$1.3 million, or 40.5 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.



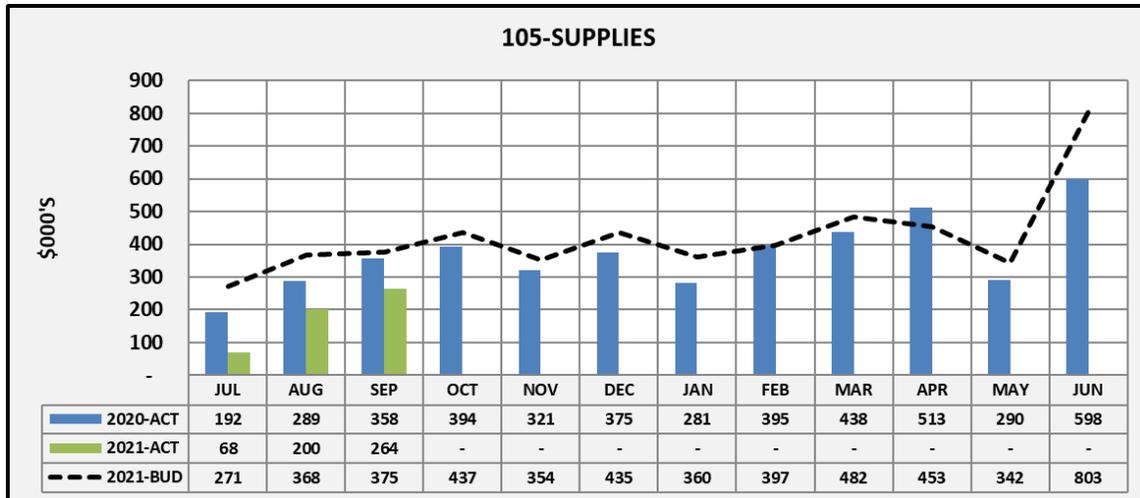
CONTRACT SERVICES ended the first quarter \$1.2 million, or 30.8 percent, under budget due to cost-containment savings, timing of contracts, continued negotiation and reductions of contracts Citywide.

Year-end estimates are expected to be \$2.6 million, or 11.7 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.



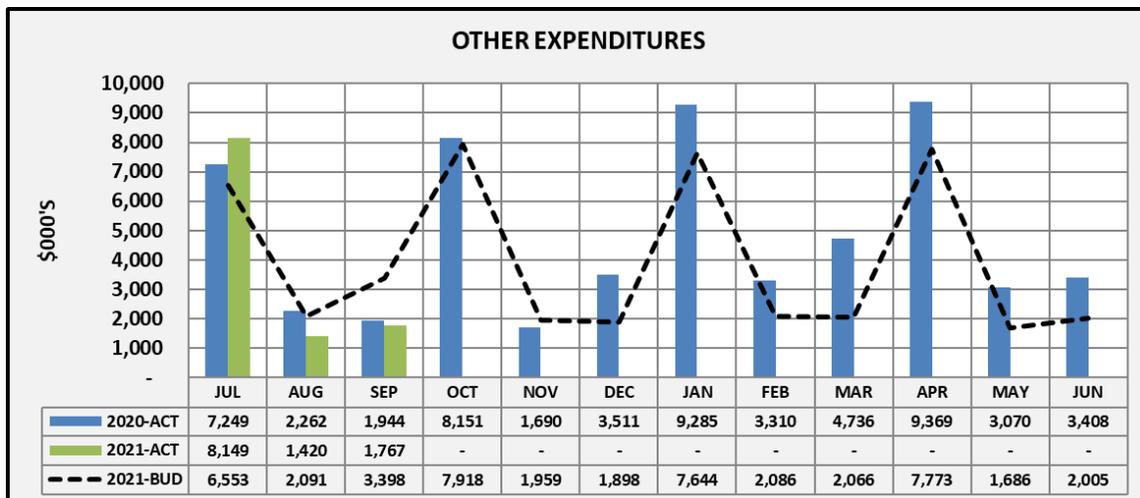
SUPPLIES were \$482,559, or 47.6 percent, below budget for the first quarter due to program and facility closures and lower usage of supplies across all departments as the majority of City staff continues to work from home.

Year-end estimates are expected to be \$610,873, or 12.0 percent, under budget due to continued telecommuting by City staff and program and facility closures.

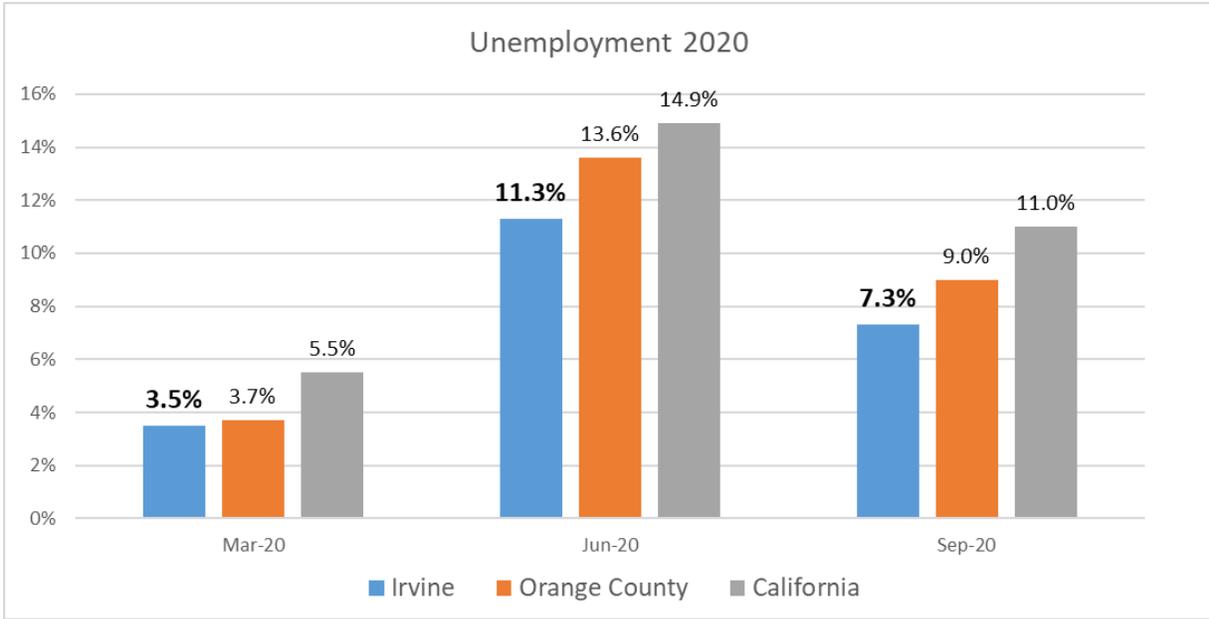


OTHER EXPENDITURES include Internal Services, Utilities, Training/Business Expense, Repairs & Maintenance, Capital Equipment, Less Cost Allocated, Miscellaneous, and Transfers-Out. Training and Business Expenses for the first quarter were \$202,407, or 43.8 percent, under budget due to conferences and nonessential trainings being cancelled or moved online resulting in lower costs.

Year-end estimates for Other Expenditures are expected to be \$181,346, or 0.8 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 well above pre-pandemic levels. The unemployment rate in September for Irvine was 7.3 percent, down from 11.3 percent in June 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 September 22, 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

Q1 STAFFING OVERVIEW			
DEPARTMENT	AUTHORIZED POSITIONS	VACANT POSITIONS	VACANCY RATE
City Manager's Office	23	3	13.0%
City Clerk's Office	15	0	0.0%
Fin Mgmt & Strategic Planning	36	5	13.9%
Human Resources & Innovation	34	5	14.7%
Community Development	111	10	9.0%
Community Services	131	7	5.3%
Public Safety	341	23	6.7%
Public Works	169	23	13.6%
TOTAL	860	76	8.8%

VACANT POSITIONS BY DEPARTMENT

CITY MANAGER - 3

MANAGEMENT ANALYST I
MANAGER, OC GREAT PARK
PUBLIC INFORMATION OFFICER

COMMUNITY DEVELOPMENT - 10

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

COMMUNITY SERVICES - 7

ASSOCIATE PLANNER
COMM SVCS SPECIALIST
COMMUNITY SVCS SUPERVISOR
CS PROGRAM COORDINATOR
DEPUTY DIRECTOR, COMM SVCS
MANAGER, COMMUNITY SVCS
PROGRAM ASSISTANT

FIN MGMT & STRATEGIC PLANNING - 5

BUYER (2)
FINANCE ADMINISTRATOR
MANAGER, FISCAL SERVICES
SUPERVISOR OF ACCOUNTING SVCS

HUMAN RESOURCES & INNOVATION - 5

INFORMATION TECH SPEC III
INFO TECH ADMINISTRATOR (2)
MANAGEMENT ANALYST II
PROJECT DEV ADMINISTRATOR

PUBLIC SAFETY - 23

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

PUBLIC WORKS - 23

CONSTRUCTION INSPECTOR (3)
FACILITIES MAINT SPEC
FACILITIES MAINT SUPV
FACILITIES MAINT TECH (2)
LANDSCAPE MAINT SPEC (2)
LANDSCAPE MAINT SUPV
LEAD LANDSCAPE MAINT TECH
LEAD STREET MAINT TECH
MANAGER, PUBLIC SERVICES
SR CONSTRUCTION INSPECTOR
SR MGMT ANALYST
SR OFFICE SPECIALIST
SR PROJECT MGR (4)
SR TRANSPORTATION ENGINEER (1)
STREET MAINT SPECIALIST

INFORMATION TECHNOLOGY

The table below is a summary from the Q1 FY 2020-21 Strategic Technology Plan. The IT budget is 15.2 percent spent as of September 30, 2020.

Description	Adopted Budget	YTD Actuals	Encumbrances	Percent of Adopted Budget
IT Outsourced Services (Perspecta)	2,992,639	791,957	521,564	26%
Projects & Service Contracts	5,213,065	212,061	1,036,707	4%
Software/Hardware Maintenance	4,535,933	902,170	1,748,872	20%
Telecommunications	1,873,018	226,998	47,830	12%
Labor & Business Expenses	3,509,231	618,017	-	18%
TOTAL	18,123,886	2,751,203	3,354,972	15.2%

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 September 30, 2020.

Enterprise Projects	Budget	Status	Planning / Business Requirement	Implementation	Completed	Schedule
City Mobile App & Lucity Integration	\$5,000	95%		✓		12/30/2020
Visitor Registration	\$16,000	95%		✓		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	10%	✓			3/30/2021
Digital Signs	\$75,000	20%		✓		12/30/2020
Microsoft SharePoint	*	100%			✓	12/30/2020
Electronic Forms	*	30%		✓		12/31/2021
Public Safety Body Camera (RFP)	TBD	10%	✓			TBD
Public Safety Records Management System	\$2.9M	60%		✓		6/30/2021
Electronic Plan Review Replacement	\$3.6M	5%	✓			12/30/2023
Contract Lifecycle Management	\$14,000	95%		✓		12/30/2020

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 September 30, 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	2,228,000
TRANSFERS-OUT	473,481	350,595	298,077
SUB-TOTAL EXPENDITURES	3,521,690	2,748,317	2,526,077
FUND BALANCE - UNASSIGNED	344,561	356,217	314,116
ENDING FUND BALANCE	344,561	356,217	314,116

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.

	2018-19 ACTUAL	2019-20 ACTUAL	2020-21 ESTIMATE
CONTINGENCY RESERVE (006)			
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	-	-
SUB-TOTAL EXPENDITURES	2,112,000	-	-
FUND BALANCE - RESTRICTED	5,359,614	5,828,094	6,050,366
FUND BALANCE - COMMITTED	38,423,633	48,698,102	51,570,451
ENDING FUND BALANCE	43,783,246	54,526,196	57,620,817
<i>Percent of General Fund Budget</i>	<i>23.0%</i>	<i>27.5%</i>	<i>28.0%</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.

	2018-19 ACTUAL	2019-20 ACTUAL	2020-21 ESTIMATE
SCHOOL SUPPORT (007)			
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.

	2018-19 ACTUAL	2019-20 ACTUAL	2020-21 ESTIMATE
BUILDING AND SAFETY (024)			
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 more 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