

2009

City of Irvine

Strategic Business Plan



Executive Summary

Introduction

Document Purpose 1
 Document Overview 2
 Operating Environment 2
 Economic Climate 3

Forecast

Fiscal Year 2009-10 General Fund Budget 4
 Five Year Fiscal Outlook 4
 Capital Improvement Program 6
 Conclusion 7

Chapter 1: Financial Condition

External Environment Analysis

National Economic Climate 9
 State Economic Climate 11
 Orange County Economic Climate 12
 Irvine Economic Climate 13
 Summary 14

Internal Environment Analysis

Planning for Continued Success 15
 Community Vitality:
 Population 15
 Business Community 16
 Service Demand 17
 Resource Sufficiency:
 Revenue vs. Expenditure Growth 18
 Reserves for Future Liabilities 19
 Flexibility:
 Fund Balance Reserves 20
 Analysis of Top Three Revenues 20
 Summary of Fiscal Environment Analysis 27



Baseline General Fund Forecast

Operating Revenue &
Expenditures, History and Projections 28

The General Fund Fiscal Model Assumptions:
 General 30
 Land Use 31
 Staffing 31
 Infrastructure 31

SBP Development Process 32

5-Year Forecast – Population & Infrastructure. . 33

General Fund 5-Year Forecast - Detailed. 34

Capital Improvement Program Forecast
 Summary Narrative 35
 Summary Tables 36
 Conclusion 38

**Chapter 2:
Maintained Environment**

Chapter Introduction 39

Rehabilitation and Maintenance
 Maintain Irvine Streets 40
 Rehabilitate Arterial Streets 40
 Rehabilitate Local Streets 42
 Maintain and Repair Bridges. 43

Hardscape 44

Storm Drains 45

Irvine’s Traffic Signal System. 46
 Traffic Signal Projects 47

Maintain Street and Park Landscapes 48
 Neighborhood Park Landscape Projects 49
 Facility Landscape Projects 50



Community Park Landscape Projects 50
 Street Landscape Projects 50
 Turf Athletic Fields 50
 Maintain Irvine’s Civic Facilities and Parks. 51
 Playground Equipment Projects 53
 Facility Rehabilitation Projects 54
 Remove 100% of Graffiti 55
Code Enforcement
 Maintain Standards 56
Strategic Goal Success Indicators 57
Chapter Funding Summary 58

Chapter 3:
Safe Community
 Chapter Introduction 61
Public Safety
 Emergency Response Services 62
 Geographic-Based Policing 63
 Orange County Fire Authority 65
Building Safety
 Code Enforcement 66
Park, Facilities, and Open Space
 Parks and Facility Funding Allocations 67
 Park and Facility Design/Construction Efforts . 68
 Open Space 71
Family Support Services
 Educational Opportunities 72
 Recreational Activities 73
 Facilities 74
 Children, Youth, and Families 75
 Community Cohesion 77
Strategic Goal Success Indicators 80
Chapter Funding Summary 81



**Chapter 4:
Economic Prosperity**

Chapter Introduction83
 Buildout of the General Plan.....84
 Orange County Great Park.....85
 Redevelopment Agency86

Economic and Business Development

Economic Vitality88
 Planning and Development.....90

Circulation

Mobility.....92
 IBC Circulation Projects.....93
 Citywide Circulation Projects.....94
 Bicycle Transportation Plan.....94
 NITM Projects.....95
 Transit.....96

Safe, Quality Housing

Processing Standards98
 Housing.....99

Sustainable Community

Promote Sustainable Practices as a
 Core Value102
 Water Quality.....106
 Water Quality Projects.....107
 Solid Waste Management & Recycling108
 Clean Air.....109

Strategic Goal Success Indicators.....111

Chapter Funding Summary112



**Chapter 5:
Effective Government**

Chapter Introduction113
 Citizen Satisfaction115
 Community Access117
 Organizational Capacity120
 Organizational Efficiency122
Strategic Goal Success Indicators.....124

Appendices

Appendix A

2010 Strategic Business Plan
 Development Timeline125

Appendix B

Overview of the General Fund
 Fiscal Impact Model and Assumptions127

Appendix C

Long-Term Fiscal Forecast147

Appendix D

Potential Capital Improvement Projects
 For Future Consideration.....149

Appendix E

Profiles and Trends153

Appendix F

The Asset Management Plan.....169





Introduction

Document Purpose

The City of Irvine's Strategic Business Plan was created in 1994 to help the City Council assess the effect of today's policy decisions on the City's future quality of life. As a blueprint for the future, the Business Plan outlines the City's goals and evaluates the City's financial capability to achieve them. The strategic goals and funding plans set priorities for City operations and the annual budget and helps guide the City's capital improvement and rehabilitation programs.

The City Council's goals are based on the understanding that investments of financial, physical, and staffing resources made today ensure that the community's quality of life is preserved and enhanced in the future. The City Council's priorities are to make sure that the City is clean, well maintained, and safe; that no visible disorder or deterioration ever takes hold; to promote a prosperous business climate; and to ensure cost-effective and responsive services to residents.

The Strategic Business Plan is important because it provides

a long term operating budget projection for the City's General Fund revenues and expenditures. The purpose of the operating forecast is to prepare for the upcoming budget year and also to identify long-term financial trends and imbalances so that they can be proactively addressed. The forecast is reflective of current economic conditions and expectations as well as current service levels and policies.

A second important purpose of the Strategic Business Plan is presentation of the City's five year capital improvement project program (CIP). This is the City's five year investment plan for capital project infrastructure improvements such as street, park and traffic signal construction and rehabilitation efforts. This program also serves as a guide to City staff in seeking grant funding opportunities to help pay for future priority projects.

The City Council adopts the Business Plan annually and sets the capital funding priorities using the financial projections contained within the Business Plan. When funds are not available to meet all needs, priority services identified in the Plan are funded first.

Document Overview

The Strategic Business Plan is organized into chapters with the next chapter, Financial Condition, providing a detailed financial forecast. The following chapters correspond to the City Council's four Strategic Goals: a Clean and Well Maintained Environment, Safe Community, Economic Prosperity and a Livable Community, and Effective Government. Within these chapters are descriptions of each of the strategies that the City is pursuing to achieve its larger Strategic Goals. In addition, each of the chapters has tables containing the portion of the City's five year capital improvement project (CIP) budget that corresponds with that chapter's Strategic Goal.

The Appendices at the end of the document contain detailed information related to the forecasts including a description of the assumptions used in making the long-term revenue and expenditure projections (Appendix B) and also important demographic and City trend information (Appendix E).

Operating Environment

A comprehensive fiscal forecast requires an analysis of the factors related to the City's operating environment that impact its fiscal condition. The Financial Condition chapter contains a thorough and detailed analysis of these factors including an analysis of the City's revenue structure, demographics, business environment, service demands, as well as other important components of the City's operating environment. The following bullet points highlight key issues identified in this analysis:

- The national economy is experiencing a severe recession.
- The State of California is grappling with significant budget deficits that may result in trickle-down impacts to the City.
- The City has prepared a plan to mitigate the projected impact of the recession on its budget while continuing to provide a high level of services to the community.
- City leaders set aside a significant amount of accumulated surpluses during better economic times (more than tripling reserves in the past 3 years) helping the City weather this downturn.
- The City will pursue opportunities to benefit in the near-term from Federal stimulus spending on infrastructure and green technology development.



Economic Climate

In the past several years the City of Irvine has prepared for an economic decline by setting aside significant accumulated surpluses into a reserve fund. In addition, the City has budgeted conservatively and has planned for significant slowing of major revenue sources such as sales tax and property tax, as explained in annual updates to the City's budget and Strategic Business Plan documents in the past two years. This action was taken even in the face of considerable conflicting opinion on the future state of the economy. The University of California at Los Angeles (UCLA) forecasting team, for example, expected the economy to avoid recession as late as its September 2008 forecast, and in a December 2007 Business Week survey, less than 4% of surveyed economists expected a recession in 2008. In December 2008, however, the National Bureau of Economic Research (NBER) committee, the official arbiter of economic cycles, not only proclaimed that the United States was then in a recession, but it also said that the recession had begun a full year earlier, in December 2007. At that point in time, the end of calendar year 2008, economic growth was falling precipitously with hundreds of thousands of jobs lost each month accom-

panied by a dramatic increase in the monthly unemployment rate.

The consensus forecast from economists now is that Irvine may be facing one of the most severe recessions that has been experienced in this country in recent times. When the economy does begin to recover, it is not expected to recover quickly. It will take time for consumers to regain confidence and for new industries to emerge in California and in Orange County to replace the high-paying jobs lost in this ongoing structural change in the economy. As a result, the City must continue its tradition of careful

planning and conservative budgeting, preparing to meet the challenges of a difficult future economic environment. Given the uncertainty surrounding today's economy it is certainly possible that economic conditions could improve more quickly than what is now anticipated, but it is also true that conditions could worsen. City staff will carefully monitor economic conditions, update its forecast as necessary going forward, and make the required policy adjustments needed to maintain its strong fiscal condition while preserving the high level of services that it provides the community.



FY 2009-10 General Fund Budget

Based on the 2009 financial projection, fiscal year 2009-10's General Fund Budget is expected to be balanced by utilizing a combination of expenditure reductions and by the strategic use of accumulated surpluses. Expenditure reductions in fiscal year 2009-10 are expected to be \$5.4 million, or 3.5% of the expenditures that would otherwise have been projected for the year based on the current forecast plan. The extent and mechanics of how expenditure reductions will be implemented will be decided in the context of fiscal year 2009-10 budget deliberations. The budget is expected to provide funding for:

- Maintenance for 1,790 lane miles of streets
- Maintenance of 726 acres of parks and special facility inventory, including the new Sweet Shade Neighborhood park and community center
- Maintenance of 718,200 square feet of facilities
- Maintenance of 4,537 acres of open space, assuming responsibility for 942 new acres.



Five Year Fiscal Outlook

The City's five-year fiscal forecast is balanced by a combination of expenditure reductions and by the use of accumulated surpluses. Beyond the first year, additional expenditure reductions of \$3.6 million and \$1.8 million are expected to be required in the second and third years of the plan respectively, based on the current forecast and economic outlook. By the fourth and fifth year of the forecast it is expected that, given the current forecast and the implementation of expenditure reductions, the City will be operating at a slight surplus and will be able to begin to restore its reserves with renewed contributions to its Unallocated Strategic Surplus Fund, and also make annual transfers to its infrastructure and rehabilitation fund from its annual operating budget.

The City's fiscal forecast includes the following assumptions:

- Continuation of the City's exceptionally high level of services provided to the community
- No employee cost-of-living (COLA) increases
- Merit and other benefit increases as contractually required by the bargaining unit Memorandums of Understanding (MOU) currently in force
- Continuation of debt service payments of \$6.0 million per year after fiscal year 2010-11, serving as a placeholder for potential future debt obligations after the existing Irvine Public Facility Infrastructure bonds are repaid, as discussed in the Safe Community Chapter
- Ongoing funding for replacement of the traffic signal system
- Funding for storm water run-off mandates
- Funding of the Strategic Technology Plan
- The utilization of up to \$2.5 million annually from the Asset Management Plan to help pay for infrastructure rehabilitation (see the Financial Condition Chapter and Appendix F)

A more detailed list of assumptions is included in Chapter 5, Projected Financial Condition, and in Appendix B, SBP Overview & Assumptions.

As previously noted, despite the difficult economic environment, the City has a plan to balance its budget over each of the next five years by a combination of expenditure reductions and by strategically utilizing its accumulated surpluses. The summary table below presents the plan and the forecast given the assumptions outlined in more detail in the Financial Condition Chapter, and in Appendix B, SBP Overview & Assumptions. It is important to note that in any given fiscal year the level of revenues, expenditures, and year-end surpluses (Carryover) are the result of numerous variables including the condition of the always changing national and state economies, legislative mandates, tax policies, changing land use or building intensity patterns, and City Council priorities. To the extent that these factors vary from forecast assumptions, the outcomes will also vary. City staff will carefully monitor these factors and adjust its operational strategies so that the City is adaptive to the changing fiscal environment going forward.

The first opportunity for revising the forecast will be in conjunction with the annual budget process where the revenue forecast will be updated with the most current information then available. In addition, the City’s policy response will be adjusted as necessary at the time that it is implemented, in conjunction with budget deliberations, to reflect

either a more or less optimistic outlook than what is now prevailing. The near-term financial forecast and the City’s operational strategy in response to this forecast will also be revised and recalibrated in next year’s update of the Strategic Business Plan.

Given the uncertainty surrounding the economy now, it is entirely likely that the economy could either improve significantly beyond present expectations, or conversely the macro-economic environment could deteriorate further and faster than what is now projected. One hallmark of this recession so far has been that it has consistently exceeded expectations to the downside. A great deal of hope, however, now rides on the prospects of the February 2009 Federal economic stimulus package as a brace for the economy. The full impact of this stimulus on the economy is not expected to be felt immediately, but it is hoped that business and consumer confidence will improve over time with the infusion of additional federal spending.

Presented below is the General Fund Fiscal Summary Forecast for revenues and expenditures over the next five years. The forecast projects increasing revenues and expenditures at a compound average annual rate of 3.1%. A detailed breakdown of revenues and expenditures can be found in the Projected Financial Condition chapter.

5-Year General Fund Projected Financial Condition

Summary Forecast	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Total Revenues	\$149,072,000	\$147,895,000	\$153,060,000	\$158,998,000	\$168,597,000
Total Expenses	\$149,039,000	\$147,925,000	\$153,079,000	\$158,998,000	\$168,581,000
Forecast Balance	\$33,000	(\$30,000)	(\$19,000)	\$0	\$16,000
% Reductions	3.5%	2.4%	1.2%		
\$ Reductions	\$5,387,000	\$3,597,000	\$1,814,000		

Capital Improvement Program

The 2009 five-year Capital Improvement Program (CIP) forecasts project expenditures based on anticipated residential, commercial and industrial development, and the current condition of Irvine’s infrastructure. CIP revenue projections are based on the current economic outlook, development estimates, existing special fund balances, and grants that have been awarded to the City. This forecast does not assume any structural change to the City’s recurring revenues or expenditures. This forecast evaluates the City’s financial needs and resources as projected maintenance, rehabilitation, and new infrastructure development takes place over the next five years.

The Summary Forecast below includes all of the maintenance, rehabilitation, and new construction projects identified in the following chapters. The Forecast assumes annual contributions of \$2.5 million from the Asset

Management Plan, or interest earnings from the fund in the preceding year, whichever is less, as well as contributions from the General Fund as described in the Projected Financial Condition chapter.

Implementation of these proposed projects over the next five years is expected to maintain current standards for maintenance and rehabilitation of the City’s infrastructure and facilities. The investment is also expected to improve the City’s traffic flow as the City has budgeted funding over the next five years to upgrade the City’s signal systems to newer and more effective technology, in addition to new road construction and continued investment in City transit programs.

Though there is an imbalance in the outer years of the forecast, funding is fully in place for the first year. It is typical for future years of the capital project program to show imbalances due to the City’s conservatism in estimating revenues. For example, the forecast of available revenues does not include potential grant fund-

ing that has not yet been secured. Historically, major arterial street rehabilitation projects have received 25% funding by grant sources. Other grant programs provide an even greater share of a project’s costs. Irvine continues to be well positioned to receive such awards from granting agencies, especially with the recent thirty-year renewal of Orange County’s Measure M transportation funding program, a potential new “call for projects” for federal grant funding, including Arterial Highway Rehabilitation Program (AHRP) and Regional Surface Transportation Program (RSTP) funds, and also the potential to receive funding from the Federal economic stimulus legislation. While not all of the information about these funding opportunities is available now, significant revenue opportunities are anticipated over the next several years. The City is well situated to obtain grants from these and other programs that would significantly improve the City’s five-year funding plans for arterial roadways and circulation projects.

5-Year Rehabilitation and CIP Projected Financial Condition

Summary Forecast	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Total Revenues	\$21,695,471	\$83,703,835	\$16,809,197	\$25,448,733	\$54,555,862
Total Expenditures	\$21,695,471	\$91,409,328	\$36,222,452	\$36,319,015	\$65,147,719
Forecast Grant/Funding Need:	\$0	(\$7,705,493)	(\$19,413,255)	(\$10,870,282)	(\$10,591,857)

Note – Competitive grant awards will help reduce unfunded needs in later years.

Conclusion

City of Irvine policy makers have taken proactive steps in the last several years to prepare for an economic downturn. In addition to the City's long standing practice of conservative and responsible budgeting, the City Council has also set aside significant amounts of accumulated surpluses over time. These reserves will help the City sustain its high level of services to the community, despite the current severe recession. Coupled with planned expenditure reductions, the reserves provide the City with a certain level of protection to bridge to better economic times.

In the long-term the City's financial future is bright. Our goals are clear: to ensure fiscal viability into the future while striving to maintain a clean and well cared for physical environment; a safe community; engender economic prosperity and a livable community; and advance effective and efficient government. Through the City Council's continued leadership, Irvine will continue to fulfill its strategic goals ensuring the community's quality of life.





EXTERNAL ENVIRONMENT ANALYSIS

NATIONAL ECONOMIC CLIMATE

In the past several years the City of Irvine has prepared for an economic decline by setting aside a significant amount of accumulated surpluses and building a rainy day fund. The City took this conservative course of action even in the face of significant conflicting opinion on the future state of the economy. Last year most economists did not foresee a national recession in the immediate future. In a Business Week survey of 54 economists in December 2007, for example, only two economists predicted a recession in 2008. As late as their September 2008 forecast, the University of California at Los Angeles (UCLA) Anderson's team still thought that the nation's economy would escape recession, though they acknowledged that national economic conditions had "stalled."

The City has been more cautious, however: Two years ago the City of Irvine's Strategic Business Plan warned of a turning point in the economy and indicated that conditions in the bond market were pointing to a possible recession. Last year the

Strategic Business Plan noted that the economy was slowing to such an extent that it felt like a recession as revenue growth flattened. Proceeding thoughtfully, the City's adopted fiscal year 2008-09 budget was conservative in its revenue assumptions. The budget, for example, was predicated on a 4% decline from the prior year budget in sales tax revenue, its largest revenue source, despite 4% growth in population, increases in inflation, and new commercial development within the City.

Over the course of 2008, the national economy slowly deteriorated, until September when it began to fall precipitously with banking failures, a seizing-up of the credit markets and a dramatic drop in the equity market. Finally, on December 1, 2008 the National Bureau of Economic Research (NBER) committee, the arbiter of economic cycles, announced that the United States economy was officially in recession. Surprisingly, the beginning of the recession was dated back to December 2007, 12 months previously, at a time when just a minority of economists were even predicting such an outcome in the future. As a result, the downturn was already 12 months old at the time it was declared, or two months older than the length of the historical average recession, and at the time of this writing the reces-

sion is ongoing and deepening. The mood of economists is now bleak. In summarizing the results of its December 2008 survey, the Wall Street Journal reported, "The current recession may turn out to be the longest and most painful downturn since the Great Depression."

The stock, bond and commodity markets, each of which is a predictor of future economic activity, are all pointing to continuing trials ahead. The stock market finished 2008 with its worst annual loss since the 1930s. In the bond market Treasury yields have recently touched historic lows and, in a state of extreme risk aversion, investors have even been willing to accept negative yields in some recent cases, thus paying for the privilege of parking their money in ultra-safe, short-term Treasury securities. Investors have also shied away from investing in anything but the safest bonds, driving down the price of corporate and municipal bond debt. The yield that investors require to induce them to purchase investment-grade corporate bonds rather than ultra-safe Treasury bonds, for example, has increased recently to record levels, a sign of extreme pessimism about the future state of the economy. In addition, commodity prices have plunged with doubts about future economic growth. The price of oil, for example, sank

from record highs near \$150 per barrel in 2008 to the low \$30's. Recent fear of inflation in early 2008 have now given way to concern about possible price deflation as asset prices crumble and personal wealth has evaporated.

Unlike many previous recessions such as the 2001 downturn, this recession is consumer-driven as individuals pare their spending in the face of deteriorating asset prices, loss of available credit and a shaky job market. Holiday sales reports, a critical period for the nation's retailers, indicate that despite large discounts, retail sales were down sharply from previous years. Summing up the environment, the Vice President of Research and Analysis at MasterCard Advisors said, "It's probably one of the most challenging holiday seasons we've ever had in modern times."¹

The City of Irvine anticipated and prepared for an economic decline. According to economists, however, what the City is now facing is a recession that is likely to be, in retrospect, more severe than anything experienced in recent times. As a result, the City's experience in the face of previous recessions may be of only limited use as a guide to the future. Projecting

¹ Reuters, "Retailers' Holiday Sales Plummet," Ilaina Jonas, December 26, 2008.

an 11% real sales tax loss, as was experienced during the 2001 recession, could be too optimistic now given the magnitude of the current economic downturn. Projecting a quick turnaround in the economy, as what happened after the 2001 recession, is also likely too optimistic given the entirely different nature of this economic event.

The Wall Street Journal's December 2008 poll of economists expects that the national economy won't begin to improve until mid-2009, which at 18 months would make this the longest downturn since the Great Depression. While it is not yet clear if this recession will be as severe as the recessions of the early 1970s and 1980s, it has already surpassed the 2001 recession in terms of job losses. The monthly jobs report for November 2008, for example, show that 1.9 million jobs had already been lost for the year so far compared to a total of 1.6 million jobs lost during the 2001 recession. In fact, more jobs were lost in November 2008 than in any other month in the past 34 years and economists offer little hope that the situation will improve in the months ahead.

The national unemployment rate is still relatively low compared to earlier recessions where unemployment reached as high as

10.8% in late 1982, for example. It is important to remember, however, that unemployment tends to be a lagging indicator and economists are projecting increases in the months and years ahead. The Wall Street Journal's December economist survey projects that unemployment will reach 8.1% by the end of 2009. UCLA Anderson's December 2008 forecast for the Nation goes through 2010 and is projecting an 8.5% unemployment rate in that year. Some economists are now projecting an eventual unemployment rate exceeding 10%. One hallmark of this recession has been that economic forecasts have been revised steadily lower on an ongoing basis as economic conditions have consistently worsened beyond expectations.

As a result of deterioration in the economy and concerns about the future, the Federal Government has implemented a significant stimulus effort on which great hopes are now riding. The Federal benchmark lending rate has been lowered to zero and the Federal government has enacted a \$700 billion bailout package to rescue struggling financial institutions, dubbed the Troubled Asset Relief Program, or TARP. CSU Fullerton has called this action "the most sweeping intervention since the Great Depression."² In addition,

² Cal State Fullerton Forecast, October

in February 2009 the American Economy and Reinvestment Act of 2009 was signed into law by President Obama. This \$787 billion Act is intended to create or save more than 3.5 million jobs in the next two years with a combination of new government spending and tax cuts. The City is currently evaluating opportunities to benefit from the expected surge in Federal spending on infrastructure and other programs.

The consensus opinion among economists, represented by the Wall Street Journal monthly survey (December 2008), is that the large federal stimulus package will help stabilize the national economy by mid-2009 and that the economy will begin to improve in the third quarter of 2009. UCLA does not project improvement, however, until the last quarter of 2009 saying “The recession that we had previously hoped to avoid is now with us in full gale force.” (December 2008 forecast). Cal State Fullerton does not see an economic recovery until late 2009 or early 2010, assuming that the economic stimulus works, saying, “There is little doubt that the U.S. economy is and will continue to undergo a severe economic downturn of historic proportions over the near term” (October 2008 forecast). Chapman University is 2008, pg. 4.

expecting improvement in the third quarter of 2009, but it will not yet declare a recovery out of concern that some of the improvement related to Federal stimulus spending could prove transitory and that the downturn could then resume and extend into 2010 (December 2008 forecast).

When the recovery does begin, most expect it to be a halting one. Janet Yellen, president of the San Francisco Federal Reserve Bank and a voting member of the Federal Open Market Committee, recently remarked, “The financial and economic firestorm we face today poses a serious risk of an extended period of stagnation – a very grim outcome,” and she predicted a long period of economic weakness even after a significant amount of government stimulus spending.³ Once the economy stabilizes, consumers will need to begin spending again to provide the basis for renewed growth; obstacles to this abound: Consumer confidence has now fallen to the lowest level in the 41 years that the data has been tracked. Household debt levels are extremely high, credit is limited and unemployment is rising. In addition, household wealth has been reduced by declining home

³ Reuters, “Obama Seeks \$310 Billion in Tax Cuts,” Feast, Lincoln, January 4, 2009.

values and retirement account balances. As a result, most economists expect consumers to increase their savings rate and to hunker down in an extended period of retrenchment that will severely curtail the speed of the eventual recovery.

STATE ECONOMIC CLIMATE

California was ground zero for the housing boom experienced from 2000-2006; therefore, the impact of the recent housing bust has disproportionately afflicted the State’s economy. Dataquick reports that the median home price in California in November 2008 was \$258,000, a 38% drop from the year earlier median price of \$414,000, and 47% below the peak price of \$484,000 reached in spring of 2007. This collapse has resulted in a significant loss of household wealth and spending power. As a consequence, the Bureau of Labor Statistics reports that unemployment in California reached 9.3% in December 2008 compared to the national average of 7.2%. Only two other States in the nation have a higher unemployment rate than California.

State revenue has been significantly reduced by the faltering economy. The most recent data available from the California Department of Finance, at the time of this writing, shows that cash flow was more than

13% below expectations for the month of November. In addition, the Legislative Analyst's Office (LAO) projected in December that without corrective action the State Government is facing a \$9 billion deficit in the current fiscal year, another \$19 billion deficit in fiscal year 2009-10 and continuing shortfalls exceeding \$20 billion each fiscal year through 2013-14.

At the time of this writing, the State budget crisis seems intractable as opposing factions argue as to the best way to balance the budget. The extent of the fiscal crisis has hardened positions between those who want to balance the budget with raising taxes and those without, making compromise difficult. The LAO has stated that, to bridge the State's budget shortfall with spending cuts alone, the State would need to eliminate all funding for the University of California and state university systems, eliminate funding for welfare payments, developmental services, mental health, and in-home supportive services, resulting in significant human welfare and social impacts. Already the State has temporarily shelved state road and school construction projects and additional State funding programs are in jeopardy. Senior State officials have warned that California will run out of cash by March if no action is taken.

ORANGE COUNTY ECONOMIC CLIMATE

Just like the State, Orange County has been buffeted by the dramatic decline in housing prices. At the time of this writing, the most recent information available from Dataquik, published by the Orange County Register, shows that the median Orange County home price has lost 38% of its June 2007 peak value of \$645,000 and is now valued at \$400,000.⁴ In addition, Orange County's economy, which benefited during the real estate boom from an abundance of high-paying financial services and real estate industry jobs, has been significantly impacted by job losses resulting from the real estate downturn. As a result, the unemployment rate in Orange County has increased from an average annual rate of 3.4% in 2006 to 6.1% in November 2008 (Bureau of Labor Statistics). This has cost the County some of its highest paying jobs which, according to CSU Fullerton, are in the financial activities sector, one of the hardest hit industries in the County.⁵ In total, Orange County lost 29,600 jobs between September 2007 and September 2008, matching the second worst performance of any County in California in terms of percent-

⁴ Orange County Register, "O.C. house prices off \$309,000 from peak," Jon Lansner, December 31, 2008.

⁵ Fullerton economic forecast, October 2008. pg. 16.

age of lost jobs. As a result, Chapman has dubbed Orange County "...the weakest regional economy of the state."⁶

As part of its research, UCLA recently studied structural changes in local economies where a significant number of jobs were lost from an industry concentrated within a particular community. UCLA's research was done to evaluate how long it might take to create new jobs that would offset the jobs lost in the home mortgage finance industry in Orange County, assuming that many of these jobs have been permanently lost resulting from a structural economic change. As part of its study, UCLA examined the following historical job loss scenarios, among others:

- Steel jobs lost in Pittsburgh, Pennsylvania and Youngstown, Ohio in 1974 and 1979
- Aerospace jobs lost in California in 1990
- Internet jobs lost in the Bay Area in 2000
- Energy jobs lost in Houston, Texas in 1982
- Auto jobs lost in Detroit, Michigan in 1973 and 1990

Given this historic data and an analysis of how each episode relates to Orange County's own loss of home mortgage finance jobs, UCLA has concluded that

⁶ Chapman University December 2008 forecast, pg. 13.

Orange County will not be able to fully make up for the jobs lost resulting from the housing decline until 2012 or 2013.⁷ For this reason, UCLA expects it will take approximately five years for job growth in other sectors of the economy to increase enough to overcome the effects of the recent structural change in the regional economy.

IRVINE ECONOMIC CLIMATE

The Irvine economy is exceptionally dynamic. In fact, BusinessWeek.com recently acknowledged the City's excellent public services and business strength in designating Irvine as

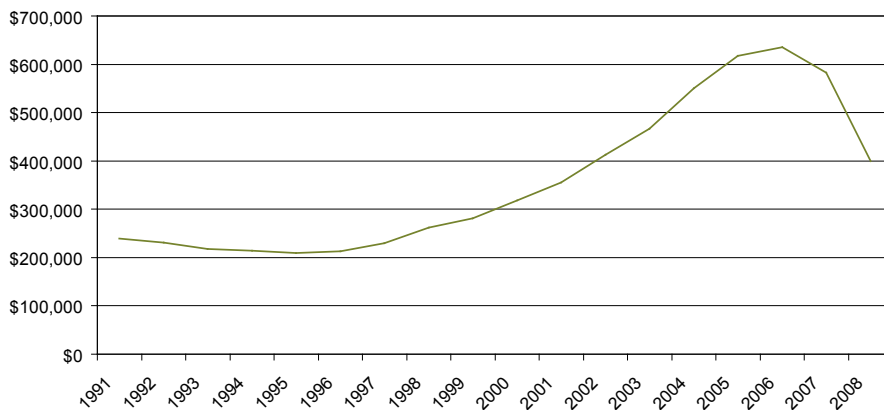
one of the best cities in which to live during a recession.⁸ Irvine was featured as one of 22 cities in the nation that are expected to fare better than others because of their preponderance of jobs in relatively strong industries, such as health care, education, government, energy, and legal services. Nearly 38% of Irvine's jobs were categorized as being in these strong industries. In addition, the article noted that Irvine has not "... been hit as hard by the subprime crisis as other parts of California."

While Irvine has demonstrated its resiliency and strength over time as a regional economic powerhouse, it is not immune to the impact of the powerful

forces that have pummeled the larger economies in which it operates. Irvine housing prices, for example, have held up better than what has been experienced in the State and County as a whole, but Irvine is still impacted by the overarching trend of a declining housing market. According to November data from the California Association of Realtors (CAR), assembled from DataQuick statistics, the median home sale price in Irvine is \$635,000, down approximately 11% from a year ago. Additionally, the Association of Realtors data shows the median Irvine home price has fallen approximately 18% from June 2006 when the monthly median sales price reached a peak of \$775,000. While these losses are significant, they are not as severe to date as the 38% average loss experienced in Orange County or the 47% average loss experienced in the State of California from peak pricing.

The relative strength of Irvine home prices is likely due to the fact that Irvine is a desirable place to live with relatively affluent residents and high home prices. A recent analysis in the Orange County Register shows that low-end home prices in Orange and Los Angeles counties are down 46% from their peak in November 2006 while high-end home prices are down only 24% from their peak in

Orange County Median Home Price



Sources: California Association of Realtors, Dataquick and Orange County Register. 2008 data is through November.

7 UCLA Orange County Economic Outlook for 2009, October 2008, pg. 31.

8 BusinessWeek.com, "Some Cities will be Safer in a Recession," Prashant Gopal, October 14, 2008.

June 2006.⁹ The smaller decline in higher-end home prices is consistent with the experience to date in Irvine. The key question going forward, however, will be how the price of high-end homes hold up versus the overall market in the future.

In addition to declines in the residential housing market, the Irvine commercial real estate market has been hurt by the loss of jobs in the home mortgage finance sector and by the general decline in the overall economy. Business distress has resulted in increasing vacancy rates in office and industrial buildings. According to Cushman & Wakefield reports, the overall vacancy rate in Irvine office buildings was 20% in the 3rd quarter of 2008, up from 18% in the 4th quarter of the prior year. The industrial market has fared better with a vacancy rate of 6% in the 3rd quarter of 2008. This rate has ticked up slightly, however, from a 5% vacancy rate in the previous year.

Despite the difficult economic environment, Irvine continues to attract expanding businesses including software and legal firms, helping to offset some of the job losses resulting from the mortgage and housing industry downturn. As one significant

⁹ Orange County Register: Lansner on Real Estate, the real estate blog, January 5, 2009, "Low-end LA/OC home-price loss nearly twice high end."

example, the Federal Deposit Insurance Corporation (FDIC) recently signed a 200,000 square-foot lease for office space in the Spectrum area of the City. According to the Orange County Business Journal, this is one of the largest office leases in the County in many years.¹⁰ Reportedly, Irvine was chosen over competing locations including Pasadena and the Inland Empire. The FDIC plans to hire 600 or more employees in the financial field with salaries ranging from \$95,000 to \$170,000. The infusion of high-paying jobs will provide a significant boost to the local economy.¹¹

Like the County, the State and the Nation, the City of Irvine's unemployment rate has increased sharply in the last two years. Irvine's unemployment rate is preliminarily reported as 4.6% for October 2008, according to the Bureau of Labor Statistics, up from the recent low of 2.4% enjoyed two years earlier and already exceeding the recent high of 4.0% experienced in the midst of the 2001 recession. Nevertheless, Irvine's unemployment rate remains well below the unemployment rates of the County, State and

¹⁰ Orange County Business Journal, 11/18/2008, Mark Mueller: "FDIC Opening Irvine Office, Signs Big Spectrum Lease," Orange County Business Journal. (internet)

¹¹ Orange County Business Journal, 11/24/2008, Mark Mueller: "FDIC Irvine Office Set to Create Jobs."

Nation as it has consistently over the City's history, demonstrating the dynamism of the City's economy. The recent dramatic increase in the City's unemployment rate brings its current unemployment rate to within close proximity of its all time high of 5.3% experienced in July 1993 (historical unemployment data for local areas is only available since 1990). Despite Irvine's tremendous economic strength and diversity, its unemployment rate is expected to increase upward in the coming months toward levels last experienced in the early 1990s, given the severity of the negative economic influences now exerted on the City by the larger national and state economies.

SUMMARY

The consensus forecast from national and local economists is that Irvine may be facing one of the most difficult external economic environments this country has experienced in recent times. In addition, Irvine is likely to experience continuing fall-out from the State's inability to manage its finances with the possibility of losses in State funding for an assortment of programs and projects in the years ahead. When the economy does begin to recover, it is not expected to recover quickly. It will take time for consumers to regain confidence and for

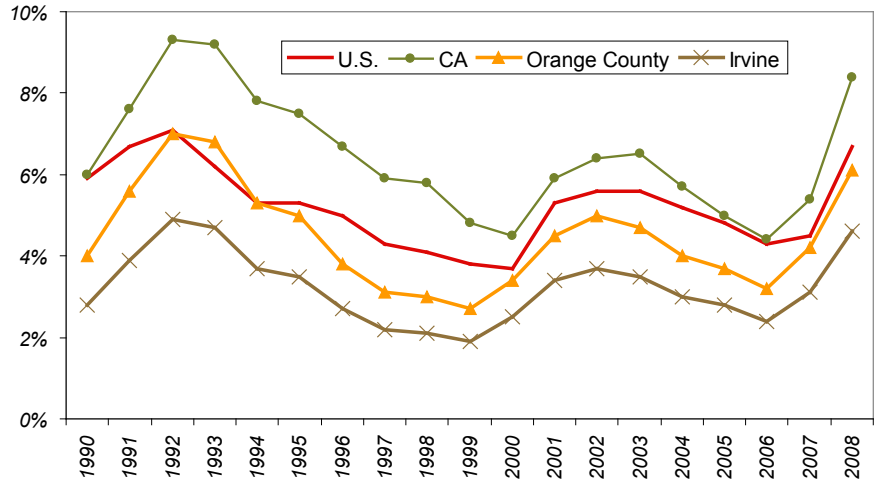
new industries to emerge in California and in Orange County that will replace the high-paying jobs recently lost in the home mortgage industry, resulting from an ongoing structural change in the economy.

As a result, the City must continue its tradition of careful planning and conservative budgeting and prepare to meet the challenges of what is now foreseen as a difficult economic environment. City leaders have been wise to reserve a significant amount of surpluses accumulated during more prosperous times in reserve accounts. The City's reserve funding will be indispensable in helping the City to navigate its way through current turmoil to better times.

Of course, it is certainly possible that the economy could turn around quicker than expected and surprise economists to the upside just as they were surprised last year by an economy that performed far worse than projected. More will be known about the state of the economy later in the year when the impact of new Federal stimulus programs, on which so much hope now rides, begins to be felt. The City Council at that point will have additional information with which to formulate reasoned policy adjustments, as deemed necessary, to respond to prevailing economic condi-

City, County, State and National Unemployment Rate 1990-2008

(Non-Seasonally Adjusted, as of November of Each Year)



tions in the context of the City's annual budget deliberations later in the year.

Internal Environment Analysis

PLANNING FOR CONTINUED SUCCESS

Irvine's future is very bright despite the near-term challenges posed by the difficult external economic environment. Irvine has been recognized as one of the most successfully planned and accessible cities in the nation. In 2008, Irvine was designated by Money Magazine as the fourth best city in the Country in which to live. In addition, it was rated as one of the safest cities in America by the FBI, and selected by America's Promise

Alliance as the best community for young people.

COMMUNITY VITALITY

Population

Irvine's strength is its people. The City is the success it is today because of the hard working, community-minded citizens who have chosen Irvine to be their home. According to the 2007 American Community Survey, 64% of the City's population age 25 and over has a bachelor's degree or higher compared to 28% for the United States as a whole. In addition, the median household income for Irvine in 2007 was \$98,923 versus \$50,740 for the overall United States.

The City's population is also increasingly diverse, helping to enhance the City's economic

growth as increasing globalization, international trade and fast-growing, emerging economies provide important business opportunities overseas. The City of Irvine has more than 60 faith institutions representing different denominations throughout the City.¹² In addition, the 2007 American Community Survey reports that 35% of the City's population was foreign born compared to 13% for the nation as a whole. Furthermore, 42% of the City's residents speak a non-English language at home compared to 20% for the overall country and 37% of the City's residents are of Asian origin (of one ethnicity, as defined by the American Community Survey), up from 30% in 2000. The increasing diversity of the City's community is important to Irvine's competitiveness in the emerging global economy where proficiency in multiple languages, global ties and an understanding of foreign customs and business practices become increasingly valuable to economic success.

Finally, Irvine's vitality is reflected in its planned growth. Over the past five years, City population grew in accordance with the General Plan by 27%, which demonstrates Irvine's attractiveness as a place to live.

¹² New University, "Mayors of Irvine Assemble in the Student Center to Address Anteaters," Sheba Ali, 11/24/2008.

Irvine is renowned for the quality of its public schools. In addition, with its excellent public facilities and its low crime rate, Irvine is very attractive to families, with 35% of its households having young children versus 31% for the nation as a whole. As a result, Irvine is also a relatively young city with a median age of only 33 years compared to 37 for the rest of the country.

Business Community

Much of the credit for Irvine's great success is attributable to the strength, dynamism, and adaptability of the City's business community. A demonstration of this is that Irvine issued 14,700 business licenses to businesses located in Irvine last year compared to 13,900 the year before despite the current economic slow-down. Irvine has a wide range of businesses, everything from automobile design, manufacturing, legal, finance, software, accounting, scientific and medical research and development. The Orange County Business Journal's 2009 Book of Lists indicates that the City of Irvine is now the headquarters for four of the 10 fastest-growing public companies in Orange County and two of the five fastest-growing private companies.

Attracting businesses to the City of Irvine is the area's high quality

schools, including the University of California at Irvine (UCI). UCI is a relatively young and fast-growing educational institution, recently ranked in the U.S. News & World Report's "America's Best Colleges" (2008) as the 13th best public university and the 44th best university overall. UCI is the largest employer in Irvine and the third largest employer in Orange County behind only Disneyland and the County of Orange, according to the 2008 Orange County Progress Report prepared by the Center for Demographic Research. In addition to direct employment, UCI's presence attracts countless commercial businesses that invest in the area to leverage the University's technological research and the area's highly skilled workforce. As more businesses move to Irvine they build on each other's efforts in research and innovation resulting in compounding growth and an expanding circle of productivity and wealth.

As a measure of the diversity of the City's economy, only 29% of Irvine's sales tax revenue was generated by the City's 25 largest sales tax generators for the year ending June 2008. Furthermore, just 53% of the City's sales tax revenue is generated by its one-hundred largest tax generators.

Irvine has a strong business-to-business sector with one-third

of its sales tax revenue coming from business-to-business sales. This is unique among neighboring cities that typically rely more heavily on general retail sales for their tax revenue. With the City's entrepreneurial and technological orientation, Irvine is a center of innovation not unlike Silicon Valley. The Irvine Chamber of Commerce's website has described the City as "... an anchor for California's Technology Coast... one of the leading regions in the United States for innovation."

SERVICE DEMAND

The City's most recent resident satisfaction survey placed the City of Irvine within the top 5% of municipalities for resident ratings of service performance. Interestingly, 23% of survey respondents could not identify a serious problem facing the City that needed to be addressed. Those who did identify a concern, however, frequently mentioned mobility as the top City priority. In order to increase mobility, the City implemented a long-term program to modernize its traffic control equipment and to expand the capacity of its roadway and bike trail systems as explained in the Maintained Environment Chapter under the City's strategy to "Maintain, Rehabilitate and Upgrade Traffic Control Systems." In addition, the City is also working to

increase mobility throughout the City by implementing new transit programs. The first of these programs is the new *i* Shuttle bus program, serving the Irvine Business Complex area, which began operations in Spring 2008. The City is also planning a new rubber-tire bus system to provide service between the Orange County Great Park, the Irvine Station and the Spectrum area. These initiatives are described in more detail in the Economic Prosperity Chapter.

The City of Irvine is the largest city in size and the third largest in population in Orange County. As the City grows, new facilities and infrastructure and expanded services are needed to serve the increasing population and larger service area. In addition to facilities related to development, which are usually provided by the developer, interest has been expressed in expanding citywide services including city hall, police, operations support, and senior and library services. On January 27, 2009 the City Council appropriated \$2.1 million (including contingency funds) to execute a Program Manager at Risk Professional Services Contract for construction of a new Public Safety Facility. Staff will return to the City Council when a Guaranteed Maximum Price for the new Public Safety Facility is known. At that time a fund-

ing plan for construction will be presented to the City Council for deliberation.

The Orange County Public Library system provides library services at three facilities within the City of Irvine, including the new Katie Wheeler Library that opened in February 2008. The City is working with interested parties to explore feasible opportunities to enhance library services in the City.

Interest has also been expressed in increasing services for senior citizens. The City operates two senior centers and some have advocated that a third center be built to accommodate more programs and services for Irvine's senior population, particularly in the northern area of Irvine. Options to expand senior services are being explored by City staff and officials.

Finally, with the significant growth the City has experienced in recent years, the City must plan for the future rehabilitation needs of its large investment in other existing infrastructure including streets, traffic signals, bike paths, parks, and facilities. Though Irvine was incorporated just 37 years ago, infrastructure such as street surfaces eventually wear out and must be rehabilitated; now some of the City's older infrastructure is requiring more extensive

reconstructive care. In addition, the City has added a significant amount of new infrastructure to its inventory during its recent growth spurt for which it is now incurring maintenance costs even at the beginning of its life cycle. As new infrastructure is added, additional rehabilitation costs for these facilities will be projected in future Strategic Business Plans.

RESOURCE SUFFICIENCY

Revenue vs. Expenditure Growth

An important measure of the City's fiscal condition is its long-term revenue sufficiency. The following charts show historical inflation adjusted revenues and expenditures for the City's main operating fund. Comparing trends in ongoing revenues versus expenditures provides a measure of Irvine's resource sufficiency which is its ability to fund its ongoing operations over time. In order to focus on the City's core operations, these figures exclude intra-fund transfers between the City's General Fund and other City Special Funds. It is important to note that even though excluding transfers-out in this presentation has the effect of understating expenditures, the City has historically achieved significant core operational surpluses as reflected in a comparison of revenues and

expenditures in the following charts.

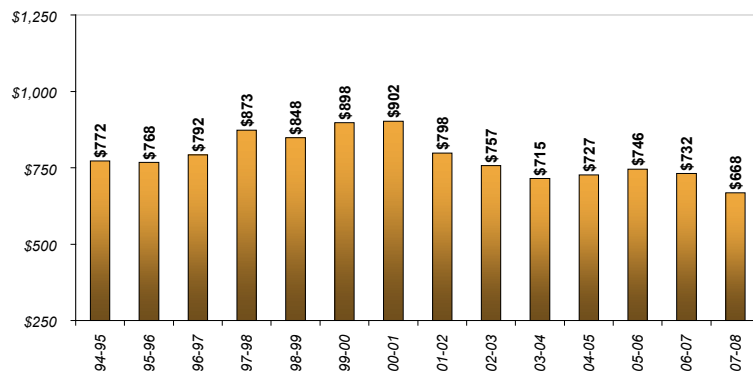
Irvine is a developing City and its revenues have historically increased quickly. After reaching a peak of \$902 per capita inflation adjusted dollars in fiscal year 2000-01, however, General Fund revenue growth declined as a result of the 2001 recession. Revenue growth resumed after the end of the 2001 recession

but has yet to regain the peak enjoyed in fiscal year 2000-01. Recently, revenue growth has declined as a result of the national recession beginning in December 2007.

Expenditures per capita reached a peak in fiscal year 1999-00; after the last recession they declined to a 14 year low of \$656 per capita in fiscal year 2003-04 and fiscal year 2004-05. While

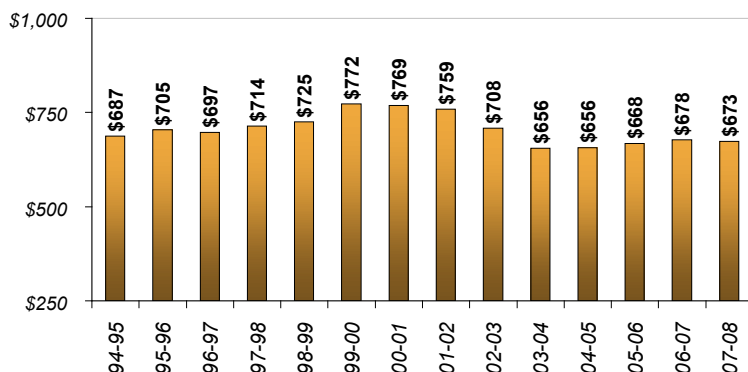
General Fund Revenues per Capita

Stated in terms of FY 07-08 Inflation Adjusted Dollars



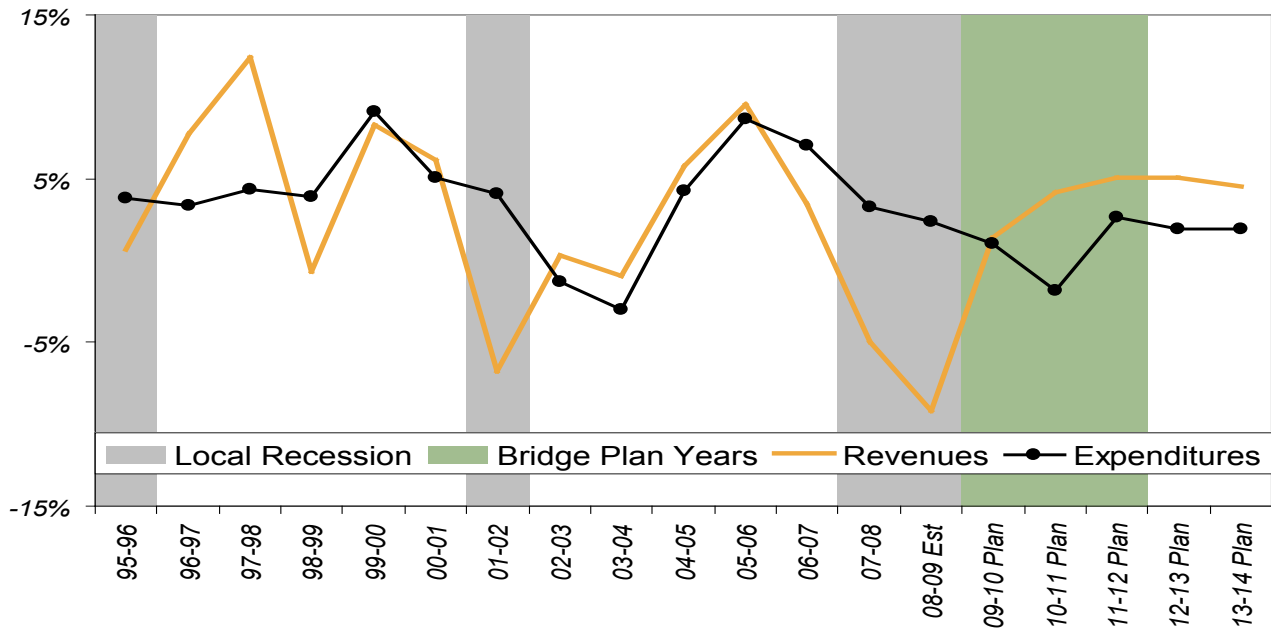
General Fund Expenditures per Capita

Stated in terms of FY 07-08 Inflation Adjusted Dollars



% Annual Growth Rate

Inflation Adjusted General Fund Revenues vs. Expenditures (Excludes Transfers)



per capita expenditures then grew 3% from their nadir in fiscal year 2004-05 to fiscal year 2006-07, they are now declining. Costs have been further curtailed in the current fiscal year in an effort to maximize the City’s efficiency. It is projected that costs will continue to decline with the adoption of the fiscal year 2009-10 budget as seen in the chart above.

General Fund revenues per capita were slightly less than expenditures in fiscal year 2006-07, this gap explained by the fact that the City uses revenues from prior years, carried forward via the annual Carryover process, to complete unfinished purchase orders. Costs per capita remain well below their historic long-

term average demonstrating the City’s success in increasing worker productivity over time.

The chart on this page shows the inflation-adjusted historical annual growth rate of General Fund revenues and expenditures. In the recent past, revenue growth exceeded expenditure growth until fiscal year 2006-07 when revenue growth suddenly stalled due to the current economic slowdown. While the nationwide recession did not begin until December 2007, local economists believe the Orange County economy dipped into recession even earlier. As can be seen from the chart, it is typical for expenditure growth to briefly exceed revenue growth during periods of economic

duress. The City is working to bridge the shortfall between revenue and expenditure growth resulting from the current slowdown, but the historical trend indicates that revenue growth will rebound with the economy.

Reserves for Future Liabilities

Setting aside funding to meet future liabilities is an important indicator of financial strength. The City of Irvine has set aside significant resources to fund future liabilities such as legal and workers’ compensation costs and to pay out accrued vacation and sick leave upon employee termination. The funding for these reserves is determined by periodic actuarial reports undertaken to measure

the City's exposure to the future costs. At the end of fiscal year 2007-08, the City had \$7.7 million reserved for future litigation and workers' compensation claims, thereby fully funding the City's actuarial liability. The City also had \$1.7 million set aside for compensated absences. The City is on track to meet the goal of accumulating enough funding to cover 50% of the accrued liability for estimated sick and vacation leave termination payments by the end of fiscal year 2013-14.

FLEXIBILITY

Fund Balance Reserves

Significant fund balance reserves help the City to weather challenging economic times and are a measure of its economic strength. City policy makers had the foresight to reserve significant accumulated surpluses over time. One of the

City's most important fund balance reserves is its Unallocated Strategic Surplus Fund that was established by the City Council to help the City during difficult economic times. Starting in fiscal year 2005-06, City Council members had the foresight to increase this reserve from 5.5% to 15.0% of General Fund appropriations, nearly tripling the reserves in only two years. At the end of fiscal year 2007-08, the Unallocated Strategic Surplus Fund reached a balance of \$23.5 million, or about 16% of the fiscal year 2008-09 adopted budget General Fund appropriations. Due to the current recession, however, \$4.8 million is budgeted to be transferred from the Unallocated Strategic Surplus Fund to the General Fund during fiscal year 2008-09. In addition, \$1.0 million was recently allocated to support the Irvine and Tustin school districts to support Irvine students attending schools in those districts.

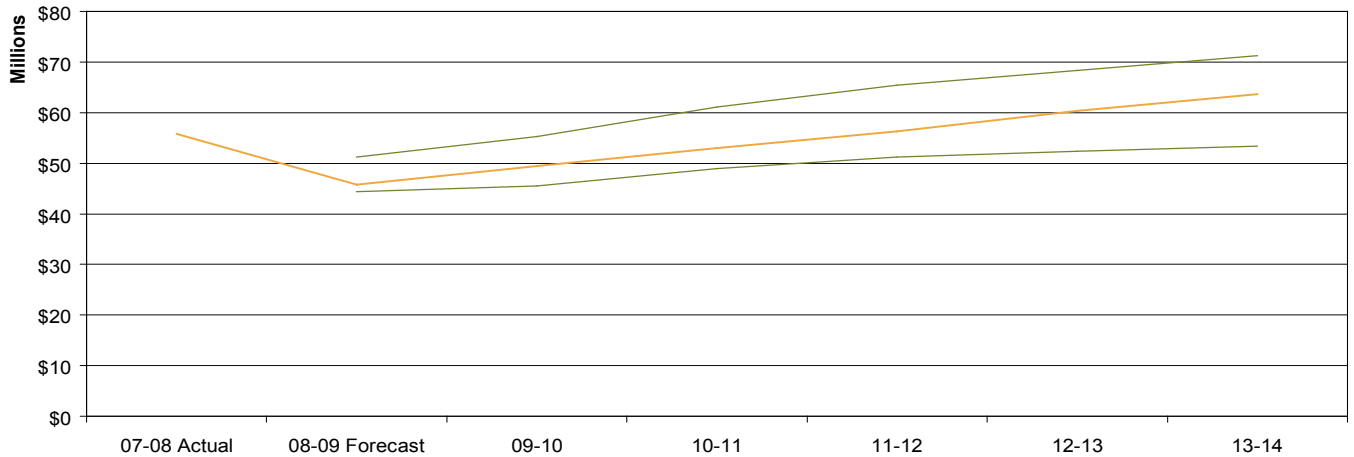
Another important reserve is the City's Asset Management Fund (AMP), a long-term resource available to help fund the City's long-term infrastructure rehabilitation needs. At the end of fiscal year 2007-08 the AMP had assets of approximately \$76.1 million offsetting \$22.8 million of outstanding debt, for a net positive position of \$53.3 million. The AMP's cash equivalent assets at the end of fiscal year 2007-08 were approximately \$63.6 million (see appendix F for a more detailed discussion).

Analysis of Top Three Revenues

An analysis of the City's major revenue sources provides a measure of the City's vulnerability to economic fluctuations that might impact one or more of its important revenue streams. The City of Irvine's General Fund revenues are dominated by three major revenue sources

Fiscal Year 2007-08			Fiscal Year 2002-03		
Top Three Revenue Sources	Actual Revenues	% of Total General Fund Revenue	Top Three Revenue Sources	Actual Revenues	% of Total General Fund Revenue
Sales Tax	\$55,788,136	42%	Sales Tax	\$42,044,589	42%
Property Tax	41,363,874	31%	Property Tax	14,621,070	15%
Hotel Tax	9,108,010	7%	Development Fees	9,123,157	9%
		79%			66%

Nominal Sales Tax Revenue Forecast with Upper and Lower Confidence Interval



which, when combined, comprise 79% of its revenues. This is an increase in concentration from five years ago when the top three revenue sources comprised 66% of the City’s revenues. The increased concentration of the City’s revenues exposes the City to some measure of additional risk. Two of the three revenue sources (sales tax and hotel tax) are volatile and highly dependent on macro-economic conditions. The third major City revenue (property tax) is much more stable, but unfortunately the conditions in the real estate market at the present time point to near-term weakness.

1. Sales Tax

Sales tax is the City’s largest General Fund revenue source with actual revenues in fiscal year 2007-08 of \$55.8 million. Over the past 19 years real

sales tax revenue receipts have increased at an average annual rate of 3% with a standard deviation of 7%, though in the last 10 years real sales tax revenue has grown at less than 2% per year as the City has matured. The following chart shows actual sales tax revenues in fiscal year 2007-08 and then projected revenues from fiscal year 2008-09 through fiscal year 2013-14. The forecast was calculated via the regression analysis described in Appendix B. Upper and lower lines in the graph represent the upper and lower forecast boundary at the 95% confidence level. This means that there is 95% confidence that actual sales tax revenue will be within this confidence interval; assuming that the economic variables on which the forecast are based, derived from UCLA, Fullerton, and the Wall Street Journal Economists survey (detailed in Appendix B)

are accurate.

The estimate for sales tax revenue in fiscal year 2008-09 is that it will fall 17% in real terms from fiscal year 2007-08 as a result of the current recession. This is worse than the 13% (after inflation) drop experienced during the 2001 economic downturn. Sales tax revenue is then expected to rebound, but not as quickly as it did after 2001. In the 10 years of historical data graphed here, sales tax revenue grew at an average annual compound growth rate of 1.3% after inflation. The forecast calls for future real growth averaging only 0.5% per year for the next six years, primarily due to the large drop expected in fiscal year 2008-09.

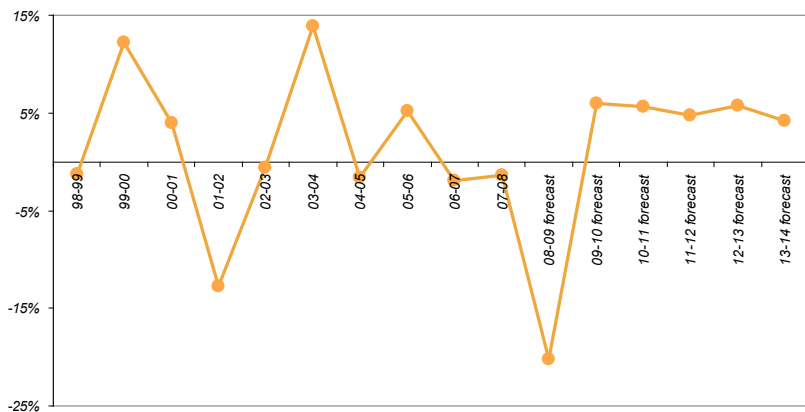
2. Property Tax

Property tax has become more significant as a revenue source to the City over the past five years, due to new residential and commercial development, higher property valuations and legislation enacted in 2004 that swapped motor vehicle license fee allocations for additional property tax revenue (property tax in-lieu of VLF revenues). The in-lieu property tax revenue received in fiscal year 2007-08 was \$15.8 million, or 38% of the total \$41.4 million in property tax received.

The increasing importance of property tax revenue to the City is a concern in the short term given the difficult conditions currently gripping the nation's residential real estate market. Over time, however, property tax has proven to be one of the City's more stable revenue sources. In 19 years of history, real annual property tax revenue has grown at an annual average rate of 6% with a standard deviation of 6%, exhibiting a little less volatility than sales tax. It is important to note, however, that a significant portion of the volatility that has been experienced in historical property tax revenue has resulted from changing allocation methodologies enacted by the State, rather than from changing fiscal conditions (i.e. implementation of the Education Revenue Augmentation Fund, ERAF,

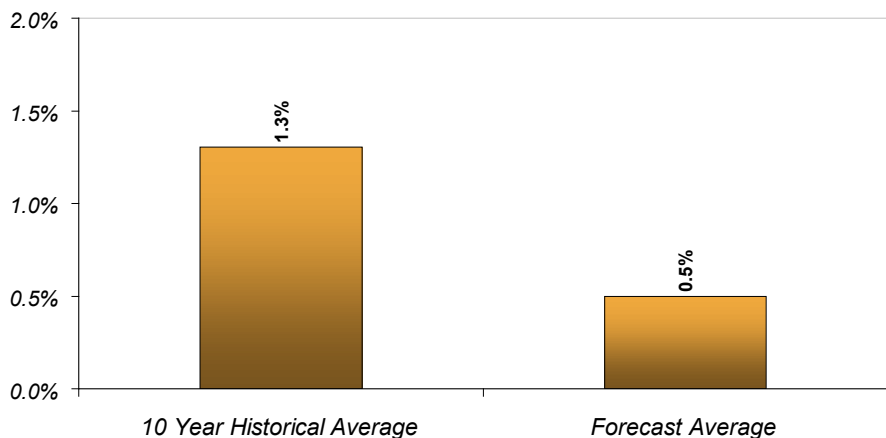
Sales Tax Revenue

*Real (after inflation) year-to-year percentage change
10 years historical data and 6-year forecast*

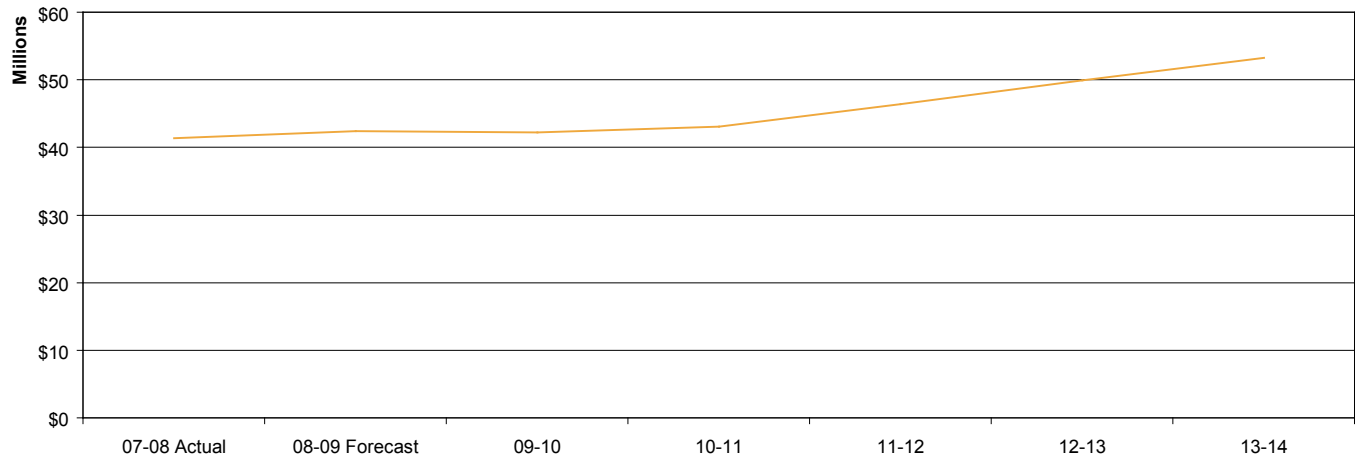


Real Compound Annual Growth in Sales Tax Revenue

Actual Historical Average vs. Forecast Annual Average



Nominal Property Tax Revenue Forecast



tax shift in fiscal year 1992-93 shifting taxes from local governments to schools). In more recent history, in the last 10 years where these impacts have been minimal, property tax revenue has exhibited less than half the standard deviation of sales tax revenue.

There are four major factors that help maintain the relative stability of property tax revenue. The first is that property values themselves are traditionally less volatile than other investments such as equities due to high transaction costs, illiquidity, and also because residential units typically have utilitarian value as a place to live beyond their value as an investment. Second, unless a property is sold, Proposition 13 limits increases in that property's assessed valuation to no more than 2% per year (unless the assessed valuation was previ-

ously reduced due to a decrease in a property's market value, at which point increases in its assessed valuation are then not limited to 2% until the property's market value increases again to its original assessed valuation). As a result, the assessed value of a property is typically well below its market value, which provides a cushion in case property values do fall. The third factor that limits volatility in property tax revenue is the City's participation in the "Teeter Plan," which is a County pool that guarantees that the City will receive property tax payments in a timely manner even in the event of home foreclosures. The fourth factor is that each year's assessed valuation includes both existing properties plus new construction. Therefore, for a net decline to occur, property valuations would have to fall

enough to wipe-out the growth in valuation resulting from new construction coming online.

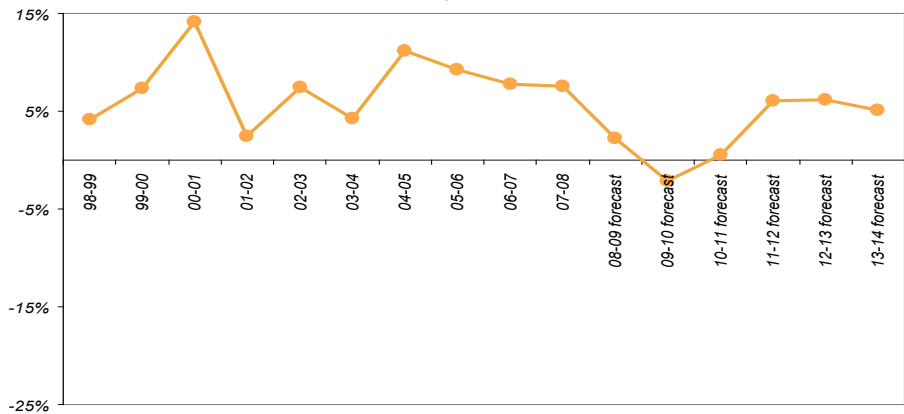
As a result, despite declining property values, City of Irvine property tax revenue is not expected to decline significantly unless property values continue to fall for an extended period of time. Instead, City of Irvine property tax revenue is projected to be substantially flat through fiscal year 2010-11. Afterward it is hoped that property tax revenues will then regain slow upward momentum once substantial construction activity has resumed throughout the City. There is not an upper or lower confidence boundary for the property tax forecast since it was not prepared using regression analysis techniques that provide these measures. Because of the unique nature of this revenue source imposed

by Proposition 13 adjustment factors, the revenue forecast was instead prepared by analyzing current City property market values in relation to their assessed valuation as described in Appendix B, and also by consulting with the City's property tax consultant.

In the 10 years of historical data graphed above, property tax revenue grew at an average annual compound growth rate of 7.5% after inflation. The forecast calls for future growth averaging only 3% per year for the next six years due to declining property values and reduced property turnover. One risk to the forecast will be how the local Irvine real estate market performs in the coming years. To date, the Irvine real estate market has substantially outperformed the larger Orange County and the California real estate markets as higher-priced areas have maintained more of their value in the current downturn. The property tax forecast would worsen substantially, however, if the Irvine real estate market were to ultimately decline as precipitously as the 47% decline from peak pricing to date experienced in the greater California market. Such an outcome is seen as unlikely by most market observers, but the local market will be closely monitored and the revenue forecast will be updated as conditions change in the future.

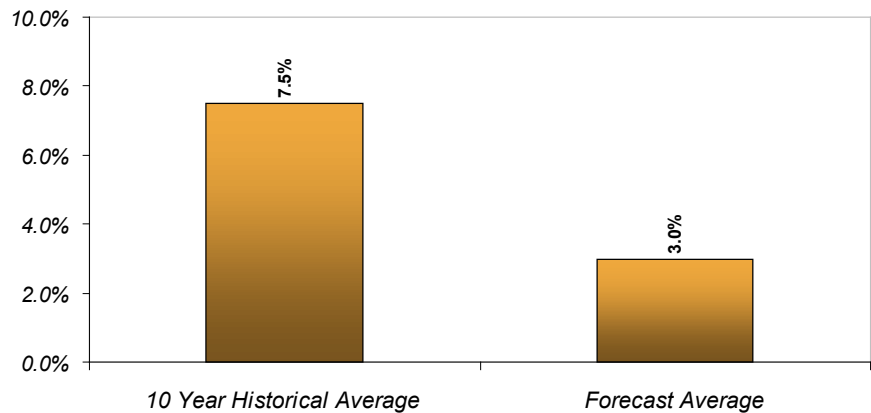
Property Tax Revenue

*Real (after inflation) year-to-year percentage change
10 years historical data and 6-year forecast*



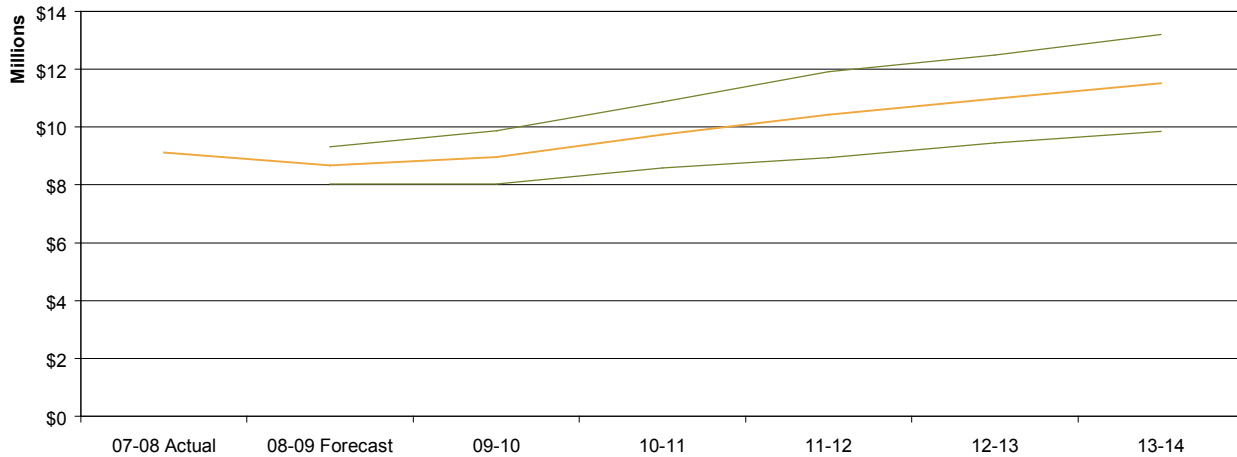
Real Compound Annual Growth in Property Tax Revenue

Actual Historical Average vs. Forecast Annual Average



Note: graphs exclude Property Tax in-lieu of Motor Vehicle License Fee Revenue (enacted in 2004) to maintain comparability with older data

Nominal Hotel Tax Revenue Forecast with Upper and Lower Confidence Interval



3. Hotel Tax

Hotel tax is the City’s third largest General Fund revenue source with actual revenues of \$9.1 million in fiscal year 2007-08. Hotel tax is projected to decline more than 7% in real terms in fiscal year 2008-09 and then begin to grow again, though at a moderate rate due to weak economic growth. The following chart shows actual hotel tax revenues in fiscal year 2007-08 and then projected revenues from fiscal year 2008-09 through fiscal year 2013-14. The forecast was calculated via the regression analysis described in Appendix B. Lines above and below the forecast in the graph represent the upper and lower forecast estimate at the 95% confidence level. This means that there is 95% confidence that actual sales tax revenue will be within this confidence interval; assuming

that the economic variables on which the forecast are based, derived from UCLA, Fullerton, and the Wall Street Journal Economists survey (detailed in Appendix B) are accurate.

Hotel tax has increased at an average real rate of 4% over the past 19 years, but it is also one of the City’s most volatile and economically sensitive revenue sources with a standard deviation of 9%. Irvine hotel tax is highly dependent on business travel. Consequently, hotel tax fell sharply in fiscal year 2001-02 after the terrorist attacks and the dot-com economic recession, falling 19% in real terms. Hotel tax is not expected to fall as dramatically in fiscal year 2008-09 as it did in 2001-02. While business travel is down now, due to the poor economy, it has not yet been impacted to the same degree as it was in the aftermath

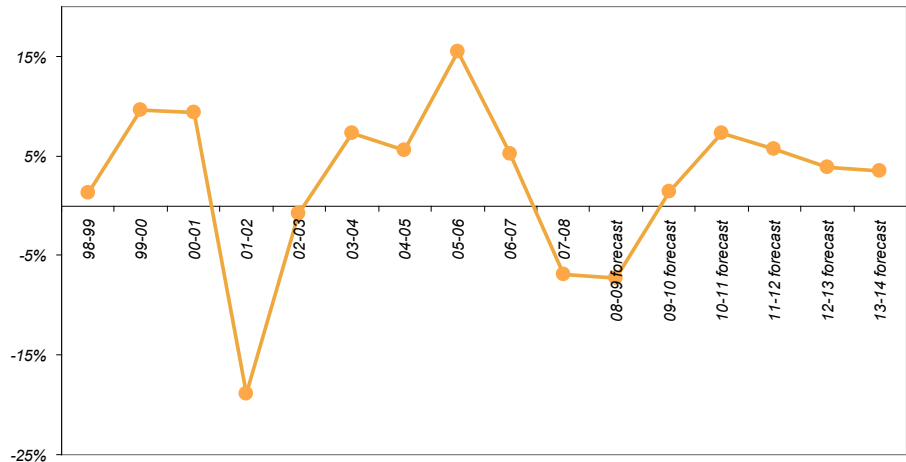
of the 2001 terrorist attacks.

In the 10 years of historical data graphed, hotel tax revenue grew at an average annual compound growth rate of 2.3% after inflation. The forecast calls for future growth averaging the same 2.3% over the course for the next six years. Despite the current difficult economy environment, it is projected that future 2.3% real growth is achievable as conditions improve, particularly since growth in the past 10 years has itself been below the historical long-term average. Not only was growth significantly impacted by the 2001 terrorist attacks, but also by the more recent reduction in mortgage industry-related business activity in the region epitomized by the April 2007 bankruptcy of New Century Financial. As a result, the effects of the recent crisis are already included, to

some extent, in the historical data with negative year-over-year growth already realized in the last fiscal year. In addition, growth in the City's hotel room inventory has slowed in recent years.

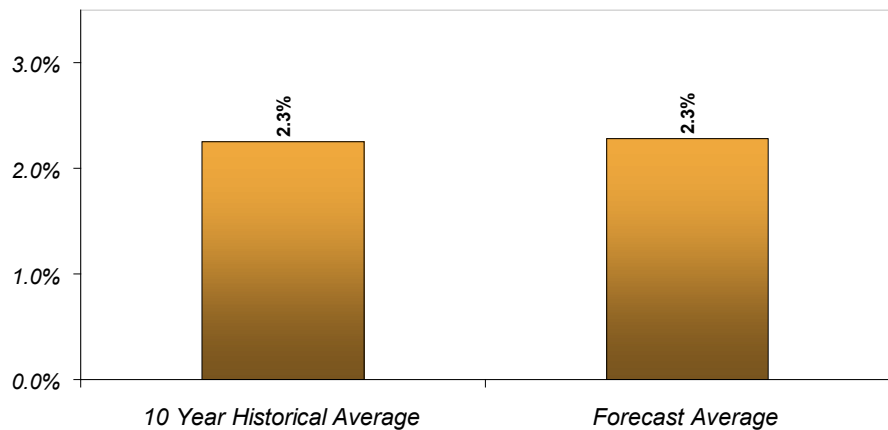
Hotel Tax Revenue

*Real (after inflation) year-to-year percentage change
10 years historical data and 6-year forecast*



Real Compound Annual Growth in Hotel Tax Revenue

Actual Historical Average vs. Forecast Annual Average



Summary of Fiscal Environment Analysis: STRENGTHS, CHALLENGES, AND OPPORTUNITIES

Strengths:

- Irvine is one of the most successfully planned cities in the nation; recognized as an excellent place to live, work and to raise children, thanks to its top-notch schools, parks and well-planned community amenities.
- In the past year Irvine has received the following recognitions:
 - Named by Money Magazine as one of the best cities in the country in which to live
 - Highlighted by BusinessWeek.com as one of the best cities in the country “for riding out a recession” due to a high percentage of jobs in strong industries
 - Designated by the FBI as one of the nation’s safest cities
 - Selected by America’s Promise Alliance as the best community for young people
 - Named as one of the country’s top green cities by the Green Guide; Irvine is well positioned to compete for the “green collar jobs” of the future
- Irvine’s demographics attract leading businesses to the area and drive economic growth in the region.
- Irvine’s citizens are increasingly diverse, often speak a second language, and frequently have cultural ties to fast-growing regions of the world.
- As one of the nation’s top public universities, the University of California at Irvine (UCI) is an important research center that attracts businesses to the area in addition to being the County’s third-largest employer in its own right.
- As described by the Irvine Chamber of Commerce, Irvine is “... an anchor for California’s Technology Coast... one of the leading regions in the United States for innovation.”

- The Irvine City Council’s leadership has resulted in a strong fiscal foundation for the City from the achievement of significant core operational surpluses over time and the establishment of sizable reserve funding.

Challenges:

- The national economy is in a severe recession that began in December 2007, according to the National Bureau of Economic Research.
- Projected future funding gaps resulting from the poor economy, expected to be addressed both by a use of accumulated reserves and expenditure reductions.
- The State of California’s dire financial situation is expected to result in trickle-down impacts on the City.
- Irvine home prices have been strong relative to pricing in Orange County and the State, and an important underlying assumption is that Irvine home prices will continue to remain relatively strong in the future.

Opportunities:

- Federal stimulus spending will provide opportunities for infrastructure funding for capital projects.
- Further Irvine’s success as one of the nation’s premier master-planned communities with low crime and an excellent quality of life for people of all ages and backgrounds.
- Further develop the City’s influence as a high technology center and as a hub for new jobs in emerging industries such as biotechnology and clean technology.

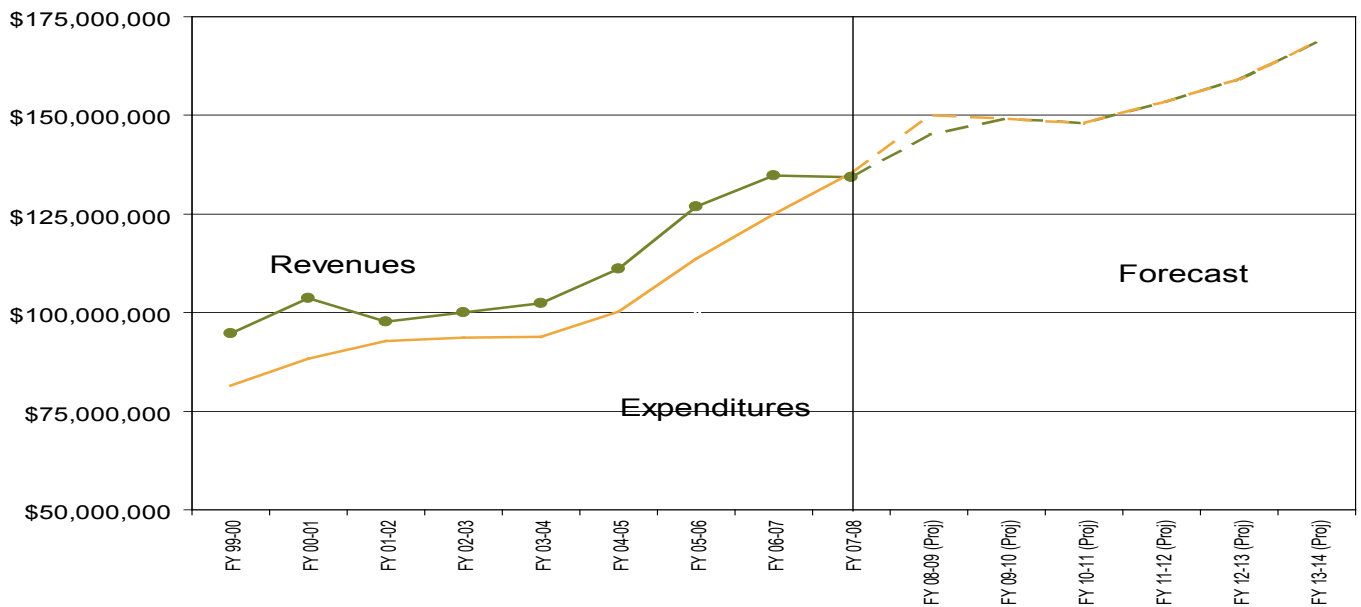
Baseline General Fund Forecast

The City of Irvine began fiscal year 2008-09 with a conservative budget predicated on an extremely slow growth economic forecast and the high possibility of a recession. What has unfolded since the beginning of fiscal year 2008-09, however, is an extremely severe recession

that took hold and worsened precipitously near the end of 2008. Updated forecasts indicate that without mitigating action, the City faces a significant funding gap by the end of fiscal year 2008-09, due to declining revenues, despite the relatively conservative original budget. The City responded quickly to deteriorating conditions by reviewing its capital projects and shifting funding to make the most efficient use of its restricted funds and by deferring some funded

projects that were not yet ready to proceed. In addition, the City set aside salary savings, was selective in filling vacancies, and took other actions to buttress its reserves and to reduce expenditures. The City now believes it is likely it can complete fiscal year 2008-09 with the \$18 million in reserves in its Unallocated Strategic Surplus fund still intact. This funding will be available to help the City in future years, in addition to approximately \$12 million in surplus

General Fund Operating Revenue & Expenditure History & Projections



Summary Forecast	FY 2009-010	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Total Revenues	\$149,072,000	\$147,895,000	\$153,060,000	\$158,998,000	\$168,597,000
Total Expenses	\$149,039,000	\$147,925,000	\$153,079,000	\$158,998,000	\$168,581,000
Forecast Balance	33,000	(\$30,000)	(\$19,000)	\$0	\$16,000
% Reductions	3.5%	2.4%	1.2%		
\$ Reductions	\$5,387,000	\$3,597,000	\$1,814,000		

liability reserves. Furthermore, the City also has significant additional reserve funding in its Asset Management Plan (AMP), explained in Appendix F, that the City could also turn to (perhaps in the form of a loan) if the Council chooses to do so, though this source of funds has traditionally been set aside for infrastructure rehabilitation purposes.

The actions the City has taken this fiscal year have not decreased services nor have they impacted Irvine residents, but they have appreciably offset the loss of revenues experienced due to the recession so far. The City must now prepare for future years. According to current consensus opinion among economists, the City must prepare for several years of slow growth with little perceptibility on when the recession might end.

Despite the uncertainty surrounding the state of the financial markets and the economy, City staff has prepared a five-year financial forecast using the best information available to guide its budget and planning efforts. Next year will clearly be difficult. While the economy is expected to improve somewhat toward the end of 2009, revenue levels are still expected to be depressed as the economy revives only very slowly. Fiscal year 2009-10 operating revenues are projected

to be more than 2% below fiscal year 2007-08 actual revenues (two years earlier), even though the revenues then were already weak, despite interim gains in population, commercial development and growth in inflation. At the same time, some personnel and benefit costs are expected to increase over time and this is reflected in the forecast.

The City has prepared a plan to navigate its way through this difficult period and to emerge strong and ready to move forward when the economy improves. This plan relies on a combination of expenditure reductions and the use of accumulated surpluses as a bridge to better economic times.

The first year of the plan reduces appropriations, from what otherwise would have been projected, by \$5.4 million. This equates to 3.5% of total appropriations, or a 5.0% reduction of non-fixed (i.e. debt service) budgeted expenditures. The Budget Office will continue to closely monitor incoming revenues and adjust its forecasts accordingly. Because there will be more certainty regarding fiscal year 2008-2009 revenues later in the year, the City Council will be presented with a revised revenue forecast incorporating the latest available information to guide them in the course of their budget deliberations for fiscal year 2009-10.

If the economy worsens beyond current expectations, then more significant reductions in the first year of the plan may be required. The tactical decisions on the mechanics of implementing the planned cost saving measures will be made in conjunction with preparation of the fiscal year 2009-10 budget.

The second year of the City's plan calls for additional expenditure reductions of \$3.6 million, or 2.4% of total projected appropriations in that year. The plan will be updated next year in the context of the 2010 Strategic Business Plan to reflect the latest consensus opinion on the economy, so the amounts may change. If prevailing economic conditions at that time are worse than expected, then deeper budget reductions may need to be made. Conversely if conditions improve materially, it is also possible that additional expenditure reductions may not be necessary. Finally, the third year of the plan now calls for expenditure reductions of \$1.8 million, or 1.2% of the expenditures that would otherwise be projected in that year, on top of the reductions already made in the first 2 years of the plan.

The current plan utilizes reserves (accumulated surpluses from previous years), in addition to expenditure reductions, to provide a bridge to better economic

times in the future. By utilizing these accumulated surpluses the City now expects that it can weather the current economic recession without having to make expenditure reductions that would be unnecessarily deep in response to a cyclical economic downturn. Use of the accumulated surpluses also preserves the City's flexibility so that it can act more or less aggressively, as appropriate, to respond to fluctuating economic conditions over time with just the right policy adjustments attuned to the changing fiscal environment.

If our projections come to fruition exactly as currently forecast, the City will be positioned to begin returning funding to its Unallocated Strategic Surplus Fund and begin rebuilding its reserves in the 4th year of the forecast, with more than \$6 million in reserves replenished in fiscal years 2012-13 and 2013-14. It is also likely that some amount of carryover surpluses will additionally be generated each year, replenishing the City's reserve funding even faster.

It is important to emphasize that the current 5 year forecast has been made in the midst of a highly uncertain and fast changing economic environment. In any given fiscal year, the level of revenues, expenditures, and year-end surpluses (Carryover)

are the result of numerous variables including the national and state economies, legislative mandates, tax policies, changing land use or building intensity patterns, and City Council priorities. To the extent that these factors vary from forecast assumptions, the outcomes will also vary. The City of Irvine will closely monitor the changing economic environment and make revisions to its forecast as necessary in conjunction with its annual budget process, mid-year budget adjustments (if required), and each annual update of its Strategic Business Plan. Corresponding adjustments will also be made to the City's policy prescription in navigating its course through the current recessionary economy to reflect the changing fiscal outlook over time.

THE GENERAL FUND FISCAL MODEL ASSUMPTIONS

INCLUDE:

General:

- The projected funding gap in the current fiscal year, 2008-09, will be covered without needing to draw additional funds from the City's reserve accounts;
- Existing accumulated surpluses of \$18 million in the City's Contingency Reserve Fund and \$12 million in surplus Self Insurance payments are used to help the City weather the current economic recession;
- No additional contract services or supply costs, aside from projected contract inflation adjustments, are projected in the five year forecast despite increases in population and service demands;
- Continuation of the Lighting, Landscape, and Park Maintenance District funding in the same ratio as in fiscal year 2008-09;
- Annual transfers from the Asset Management Plan (AMP) fund to the Infrastructure & Rehabilitation Fund as part of the five-year rehabilitation funding strategy;
- Continue debt service payments of \$6.0 million per year after fiscal year 2010-11. This serves as a placeholder for

potential future infrastructure obligations after the Irvine Public Facility Infrastructure bonds are repaid; and,

- Provide funding for the IBC Shuttle in the first two years of the forecast from contributions from the Irvine Business Complex Transportation Management and AQMD funds.

Land Use:

- Uses the Citywide Land Use Forecast of development for the corporate boundary and the Sphere-of-Influence through 2030;
- The Fiscal Model includes residential and commercial development in Planning Areas 30 and 51 (the Great Park Planning Areas) that are adjacent to, but not part of, the Orange County Great Park. Costs associated with Great Park development are not included in the fiscal model, as this development is occurring independently.
- Acquisition and timing of Irvine Open Space is based on the General Plan Open Space Element Implementation Action Program and is a function of development for the 18 Implementation Districts.
- The fiscal model uses the adopted General Plan factors for population per dwelling unit and employees per 1,000 sq. ft. of non-residential development to forecast

residential population and employment growth (see Appendix B – SBP Overview & Assumptions for more detail);

- Developer park acres dedication factor: five acres for each projected 1,000 residents-developers of residential subdivisions are required to dedicate park land, or pay fees in lieu of dedication, at the rate of five acres per 1,000 population added to the City’s population by housing development; and,
- 1,000 sq. ft. of civic facilities will be developed or acquired for every park acre accepted by the City.

Staffing:

- Maintain the current staffing cost ratio at 65%-69% of the projected General Fund Budget during the five year forecast;
- No cost-of-living salary adjustments are projected in the five year forecast;
- Merit increases averaging 3.3% for Sworn and 2.2% for Non-Sworn employees, given the assumption that some employees are at the top of their salary range and are therefore not eligible for merit increases;
- Projected CalPERS rate changes are included in the fiscal model; and,
- Continuous evaluation of our organizational structure

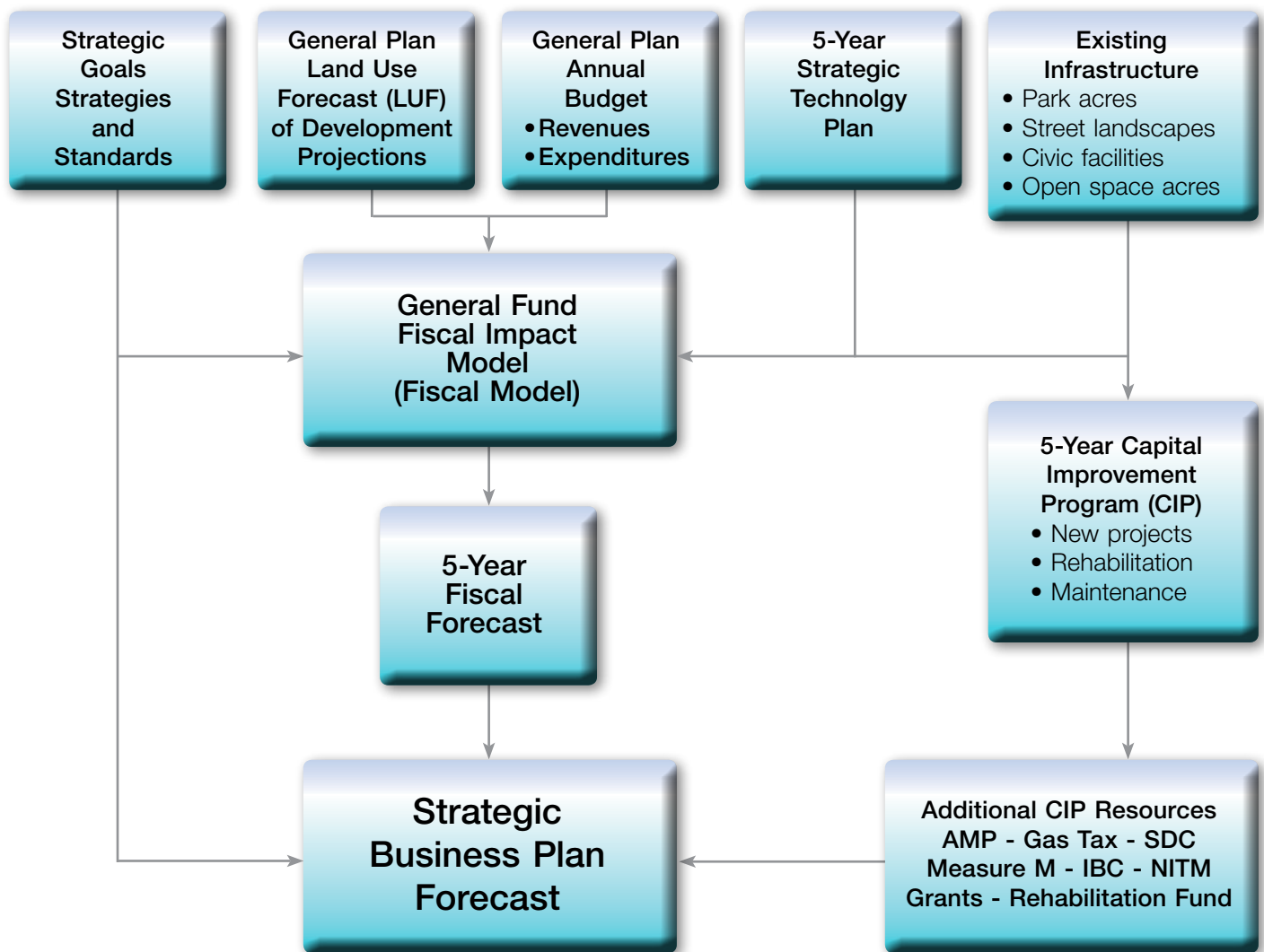
to ensure that we realize the most efficient core/contingent staffing mix possible.

Infrastructure

- Operate and maintain the new parking structure at the Irvine Transportation Center; and,
- Public infrastructure and development related inventory increases will take place based on historic patterns.

SBP Development Process:

The illustration below depicts the inputs, drivers, and relationships between these components in developing the City's Strategic Business Plan.



The Fiscal Model summary forecast for population and infrastructure over the next five years is shown below:

5-Year Forecast – Annual Totals

Description	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	5 Year Increase	5 Year Increase
Population	209,800	214,000	218,600	225,800	231,300	236,800	27,000	13%
Residential Housing	74,329	75,929	78,029	80,229	82,729	85,229	10,900	15%
Non-Residential (sq.ft.)	98,123,000	100,373,000	101,873,000	103,723,000	106,223,000	109,223,000	11,100,000	11%
Park Acres & Sp. Fac.	717	726	732	732	732	732	15	2%
Street Lane Miles	1,745	1,753	1,763	1,778	1,798	1,823	78	4%
Street Landscape Acres	749	771	775	781	789	799	50	7%
Civic Facilities (sq.ft.)	715,000	718,000	725,000	729,000	729,000	729,000	14,000	2%
Open Space Acres	3,595	4,537	4,537	4,537	4,537	4,871	1,276	35%

5-Year Forecast – Annual Increases

Description	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	5 Year Increase	Annual Increase
Population	4,200	4,600	7,200	5,500	5,500	27,000	2%
Residential Housing	1,600	2,100	2,200	2,500	2,500	10,900	3%
Non-Residential (sq.ft.)	2,250,000	1,500,000	1,850,000	2,500,000	3,000,000	11,100,000	2%
Park Acres & Sp. Fac.	9	6	0	0	0	15	0%
Street Lane Miles	8	10	15	20	25	78	1%
Street Landscape Acres	22	4	6	8	10	50	1%
Civic Facilities (sq. ft.)	3,000	7,000	4,000	0	0	14,000	0%
Open Space Acres	942	0	0	0	334	1,276	6%

Notes:

The population and housing forecast is based on historical trends and expected future economic conditions that may vary over time.

Civic Facility square footage includes properties for which the City has maintenance responsibilities but does not own (e.g. Boys and Girls Club).

FINANCIAL CONDITION

As illustrated in the following table, the 2009 Strategic Business Plan forecast shows that the General Fund Budget is projected to be essentially balanced with the use of accumulated surpluses and the implementation of a three-year expenditure reduction plan (summarized at the bottom of the table).

General Fund Budget 5-Year Forecast

General Fund Revenues	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Sales Tax	\$49,421,000	\$53,040,000	\$56,342,000	\$60,397,000	\$63,589,000
Property Tax	\$42,265,000	\$43,093,000	\$46,364,000	\$49,943,000	\$53,254,000
Vehicle License Fees	\$300,000	\$310,000	\$332,000	\$353,000	\$375,000
Hotel Tax	\$8,955,000	\$9,733,000	\$10,429,000	\$10,978,000	\$11,526,000
Franchise Tax	\$7,355,000	\$7,680,000	\$8,053,000	\$8,503,000	\$8,878,000
Community Services Fees	\$7,168,000	\$7,424,000	\$7,746,000	\$8,061,000	\$8,399,000
Utility User's Tax	\$4,430,000	\$4,515,000	\$4,701,000	\$4,873,000	\$5,599,000
Fines & Forfeitures	\$2,218,000	\$2,352,000	\$2,545,000	\$2,647,000	\$2,761,000
Development Fees	\$249,000	\$262,000	\$292,000	\$299,000	\$315,000
Doc. Transfer Tax	\$1,524,000	\$2,392,000	\$2,521,000	\$2,523,000	\$2,788,000
Licenses & Permits	\$1,962,000	\$2,166,000	\$2,396,000	\$2,553,000	\$2,737,000
Miscellaneous	\$3,729,000	\$3,863,000	\$4,099,000	\$4,258,000	\$4,420,000
Total Operating Revenues:	\$129,576,000	\$136,830,000	\$145,820,000	\$155,388,000	\$164,641,000
Transfers-In from Other Funds:					
Development Services	\$1,796,000	\$2,465,000	\$3,240,000	\$3,510,000	\$3,856,000
OCGP Reimbursement	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Unallocated Strategic Surplus	\$10,000,000	\$5,000,000	\$3,000,000	\$0	\$0
Self-Insurance Surplus	\$7,600,000	\$3,500,000	\$900,000	\$0	\$0
Total Revenue - All Sources	\$149,072,000	\$147,895,000	\$153,060,000	\$158,998,000	\$168,597,000

Department Expenditures	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Salary and Benefits	\$95,607,000	\$96,039,000	\$102,074,000	\$106,614,000	\$111,303,000
Contracts and Supplies	\$50,932,000	\$49,886,000	\$49,755,000	\$50,340,000	\$50,953,000
Total Operating Appropriations:	\$146,539,000	\$145,925,000	\$151,829,000	\$156,954,000	\$162,256,000
Transfers-Out to Other Funds:					
Unallocated Strategic Surplus	\$0	\$0	\$0	\$2,044,000	\$4,093,000
Development Fund Support	\$2,500,000	\$2,000,000	\$1,250,000	\$0	\$0
Infrastructure & Rehabilitation	\$0	\$0	\$0	\$	\$2,232,000
Total Appropriations:	\$149,039,000	\$147,925,000	\$153,079,000	\$158,998,000	\$168,581,000

Summary Baseline Forecast

Summary Forecast	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Total Revenues	\$149,072,000	\$147,895,000	\$153,060,000	\$158,998,000	\$168,597,000
Total Expenses	\$149,039,000	\$147,925,000	\$153,079,000	\$158,998,000	\$168,581,000
Forecast Balance	\$33,000	(\$30,000)	(\$19,000)	\$0	\$16,000
% Expenditure Reductions:	3.5%	2.4%	1.2%		
\$ Expenditure Reductions:	\$5,387,000	\$3,597,000	\$1,814,000		

Capital Improvement Program Forecast

Presented in the table (on the next two pages) is the Capital Improvement Program Summary Forecast. The Forecast includes all of the maintenance, rehabilitation, and new construction projects identified in the following chapters. The Forecast also includes a summary of available resources for these projects. The Forecast assumes annual contributions of \$2.5 million from the Asset Management Plan, or the amount of interest earnings generated by the fund in the preceding year, whichever is less (see Appendix F-Asset Management Plan, for details). In addition the forecast also includes General Fund contributions as detailed in the General Fund Budget 5-Year Forecast table (identified as “Transfers Out to Other

Funds” - “Infrastructure & Rehabilitation”).

City staff believes that implementation of the proposed projects, over the next five years, will maintain current standards for maintenance and rehabilitation of City infrastructure and facilities. If the proposed projects are not funded, the City may fall below current standards and a backlog might occur.

All projects scheduled to begin construction in fiscal year 2009-10 have sufficient funding identified and secured. Following the first year of the forecast, however, the remaining years of the forecast exhibit funding gaps. The primary cause of the gaps are the programming of several large rehabilitation and circulation expenditures that have limited existing grant funding already secured. For example, a large circulation project, Jamboree at I/5 southbound ramps, is budgeted at \$10.6 million in fiscal year 2010-

yet been a grant secured for the project. There is also \$2.9 million scheduled in fiscal year 2010-11 for Jamboree road rehabilitation work, to be done in conjunction with the Jamboree at I/5 southbound ramps improvement project previously mentioned, and also approximately \$10.5 million in miscellaneous arterial street rehabilitation projects scheduled for fiscal year 2011-12. None of these projects have secured grant funding at this time, which results in the funding gaps in the outer years of the forecast.

It is important to note that there will be many opportunities to secure outside funding for these projects in the coming years, including significant potential funding from the recently approved federal stimulus package, the thirty-year renewal of Orange County’s Measure M transportation funding program, and also a potential new “call for projects” for federal grant funding, including Arterial Highway Rehabilitation Program (AHRP) and Regional Surface Transportation Program (RSTP) funds. The forecast does not include potential grant funding not yet secured. Irvine is well positioned to receive future awards from granting agencies, and the Public Work’s Department is working to secure these opportunities for the City which have historically funded a significant portion of the City’s street rehabilitation and construction projects.



11, of which only approximately half is already funded by a secured grant. In addition, the Laguna Canyon Drive and I-405 Overcrossing project, scheduled for 2011-12, is budgeted at \$4.9 million but there has not

5-Year Construction Improvement Program Summary Forecast

Total Revenue Sources:	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
AQMD	\$439,000	\$189,000	\$189,000	\$189,000	\$189,000
Developer Fees	\$3,254,103	\$10,000,000	\$0	\$0	\$0
Gas Tax (Fund 111)	\$2,988,326	\$3,454,273	\$3,549,912	\$3,644,218	\$3,749,380
Infrastructure Rehab. (Fund 010)	\$3,378,113	\$2,505,807	\$2,500,000	\$2,500,000	\$4,032,000
IBC Fees (Fund 123)	\$130,000	\$305,000	\$130,000	\$1,155,000	\$2,280,000
IBC TMP (Fund 138)	\$280,712	\$630,503	\$0	\$0	\$0
ICCP Reimbursement	\$106,018	\$88,230	\$113,235	\$121,161	\$123,584
M Competitive Grants	\$655,984	\$6,472,472	\$0	\$0	\$0
M Turnback (Fund 110)	\$3,180,255	\$3,048,075	\$3,527,831	\$3,700,309	\$3,892,295
NITM Fee Program (Fund 122)	\$100,000	\$100,000	\$900,000	\$8,611,000	\$5,590,520
OCTA	\$0	\$38,000,000	\$0	\$0	\$0
Proposition 1B-HRSCA Grant	\$0	\$8,000,000	\$0	\$0	\$0
Proposition 42 (Fund 111)	\$2,552,007	\$2,667,652	\$2,724,219	\$2,779,997	\$2,842,196
Quimby Fees (Fund 112)	\$0	\$0	\$0	\$0	\$24,800,000
SDC Circulation (Fund 118)	\$1,480,953	\$2,000,000	\$2,250,000	\$1,600,000	\$400,000
SDC Non-Circulation (Fund 118)	\$2,650,000	\$6,000,000	\$650,000	\$873,048	\$6,381,887
Slurry Seal (Fund 132)	\$500,000	\$242,823	\$275,000	\$275,000	\$275,000
Total Rehabilitation/CIP Revenue:	\$21,695,471	\$83,703,835	\$16,809,197	\$25,448,733	\$54,555,862



5-Year Construction Improvement Program Summary Forecast

Total Expenditures:	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Rehabilitation:					
Arterial Street Rehabilitation	\$2,440,000	\$4,805,000	\$12,710,000	\$12,265,000	\$9,040,000
Local Street Rehabilitation	\$3,310,000	\$3,164,000	\$6,816,000	\$4,030,000	\$3,230,000
Bridge Projects	\$200,000	\$250,000	\$300,000	\$150,000	\$300,000
Hardscape Rehab Projects	\$345,000	\$200,750	\$378,500	\$395,000	\$412,500
Water Quality Projects	\$0	\$100,000	\$100,000	\$100,000	\$100,000
Storm Drain Projects	\$100,000	\$200,000	\$200,000	\$200,000	\$225,000
Traffic Signal Rehabilitation/Upgrades	\$1,585,200	\$2,268,200	\$460,000	\$545,000	\$640,000
Community Park Landscaping	\$300,000	\$835,000	\$375,000	\$700,000	\$250,000
Neighborhood Park Landscaping	\$0	\$475,000	\$450,000	\$600,000	\$425,000
Street Landscapes	\$720,000	\$720,000	\$720,000	\$720,000	\$1,440,000
Turf Athletic Fields	\$200,000	\$250,000	\$250,000	\$250,000	\$250,000
Facility Landscaping	\$0	\$110,000	\$100,000	\$0	\$0
Facility Rehabilitation Projects	\$2,550,820	\$2,447,496	\$2,826,137	\$3,109,015	\$3,175,699
Playground Equip. Projects	\$714,232	\$718,008	\$721,918	\$300,000	\$0
Infrastructure Development:					
Off-Street Bike Trail Development	\$423,800	\$591,400	\$750,000	\$750,000	\$750,000
Parks & Facilities Development	\$2,000,000	\$5,350,000	\$0	\$650,000	\$36,000,000
IBC Circulation Projects	\$455,962	\$4,840,253	\$130,000	\$1,155,000	\$2,280,000
Circulation Projects	\$5,241,457	\$63,185,221	\$7,845,897	\$1,600,000	\$850,000
NITM Projects	\$100,000	\$100,000	\$900,000	\$8,611,000	\$5,590,520
Transit Projects	\$320,000	\$110,000	\$0	\$0	\$0
AQMD Projects	\$689,000	\$689,000	\$189,000	\$189,000	\$189,000
Total Rehabilitation/CIP Expenditures:	\$21,695,471	\$91,409,328	\$36,222,452	\$36,319,015	\$65,147,719

Summary Forecast	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Total Revenues	\$21,695,471	\$83,703,835	\$16,809,197	\$25,448,733	\$54,555,862
Total Expenditures	\$21,695,471	\$91,409,328	\$36,222,452	\$36,319,015	\$65,147,719
Forecast Grant/Funding Need:	\$0	(\$7,705,493)	(\$19,413,255)	(\$10,870,282)	(\$10,591,857)

Note - Competitive grant awards will help reduce unfunded needs in later years.

Conclusion

The consensus opinion among economists is that national economy is enduring a significant and severe recession. Thanks to the wisdom of City leaders, the City has more than \$30 million in accumulated surpluses in reserve that were put aside during better times. The City's plan is to balance its budget and to preserve important City services during this period of economic turmoil by utilizing a combination of expenditure reductions and by drawing upon accumulated surpluses. In this great period of uncertainty, the City's forecast will be updated periodically and corresponding policy adjustments will be made on an ongoing basis to reflect the changing economic outlook while maintaining the City's high level of services to the community.



Chapter Introduction

One of the City’s primary responsibilities is to maintain the physical infrastructure used by all who live, work, and play in Irvine. Infrastructure connects the City, and includes elements of the City’s physical environment such as:

- Streets
- Bridges
- Sidewalks
- Parking Lots
- Storm Drains
- Traffic Signals
- Street and Park Landscapes
- Trees
- City Buildings and Public Facilities

As new development occurs, the City’s overall population and infrastructure will continue to increase. As population increases, wear and tear on infrastructure occurs more rapidly. Aging, increased usage, and a growing inventory all add to the cost of caring for the City’s infrastructure. To ensure long-term viabil-

ity, infrastructure must be maintained according to prescribed schedules and best practices. Buildings must be painted, roofs repaired, streets rehabilitated or reconstructed, and parks must be maintained in a safe condition for all to enjoy.

Irvine spends millions of dollars every year for preventive maintenance of facilities, landscapes, and street infrastructure. Maintenance includes street sweeping, storm drain inspection and cleaning, graffiti and litter removal, mowing, tree trimming, painting, and regular upkeep of traffic signals. Proper attention to preventive maintenance extends the useful life of the City’s assets. In many cases, failure to correct minor deterioration early will cause more costly structural problems in later years.

Irvine also spends millions of dollars each year on infrastructure rehabilitation. The City has developed detailed funding plans to manage rehabilitation on a systematic basis. Rehabilitation planning concentrates available resources on specific areas in the City each year, enabling costs to be managed through economies of scale.

Systematic planning for maintenance and rehabilitation enables the City to pay for current maintenance and rehabilitation while anticipating future needs.

Without forward-looking plans for appropriate long-term care, the City risks deterioration of its infrastructure over time.

The Infrastructure and Rehabilitation Fund serves as the depository for resources accumulated from the General Fund and the Asset Management Fund. This fund serves as the primary funding source to address the needs identified in this chapter. For forecasting purposes, the 2009 SBP assumes that \$2.5 million will be added to the Infrastructure and Rehabilitation Fund from the Asset Management Plan fund in Fiscal years 2009-10 through 2012-13, after which the transfers are expected to be reduced to approximately \$1.8 million per year. In addition, it is also assumed that \$2.2 million will be added to the Infrastructure and Rehabilitation Fund from the General Fund in fiscal year 2013-14.



Rehabilitation and Maintenance

Maintain Irvine Streets

The City is responsible for maintaining and servicing approximately 1,742 lane miles of roadway, including both arterial and local streets. A lane mile is defined as a section of pavement one mile long by twelve feet wide. The fiscal year 2008-09 General Fund Budget provides \$6.0 million for annual street and right-of-way maintenance programs. Some additional maintenance support also comes from State Gas Tax, County Measure M Turnback, Proposition 42 and City Slurry Seal fee funding. Ongoing maintenance efforts include street sweeping, litter control, signage, inspection, pothole repair, striping, traffic control, and the application of thin tar overlays (slurry seal). More significant street rehabilitation efforts are undertaken via capital projects and are funded primarily with grants, Gas Tax, Proposition 42, and Measure M funds. In addition, the General Fund, through contributions to the Infrastructure and Rehabilitation fund, also helps to fund some of the needs identified in this chapter.

Strategy:
Rehabilitate Arterial Streets

Standard:
Maintain the street maintenance standard at a median Pavement Condition Index of 65 with no more than 10% of streets below a Pavement Condition Index of 45

Arterial streets are the main boulevards, or “arteries,” connecting smaller streets in Irvine. The City’s arterial maintenance and rehabilitation needs are quantified through the Pavement Management Program (PMP) computer model. The PMP establishes rehabilitation priorities based on a weighted value known as Pavement Condition Index (PCI). Several factors such as roadway age, present surface condition, types of surface treatments used, and historical use data are analyzed to determine roadway reconstruction needs

or to identify alternative treatments to extend the pavement’s life cycle. The City has selected a median PCI of 65 as its standard, with no more than 10% of its arterial streets below a PCI of 45. This standard allows the City to manage its circulation system over the long-term in a cost efficient manner.

Table I-1 identifies Arterial Streets Rehabilitation Programs and Projects over the next five years. Arterial Rehabilitation Programs are maintenance type activities and planning for roadway resurfacing. Arterial Rehabilitation Projects, on the other hand, involve more extensive street reconstruction efforts such as grinding and road bed reconstruction. Implementation of the projects identified in Table I-1 will allow the City to meet its standard for pavement conditions throughout the City. If the proposed projects are not funded, the City may not meet its standard and this could create a backlog of rehabilitation projects.



Table I-1
Arterial Streets Rehabilitation Programs and Projects

Arterial Rehab. Programs	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
PMP Program	\$0	\$125,000	\$50,000	\$125,000	\$50,000
Rehabilitation Program Dev.	\$100,000	\$140,000	\$140,000	\$140,000	\$140,000
Slurry Seal & Street Prep.	\$1,310,000	\$750,000	\$830,000	\$940,000	\$2,000,000
Street Signs	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Street Maintenance	\$530,000	\$530,000	\$530,000	\$530,000	\$530,000
Total	\$2,140,000	\$1,745,000	\$1,750,000	\$1,935,000	\$2,920,000

Arterial Rehab. Projects	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Culver Dr: North of Metrolink Railroad Tracks to Walnut Avenue	\$150,000		\$1,870,000		
Trabuco Rd: Jeffrey Rd to Sand Canyon Ave	\$150,000		\$1,870,000		
Jamboree Rd: I-5 Southbound Off-Ramp to I-5 Northbound Off-Ramp		\$2,910,000			
Redhill Ave: Reynolds Ave to Deere Ave			\$2,700,000		
Jeffrey Rd: Trabuco Rd to Irvine Blvd		\$150,000	\$2,260,000		
University Dr: Campus Dr to City Limits (MacArthur Overpass)			\$1,810,000		
Barranca Pkwy: Irvine Center Dr to Alton Pkwy			\$150,000	\$3,980,000	
Barranca Pkwy: Redhill Ave to Jamboree Rd			\$150,000	\$2,720,000	
Barranca Pkwy: Jamboree Rd to Culver Rd				\$150,000	\$3,330,000
Alton Pkwy: Technology West to Barranca Pkwy				\$150,000	\$2,790,000
Jamboree Rd: Main St to 1400 North of Barranca Pkwy			\$150,000	\$3,330,000	
Total	\$300,000	\$3,060,000	\$10,960,000	\$10,330,000	\$6,120,000



Strategy:

Rehabilitate Local Streets

Standard:

Maintain the street maintenance standard at a median Pavement Condition Index of 65 with no more than 10% of streets below a Pavement Condition Index of 45

In contrast to the major arterial roadways, local streets are the smaller roads, or “capillaries,” branching off arterial streets. Local streets are found in business districts and in residential neighborhoods.

Table I-2 identifies the five-year projection for Local Street Rehabilitation Programs and Projects. The timing and costs of projects presented below may accelerate or decelerate based on traffic flow volume, unanticipated maintenance delays, or excessively wet winters.

Table I-2
Local Streets Rehabilitation Programs/Projects by Village

Local Street Rehab	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Local Street Slurry Seal	\$590,000	\$570,000	\$410,000	\$690,000	\$710,000
The Ranch					
Northwood					
Subtotal	\$2,720,000				
Spectrum					
Subtotal		\$2,594,000			
Orange Tree					
IBC					
Spectrum					
Turtle Ridge					
University Research Park					
University Town Center					
Woodbridge					
Subtotal			\$6,406,000		
El Camino Real					
Westpark I					
Westpark II					
Subtotal				\$3,340,000	
Deerfield Village					
The Willows					
Subtotal					\$2,520,000
Total	\$3,310,000	\$3,164,000	\$6,816,000	\$4,030,000	\$3,230,000

Strategy:

Reconstruct Arterial and Local Streets

Standard:

Reconstruct streets after the street maintenance standard falls below a Pavement Condition Index of 50 and the street exceeds 35 years of operation

Streets are designed to have a useful life of 20 years. Fortunately, the City has been able to successfully extend the life of our roadways with good maintenance and rehabilitation practices. After a street has been in operation for about 35 years, however, the asphalt begins to break down and even good maintenance and rehabilitation practices cannot extend its life. The Pavement Management Program (PMP) indicates that after 35 years, a street will need to be reconstructed. At this time, none of our roadways have dropped below current standards. During the coming year, the Public Works Department will complete an extensive independent assessment of the entire pavement network. The outcome of this assessment is anticipated to provide a comprehensive and up-to-date forecast of pavement maintenance, rehabilitation, and reconstruction needs.

Strategy:

Maintain and Repair Bridges

Standard:

Maintain the structural integrity of the bridges in the City and repair sections of bridges within a fiscal year of notification

The City is partially or completely responsible for maintaining 114 bridges. The City is also responsible for all bridge street lighting. City staff, in conjunction with Caltrans engi-

neers, inspects bridges every two years. Bridges associated with arterial highways are inspected by Caltrans at no cost to the City. City crews also routinely inspect bridge approach slopes, adjacent roadways, and bridge lighting. Based on these inspections bridge maintenance and rehabilitation projects are identified.

Caltrans' most recent bridge inspection report recommends that eleven bridges in various locations throughout the City be seal coated. Table I-3 identifies the five-year projection of projects necessary to properly maintain the City's bridge inventory.



Table I-3
Bridge Rehabilitation and Repair Funding Plan

Bridge Projects	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Bridge Inspection Service		\$50,000		\$50,000	
Bridge Maintenance & Repair	\$200,000	\$200,000	\$300,000	\$100,000	\$300,000
Total	\$200,000	\$250,000	\$300,000	\$150,000	\$300,000

Hardscape

Strategy:

Rehabilitate Concrete Sidewalks, Curbs, and Gutters

Standard:

Annually inventory all City sidewalk access ramp, curb, gutter, and sidewalk deficiencies and establish a rehabilitation plan for each category

The City is responsible for maintaining approximately 880 miles of sidewalks and 1,369 miles of curbs and gutters. The City is also responsible for installing and upgrading sidewalk access ramps to the specifications identified in the Americans with Disabilities Act. Table I-4 shows that 117 sidewalk access ramps have been upgraded during the last five years.

Going forward there are approximately 20 access ramps per year that are expected to require upgrades to meet current Americans with Disabilities Act standards. The projected average cost for these upgrades is \$60,000 per year, (Table I-5). Additionally, approximately 250 sidewalk, curb, and gutter sites have been damaged due to tree root intrusion and must also be repaired at a projected cost that averages \$150,200 per year, (Table I-5).

Strategy:

Rehabilitate Parking Lots and Off-Street Bicycle Trails

Standard:

Slurry seal parking lots and off-street bike trails on a five-year cycle and rehabilitate on a 12 to 20 year cycle

The City is responsible for approximately two million square feet of parking lots. Approximately 60% of the inventory is 10 years old or older. The City also maintains approximately 44 miles of off-street bicycle trails. Over the next five years, the cost of rehabilitating or slurry sealing City parking lots and bike trails will average \$135,800 per year. (Table I-5)

Table I-4
Number of Handicap Ramp Access Upgrades Per Year

FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	5 Year Total
25	20	16	36	20	117

Table I-5
Hardscape Project Plan

Hardscape Rehab. Projects	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
ADA Handicap Ramps	\$55,000	57,750	\$60,500	\$63,000	\$65,500
Curbs/Gutters/Sidewalks	\$136,000	\$143,000	\$150,000	\$157,000	\$165,000
Off-street Bicycle Trails Rehab	\$77,000	\$0	\$84,000	\$87,500	\$91,000
Parking Lots	\$77,000	\$0	\$84,000	\$87,500	\$91,000
Total	\$345,000	\$200,750	\$378,500	\$395,000	\$412,500

Strategy:
Rehabilitate Storm Water Drainage Systems

Standard:
Annually inspect all storm water drainage systems and establish a rehabilitation plan for repairs and upgrades

The City is responsible for approximately 529 miles of underground and above ground drainage systems and 3,745 storm water catchbasins. These systems are inspected annually. Some of the City systems constructed before City incorporation are approaching 40 years old and are now in need of rehabilitation. In addition,

there are storm drain systems that need to be upgraded to meet existing drainage area conditions.

Over the next five years the average anticipated cost for the rehabilitation of the existing storm drainage system is \$185,000 per year, (Table I-6).

Table I-6
Storm Drain Plan

Storm Drain Projects	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Storm Drain Rehabilitation & Upgrades	\$100,000	\$200,000	\$200,000	\$200,000	\$225,000
Total	\$100,000	\$200,000	\$200,000	\$200,000	\$225,000



Maintain and Enhance Irvine's Traffic Signal System

Strategy:

Maintain, Rehabilitate, and Upgrade Traffic Control Systems

Standard:

Keep traffic signals to current standards and ensure safety and traffic flow

Maintaining a safe and efficient traffic flow in Irvine is a top priority for the City. In 2001, the City adopted a comprehensive plan for reducing traffic delays and improving traffic flow by upgrading the hardware and software traffic control system to an adaptive traffic control system. The plan known as the Traffic Management System and Operations Study (TMSOS), recommended a ten-year investment program to replace the Central Traffic Control System, rehabilitate and upgrade the communications infrastructure, and upgrade traffic controllers and cabinets. The TMSOS plan is now funded and implementation is underway.

The City has implemented numerous traffic signal system improvements consistent with the TMSOS over the past three years. By the end of fiscal year 2008-09, 60% of the City's signalized intersections will be upgraded to new technology that allows the City to improve traffic flow, coordinate with neighboring jurisdictions, and adjust signal cycles in response to incidents that impact traffic flow. The remaining improvements will be completed by 2011. Following is a summary of significant milestones reached to date and a brief overview of the work that will be accomplished during the next five years.

Rehabilitate and Upgrade the Communications Infrastructure:

The City is replacing the old copper wire based communications system with a more robust fiber optics communications system. The Woodbridge, North Park, and Northwood areas have already been upgraded. The University/Turtle Rock areas are being upgraded in fiscal year 2008-09, the Irvine Business Complex will be converted in fiscal year 2009-10, and the Spectrum area will be converted in fiscal year 2010-11.

Upgrade Traffic Controllers and Cabinets:

The City is replacing its old proprietary controllers and cabinets with new controllers and cabinets that are compatible with Caltrans equipment. The new cabinets allow for a versatile fiber optics network, battery

back-ups, and greater sensitivity in detecting fluctuations in traffic flow.

The Woodbridge area and the North Park/Northwood area have already been upgraded to the new system. Implementation in the University/Turtle Rock area is scheduled for fiscal year 2008-09, the Irvine Business Complex will be converted in fiscal year 2009-10, and the Spectrum area will be upgraded in fiscal year 2010-11.

Other notable improvements to the traffic signal system include the recent installation of pedestrian countdown timers, and the development of smaller traffic signal cabinets that require less space and which make it easier to connect the Civic Center and Irvine Station together with a fiber optics network that is faster and more robust than the legacy system.

The cost of the system upgrades is included in the City's Capital Improvement Program. At the same time these upgrades are accomplished over the next five years, routine maintenance of the current system will also continue. Traffic signal rehabilitation projects are shown in Table I-7. The City will invest the resources necessary to ensure that traffic flows smoothly on City streets.

Table I-7
Traffic Signal Upgrades and Rehabilitation Project Plan

Traffic Signal Rehab. Projects	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Citywide Efforts:					
Rehab./Upgrades	\$300,000	\$300,000	\$300,000	\$350,000	\$350,000
ITEMS Rehabilitation/Replacement	\$1,085,200	\$1,811,200			
Miscellaneous Signal & ITRAC: Modification/ Upgrades	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000
South of I-5	\$135,000				
North of I-5 (Northwood)					\$225,000
IBC		\$92,000			
East of Sand Canyon			\$95,000		
University Park:				\$130,000	
Total	\$1,585,200	\$2,268,200	\$460,000	\$545,000	\$640,000

Maintain Street and Park Landscapes

Strategy:

Maintain Landscaping: City Parks, Greenbelts, Street Landscapes, and Public Right-of-Ways

Standard:

Maintain landscaping at “homeowner association” standard, which provides for consistent appearance, with no visible signs of deterioration



The City is responsible for maintaining public landscaped areas owned by the City and even some additional areas owned by other agencies. The City’s landscape inventory includes:

Description	Quantity	Acres
Community Parks	18	333
Neighborhood Parks	35	155
Vista Points	2	2
Trees	57,671	
Athletic In-Fields	43	
Sports Fields		129
Street Landscaping		749

Landscape rehabilitation requirements are organized into four categories:

- Neighborhood Parks
- Community Parks
- Street Landscaping (including trees along the right-of-way)
- Turf Athletic Fields

In fiscal year 2008-09, the General Fund Budget for landscape maintenance was \$11.1 million, which is in addition to capital projects such as those identified in Table I-8. Additional funding for the operation and maintenance of the City’s landscaping is also provided by the Lighting and Landscape Park Maintenance (LLPM) District. The voter approved LLPM provides funding via maintenance assessments that are levied for street lighting, community park and neighborhood park landscape, lighting and maintenance. In fiscal year 2008-09 the LLPM is expected to contribute approximately \$3.5 million for landscape maintenance.

Landscape rehabilitation costs are funded by the Infrastructure and Rehabilitation Fund, Gas Tax and other special funds. Landscape rehabilitation is based on the estimated “life cycle,” or replacement cost of the various landscape components. The life cycle of landscape components ranges from 10 to 30 years.

Table I-8 shows the five-year capital rehabilitation plans for specific parks, street landscape projects, and athletic turf fields.

Table I-8
Landscape Project Plan

Neighborhood Parks	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Brywood Park		\$75,000			
Citrusglen Park		\$75,000			
Comstock Park		\$75,000			
Culverdale Park		\$50,000			
Orchard Park		\$75,000			
Valencia Park		\$75,000			
Central Bark Park		\$50,000			
Bluegum Park			\$75,000		
Carrotwood Park			\$75,000		
Coralwood Park			\$75,000		
Dovecreek Park			\$75,000		
Homestead Park			\$75,000		
Silkwood Park			\$75,000		
Flagstone Park				\$75,000	
Hoeptner Park				\$75,000	
Pepperwood Park				\$75,000	
Pinewood Park				\$75,000	
Presley Park				\$75,000	
Ranch Park				\$75,000	
Sycamore Park				\$75,000	
Willows Park				\$75,000	
Bommer Vista Park					\$75,000
Bren Park					\$75,000
Sepulveda Vista Park					\$75,000
Chaparral Park					\$75,000
Incredible Edible Park					\$50,000
Knollcrest Park					\$75,000
Subtotal	\$0	\$475,000	\$450,000	\$600,000	\$425,000

(continued on next page)

Table I-8
Landscape Project Plan
 (continued from preceding page)

Facility Landscape	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Animal Care Facility		\$60,000			
Operation Support Facility		\$50,000			
Irvine Transportation Center			\$100,000		
Subtotal	\$0	\$110,000	\$100,000	\$0	\$0

Community Parks	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Alton Community Park		\$135,000			
Hicks Canyon Community Park	\$300,000				
Northwood Community Park		\$350,000			
Harvard Community Park		\$350,000			
Bill Barber Community Park			\$375,000		
Heritage Community Park				\$300,000	
Rancho San Joaquin Senior Center				\$150,000	
Oak Creek Community Park				\$250,000	
Lakeview Senior Center					\$250,000
Subtotal	\$300,000	\$835,000	\$375,000	\$700,000	\$250,000

Street Landscape	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
West Irvine	\$360,000				
Northpark	\$360,000				
El Camino		\$720,000			
University Town Center			\$220,000		
Oakcreek			\$500,000		
Spectrum				\$360,000	
IBC				\$360,000	
Quail Hill					\$360,000
Turtle Ridge					\$360,000
Turtle Rock					\$720,000
Subtotal	\$720,000	\$720,000	\$720,000	\$720,000	\$1,440,000

Turf Athletic Fields	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Rehabilitation	\$200,000	\$250,000	\$250,000	\$250,000	\$250,000
Subtotal	\$200,000	\$250,000	\$250,000	\$250,000	\$250,000

Maintain Irvine's Civic Facilities and Parks

The Community Services Department is responsible for the maintenance and rehabilitation of approximately 569,933 square feet of civic facilities, 18,096 square feet of other infrastructure including pedestrian bridges and tunnels, and an additional 127,892 square feet of facility inventory maintained for other agencies by agreement. The extensive network of facilities, parks, and vista points encompasses:

Description	Quantity	Acres	Facility Sq. Ft.
Community Parks	18	333	229,901
Neighborhood Parks	35	155	12,586
Vista Points	2	2	750
Pool Complexes	2		13,040
Building Centers	5		313,656

Examples of various public facilities include:

- Irvine Civic Center
- Irvine Child Development Center
- Operations and Support Facility
- Irvine Station
- Animal Care Facility
- Boys and Girls Club
- Five Community Centers
- Dog Park and Skate Park
- Two Senior Centers
- Turtle Rock Nature Center
- Bommer Canyon Cattle Camp
- Thirteen Irvine Child Care Program Sites

A substantial portion of Irvine's existing parks and other public facilities were built in the 1970s and 1980s. Due to aging, the City's basic maintenance and rehabilitation requirements for existing facilities is increasing. As an example, the City recently completed construction drawings for the modernization and expansion of the University Community Park community center. In addition, sports fields and lighted courts are also aging. Recently, some park lighting has begun to be rehabilitated using a newer technology that consumes less energy. The City maintains 105 lighted sports venues such as baseball, tennis, and basketball courts. In future years, the City will implement the new, more cost-effective, sports lighting system in all its parks. The new system will maximize operational efficiency by reducing utility costs, allow for centralized monitoring, and for park lights to be controlled from off-site.



Strategy:

Provide for Facilities Maintenance and Rehabilitation that Meets Approved Service Levels, Americans with Disabilities Act, and Safety Standards

Standard:

Maintain City Facilities at a “B” service level through systematic rehabilitation

The City’s standard is to maintain its facilities at a level that is safe, clean and functional:

- Appearance is clean and well-kept.
- Cleanliness, functionality, and the general state of repair is maintained to high standards to promote positive user experiences.
- Replacement occurs when function is significantly impaired or when repair costs exceed replacement costs. Subsystems are maintained in operational condition.

Furthermore, basic facility maintenance and rehabilitation service standards require completion of 90% of all work orders by established deadlines and 95% of all rehabilitation projects by

established deadlines and within budget.

To understand and plan for the management of the City’s aging parks and facilities system, the City undertook a comprehensive evaluation to determine present conditions and equipment life cycles, as well as assessing repair history and rehabilitation frequency.

During fiscal year 2005-06, the Community Services Department completed a condition analysis of civic facilities and assets. The survey involved 116 sites, including community park facilities, neighborhood park facilities and specialty buildings such as the Civic Center and Irvine Transportation Center. The survey of assets at each of the sites included a condition analysis of playground equipment, park equipment, and

amenities such as park benches, picnic tables, and grills. Other physical assets were evaluated in previous studies including the Playground Safety Survey Report, Light Pole Analysis Report, Termite Inspection Report, and the Walkway Inspection Report.

A Facility Condition Needs Index (FCNI) was included as part of the facilities condition analysis. The index provides a relative measure for comparing one building to another. The index is a calculation, derived by dividing the total project costs (for a ten year timeframe) by the total facility replacement costs or current replacement value (the lower the number, the better the facility condition). Table I-9 describes the FCNI Index.

Table I-9
FCNI Building Condition Index

FCNI	Condition Description
0.01 – 0.05	Excellent condition, typical of new construction
0.06 – 0.15	Good condition, renovation occurs on schedule
0.16 – 0.30	Fair condition, in need of normal renovation
0.31 – 0.40	Below average condition, major renovation required
0.41 – 0.59	Poor condition, complete renovation indicated
0.60 +	Complete facility replacement indicated

The Facilities Condition Needs Analysis process resulted in a database of rehabilitation and maintenance needs identified for the next ten years. A brief summary by facility grouping is noted below. The overall Facility Conditions Needs Index for the three facility groups are:

- Community Parks – 0.13
- Neighborhood Parks – 0.10
- Specialty Buildings – 0.18

The City completed a playground safety and ADA audit consistent with the requirements of state law in 2001. The City thereafter initiated a program to modernize older equipment based on the audit. Table I-10 reflects the phasing of that effort.

Table I-11 (on the next page) reflects the rehabilitation projects identified by the facility conditions analysis and other scheduled facility rehabilitation

projects. In addition, there is also funding for maintenance related projects contained in the General Fund and also the Landscape, Lighting, and Park Maintenance Fund (not presented here).

Table I-10
Playground Equipment Projects

Playground Equip. Projects	FY 2009-10	FY 2010-11	FY 2011-12	FY 2011-12	FY 2012-13
Community Parks:					
Heritage Community Park	\$147,016		\$300,000		
Neighborhood Parks:					
Silkwood	\$217,216				
Carrotwood		\$229,045			
Coralwood		\$138,963			
Pinewood			\$151,918		
Willows	\$350,000				
San Carlo		\$350,000			
Hoepfner Park			\$270,000		
Plaza Park				\$300,000	
TOTAL	\$714,232	\$718,008	\$721,918	\$300,000	\$0

Table I-11
Facility Rehabilitation Projects

Facility Rehabilitation Projects	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Exterior Structure Roofing	\$76,710	\$74,027	\$85,123	\$94,540	\$96,573
Exterior painting and resealing of facilities	\$141,398	\$136,451	\$156,904	\$174,259	\$178,007
Wood Treatment and Replacement	\$164,201	\$158,456	\$182,207	\$202,361	\$206,713
Interior painting and resealing of facilities	\$156,399	\$150,927	\$173,551	\$192,747	\$196,892
Flooring	\$311,659	\$300,756	\$345,836	\$384,087	\$392,347
Partition and counter top replacement	\$103,559	\$99,936	\$114,916	\$127,625	\$130,370
Public Facility Equipment Replacement	\$47,206	\$45,554	\$52,383	\$58,176	\$59,427
Tenant Improvement	\$59,008	\$56,944	\$65,479	\$72,721	\$74,285
Signage Replacement	\$5,572	\$5,377	\$6,182	\$6,866	\$7,015
Heating, Ventilation and Air Conditioning Equipment (HVAC)	\$121,695	\$117,437	\$135,041	\$149,977	\$153,203
Athletic Field and Court Relamping	\$315,209	\$304,181	\$349,776	\$371,723	\$379,718
Exterior/Interior Relamping	\$60,413	\$58,298	\$67,037	\$74,453	\$76,054
Plumbing	\$57,460	\$55,449	\$63,761	\$70,813	\$72,336
Security Systems	\$11,143	\$10,753	\$12,366	\$13,733	\$14,028
Interior Hardscape-Park Walkways	\$147,519	\$142,358	\$163,697	\$181,802	\$185,712
Fencing	\$21,173	\$20,431	\$23,495	\$26,093	\$26,654
Athletic Equipment and Court Resurfacing	\$211,194	\$203,805	\$234,354	\$251,906	\$257,323
Park Equipment Replacement	\$150,129	\$144,877	\$166,593	\$185,018	\$188,998
Playground Equipment Replacement	\$113,959	\$109,972	\$126,456	\$140,442	\$143,463
RIM Program Dev.	\$47,638	\$45,971	\$52,862	\$58,708	\$59,971
Water Quality	\$46,612	\$44,981	\$51,723	\$57,444	\$58,679
ADA Door and Threshold Compliance	\$16,046	\$15,485	\$17,806	\$19,775	\$20,201
ADA Building Signage Compliance	\$6,638	\$6,406	\$7,367	\$8,181	\$8,357
ADA Compliance Park Playground Replacement	\$26,131	\$25,217	\$28,996	\$32,203	\$32,896
State Safety Compliance Park Playground Replacement	\$26,131	\$25,217	\$28,996	\$32,203	\$32,896
Child Care Rehabilitation (ICCP)	\$106,018	\$88,230	\$113,235	\$121,161	\$123,584
Total	\$2,550,820	\$2,447,496	\$2,826,137	\$3,109,015	\$3,175,699

Strategy:

Remove 100% of Graffiti

Standard:

Eliminate all signs of graffiti in the City within 48 hours

Graffiti removal, perhaps more than any single activity, is essential to the prevention of deterioration and disorder. It is the most recognizable sign of incivility. The absence of graffiti greatly contributes to the community's sense of order and security. Table I-12 illustrates the City's historic funding, staffing efforts, and contractor costs for removing graffiti. The City has received an average of 471 graffiti hotline calls per year over the past 9 years.



Table I-12
Graffiti Removal Summary

Fiscal Year	Number of Hotline Calls	Number of Locations	Total Costs	Cost per Location
FY 99-00	240	530	\$55,374	\$104
FY 00-01	349	479	\$44,115	\$92
FY 01-02	375	406	\$45,117	\$111
FY 02-03	363	611	\$57,517	\$94
FY 03-04	399	686	\$62,572	\$91
FY 04-05	505	693	\$66,411	\$96
FY 05-06	569	908	\$68,290	\$75
FY 06-07	689	894	\$72,258	\$81
FY 07-08	747	829	\$66,260	\$80

Code Enforcement

Maintain Standards

Strategy:

Meet Standards for Code Enforcement and Water Quality Inspections

Standard:

Respond to referrals involving potential life-safety issues within 48 hours. Respond to referrals involving non-life safety issues within five days. Meet site inspection requirements for existing development as mandated by State water quality permits

An important strategy to prevent deterioration is to identify and swiftly eradicate signs of neighborhood decay. Code enforcement and inspection activities are a “first-line” of defense in this effort.

Code enforcement activities include:

- Responding to referrals regarding unsafe building construction;
- Ensuring that existing development adheres to minimum code requirements;
- Identifying and removing unpermitted signs and banners;
- Enforcing zoning ordinances and code requirements when unpermitted building uses or construction is identified;
- Conducting an annual weed abatement program;
- Preparing evidence and documentation to obtain compliance through legal action; and,
- Inspecting commercial and industry sites for water quality compliance.

Over the long-term as the City transitions from growth to maturity, code enforcement activities will increase. Increasing the City’s physical size through annexations, coupled with the aging of the City’s physical infrastructure will contribute to additional code enforcement costs without corresponding increases in revenues. Over the long-term, supplemental funding sources will need to be developed to help offset the cost of providing this service. Table 1-13 shows the five-year Code Enforcement history.

Table 1-13
Code Enforcement Services

Code Enforcement Services	FY 2003-04	FY 2003-04	FY 2004-05	FY 2005-06	FY 2007-08
Number of Cases	14	1,157	1,320	1,168	1,168
Number of Unpermitted Signs Removed	5,115	6,533	9,504	10,487	10,487
Number of Water Quality Inspections and Cases		226	446	76	76

Strategic Goal Success Indicators

Indicators of success toward meeting the strategic goal of achieving a clean and well-maintained physical environment are noted below:

Standards met:

The City measures success by evaluating if standards have been met for maintenance, plan review, inspections, and graffiti removal. This evaluation is completed in conjunction with the development of the annual budget.

No observable deterioration:

This indicator is measured by observing if and where deterioration is occurring.

Community satisfaction:

An important aspect of meeting strategic goals is assessing whether the community is satisfied with the level of cleanliness and maintenance in Irvine. Recent resident satisfaction surveys have all rated neighborhood services, including maintenance of parks and facilities, at a very high level.



Chapter Funding Summary

General and Special Fund expenditures and resources identified in this Chapter that advance the City’s goals are indicated in the following tables. These tables list funding sources, the expenditures that use the funds as well as the net overall funding balance. The resource expenditures and resources identified are in addition to the funding assumptions included in the General Fund Fiscal Model. Grant funding that is anticipated, but not yet awarded, have not been included as funding sources in the following table.

Revenue Funding Sources	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Arterial Street Rehabilitation:					
Gas Tax (Fund 111)	\$0	\$238,398	\$0	\$2,265,003	\$353,880
Proposition 42 (Fund 111)	\$1,840,000	\$2,667,652	\$1,500,000	\$2,779,997	\$1,392,696
M Turnback (Fund 110)	\$100,000	\$71,000	\$803,500	\$284,000	\$3,892,295
Slurry Seal (Fund 132)	\$500,000	\$242,823	\$275,000	\$275,000	\$275,000
Local Street Rehabilitation:					
Gas Tax (Fund 111)	\$323,964	\$496,925	\$3,549,912	\$314,215	\$2,720,500
Proposition 42 (Fund 111)	\$712,007	\$0	\$1,224,219	\$0	\$279,000
M Turnback (Fund 110)	\$2,274,029	\$2,667,075	\$1,153,831	\$3,416,309	\$0
Bridge Rehabilitation:					
M Turnback (Fund 110)	\$0	\$0	\$300,000	\$0	\$0
Gas Tax (Fund 111)	\$200,000	\$250,000	\$0	\$100,000	\$0
Proposition 42 (Fund 111)	\$0	\$0	\$0	\$0	\$300,000
Hardscape Rehabilitation:					
Infra & Rehab (Fund 010)	\$154,000	\$0	\$0	\$0	\$0
M Turnback (Fund 110)	\$0	\$0	\$210,500	\$0	\$0
Gas Tax (Fund 111)	\$191,000	\$200,750	\$0	\$220,000	\$0
Proposition 42 (Fund 111)	\$0	\$0	\$0	\$0	\$230,500
Storm Drain Rehabilitation:					
M Turnback (Fund 110)	\$100,000	\$200,000	\$200,000	\$0	\$0
Gas Tax (Fund 111)	\$0	\$0	\$0	\$200,000	\$225,000
Traffic Signal Rehabilitation:					
M Turnback (Fund 110)	\$31,838	\$0	\$460,000	\$0	\$0
Gas Tax (Fund 111)	\$1,553,362	\$2,268,200	\$0	\$545,000	\$0
Proposition 42 (Fund 111)	\$0	\$0	\$0	\$0	\$640,000
Landscape Rehabilitation:					
Infra & Rehab (Fund 010)	\$500,000	\$328,533	\$308,389	\$250,000	\$1,532,000
Gas Tax (Fund 111)	\$720,000	\$0	\$0	\$0	\$0
Playground/Facilities Rehab.:					
Infra & Rehab (Fund 010)	\$2,509,034	\$2,177,274	\$2,191,611	\$2,250,000	\$2,500,000
SDC Non-Circ (Fund 118)	\$650,000	\$650,000	\$650,000	\$223,048	\$0
ICCP Reimbursement	\$106,018	\$88,230	\$113,235	\$121,161	\$123,584
Total	\$12,465,252	\$12,546,860	\$12,940,197	\$13,243,733	\$14,464,455

(continued on next page)

Expenditures	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Arterial Rehab Programs	\$2,140,000	\$1,745,000	\$1,750,000	\$1,935,000	\$2,920,000
Arterial Rehab Projects	\$300,000	\$3,060,000	\$10,960,000	\$10,330,000	\$6,120,000
Local Street Rehab	\$3,310,000	\$3,164,000	\$6,816,000	\$4,030,000	\$3,230,000
Bridge Projects	\$200,000	\$250,000	\$300,000	\$150,000	\$300,000
Hardscape Rehab Projects	\$345,000	\$200,750	\$378,500	\$395,000	\$412,500
Storm Drain Projects	\$100,000	\$200,000	\$200,000	\$200,000	\$225,000
Traffic Signal Rehab Projects	\$1,585,200	\$2,268,200	\$460,000	\$545,000	\$640,000
Landscape Projects	\$1,220,000	\$2,390,000	\$1,895,000	\$2,270,000	\$2,365,000
Facility Rehabilitation Projects	\$2,550,820	\$2,447,496	\$2,826,137	\$3,109,015	\$3,175,699
Playground Equip. Projects	\$714,232	\$718,008	\$721,918	\$300,000	\$0
Total	\$12,465,252	\$16,443,454	\$26,307,555	\$23,264,015	\$19,388,199

Clean & Maintain Balance	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Total Revenues	\$12,465,252	\$12,546,860	\$12,940,197	\$13,243,733	\$14,464,455
Total Expenditures	\$12,465,252	\$16,443,454	\$26,307,555	\$23,264,015	\$19,388,199
Net	\$0	(\$3,896,594)	(\$13,367,358)	(\$10,020,282)	(\$4,923,744)





Chapter Introduction

Sustaining a safe community is one of the City's most important goals. Irvine continues to receive national recognition as a safe and secure community. Examples of this recognition include "safest city for violent crime in the nation for cities with a population of 100,000 or more," according to the FBI Uniform Crime Report. The City of Irvine has earned this remarkable distinction for the fourth year in a row.

A community's perception of safety and security is critical to a high quality of life. Visible signs of disorder such as graffiti, vagrancy, and groups of young people congregating in inappropriate places can engender fear among residents, even when public infrastructure is adequately maintained and indicators, such as crime rates, are actually low.

Studies have shown that when people fear crime, they tend

to alter their behavior to avoid becoming victims. People avoid strangers, drive when they could walk, limit their use of public parks and other community facilities and stay home at night.

These changes in behavior may lead to further deterioration of the social fabric as people begin to feel isolated, less loyal to the community, withdraw from community life, and contemplate moving elsewhere. High levels of fear in a community may also result in negative impacts on its economic base because businesses and residents will naturally move to areas where they feel safe. Therefore, it is important to address and prevent both the reality and the perception of disorder within the community.

The response to actual disorder is usually a reactive police presence. While emergency response is an integral component of any plan to address disorder, it is also the most costly and often is the least effective in reaching long-term solutions. Active preventive strategies such as graffiti removal and maintaining landscaping, streets, and public facilities can prevent disorder from taking hold. Other prevention strategies include community oriented policing and crime prevention through environmental design. It may also include providing community programs that promote socially productive behaviors in

our youth, promote and assist families, and encourage events that draw our culturally diverse community together.

Through the City Council's leadership, Irvine will continue to focus resources on sustaining a safe community. The City's strategies to achieve a safe community are based on the assumption that prevention strategies are a more effective and, in the long-run, a more cost efficient means of sustaining a safe and secure community.



Public Safety

Emergency Response Services

Strategy:

Provide Timely and Effective Police Response to Emergency and Non-Emergency Calls for Service

Standard:

Respond to 85% of Priority E events within six minutes, and 85% of Priority I events within ten minutes



Photo by Tim Knight

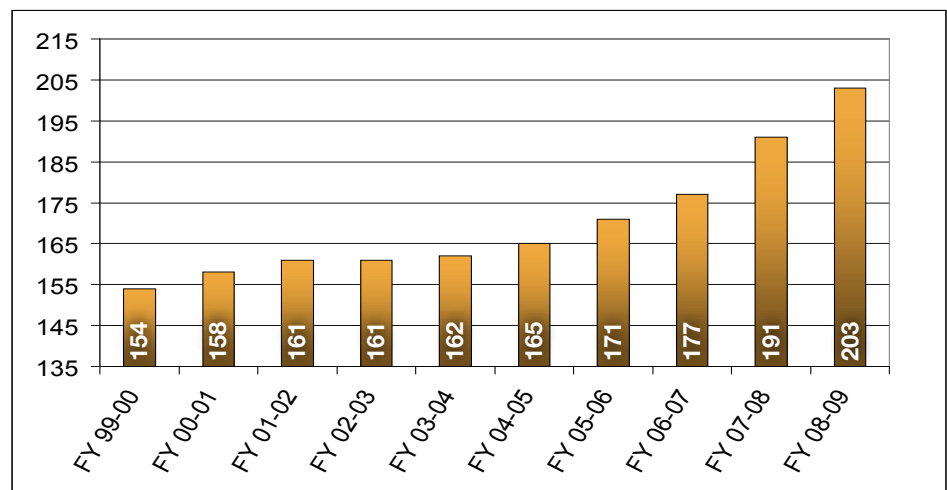
Providing for the public’s safety is a dynamic and complex effort. To ensure that response time standards to calls for service are met, appropriate and effective uses of resources are required by the Public Safety Department. Priority E calls are life-threatening events that require immediate response using red lights and sirens, and Priority I calls are in-progress crimes that have the potential of being life threatening.

Objectives To Enhance Emergency Response Times include:

- Provide specialized teams and tactics to respond effectively to emergency events.
- Utilize the geographic deployment of emergency field personnel.
- Explore strategies to reduce false alarms, allowing police officers to respond to real emergencies.
- Keep restricted parking areas free from obstructions, providing for the safe flow of traffic.
- Explore methods to more quickly move emergency vehicles throughout the City such as traffic signal preemption, median cuts and “click to enter” technology.
- Utilize the “Mobile Comm” vehicle as necessary to ensure uninterrupted communications (voice, data, and video) during an emergency situation or catastrophic event.

The City remains committed to maintaining appropriate levels of Police Officers and resources necessary to provide effective response times to calls for service. Chart II-1 shows the increasing number of Irvine Sworn Police Officers over the last ten years.

Chart II-1
Sworn Police Officer Staffing Level



Source: Public Safety Department

Strategy: Geographic-Based Policing

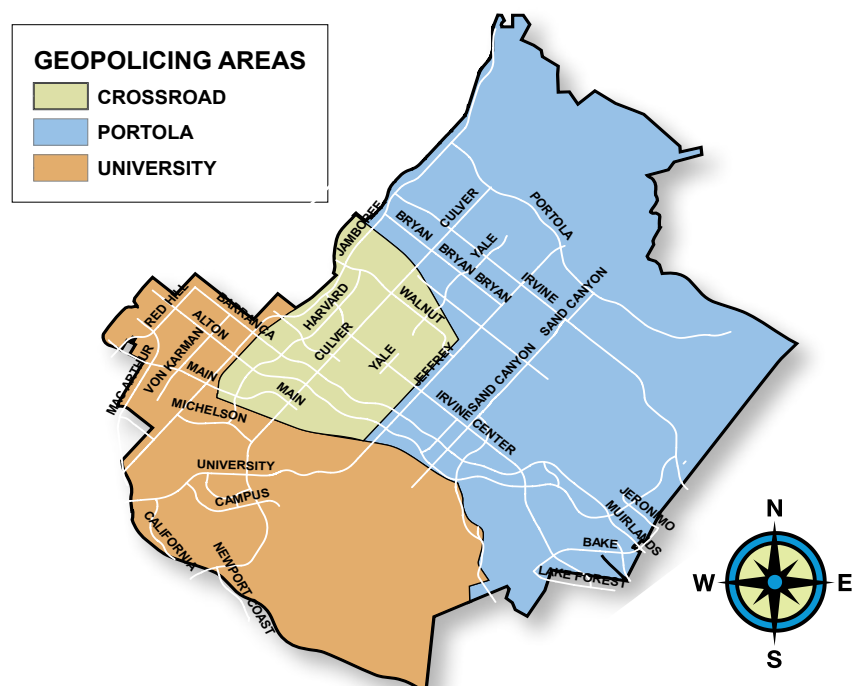
Already in use in a variety of cities in the United States, Irvine's Geo-Policing model is designed to bring citizens and government closer together to identify problems and find solutions to neighborhood and community-wide issues.

Irvine is already known as one of the safest communities in the nation. Irvine's Geo-Policing plan was implemented in 2003, after 14 months of careful research and planning. Rather than randomly patrolling the City, officers now are assigned to one of three geographic regions with a commander and support staff assigned to each area. These areas were determined through the use of a sophisticated software program that analyzed officer workloads, as well as the type and volume of calls responded to by officers. Other major considerations included the need to maintain natural borders, recognize pre-established villages, and to balance officer workloads.

Police Officers are deployed into defined areas for extended periods of time. By focusing on specific geographic regions, Officers gain a better understanding of what is going on in and around that neighborhood. As a result, Irvine Police Officers are better poised to help address and solve problems.

Community Oriented Policing Strategies include:

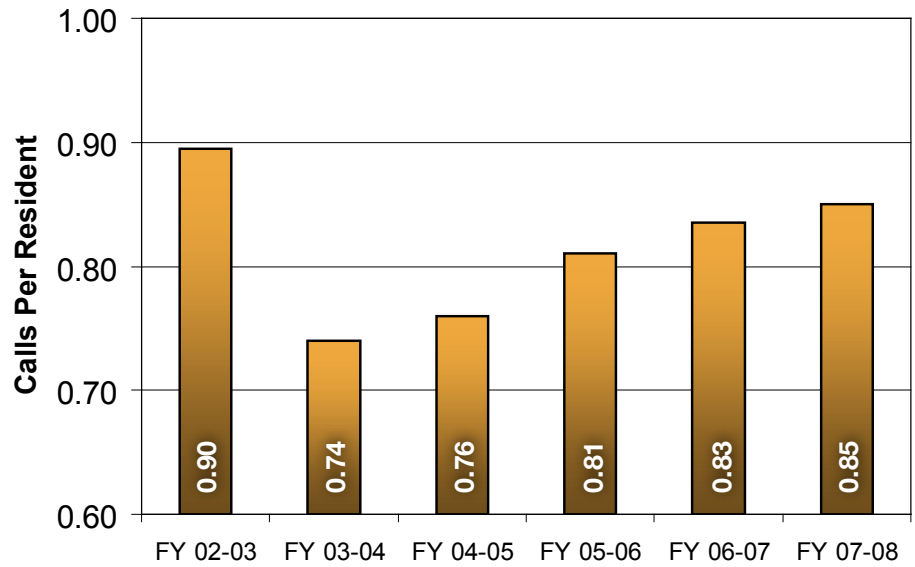
- Utilize newer, more effective technologies to track and manage crime data and assist in the automated dispatching of calls for service;
- Identify and resolve crime and disorder problems through the extensive use of crime analysis;
- Maintain a full-service police sub-station at the Irvine Spectrum Center to support the Irvine Spectrum Policing Team responsible for ensuring the safety of visitors at this venue;
- Monitor field officer deployment to better design "beats" and assign support personnel;
- Use the best resources and develop creative solutions to assist field officers by expanding the role of civilian employees through the use of a management strategy known as "Differential Police Response";
- Expand the use of civilian volunteers and interns to assist department personnel in community policing activities; and,
- Deploy field personnel in smaller geographic areas for longer periods of time to instill a sense of ownership for those geographic areas.
- Deploy three Area Traffic Officers to address traffic issues throughout the City utilizing creative, proactive approaches consistent with the City's Geographic Based Policing strategy.



Source: City GIS – GeoDatabase

Policing efforts in Irvine continue to change. Examples include calls for service, percentage of officer-initiated calls, and per capita crime rates. **Chart II-2** illustrates how per capita calls for service have changed in the last six years.

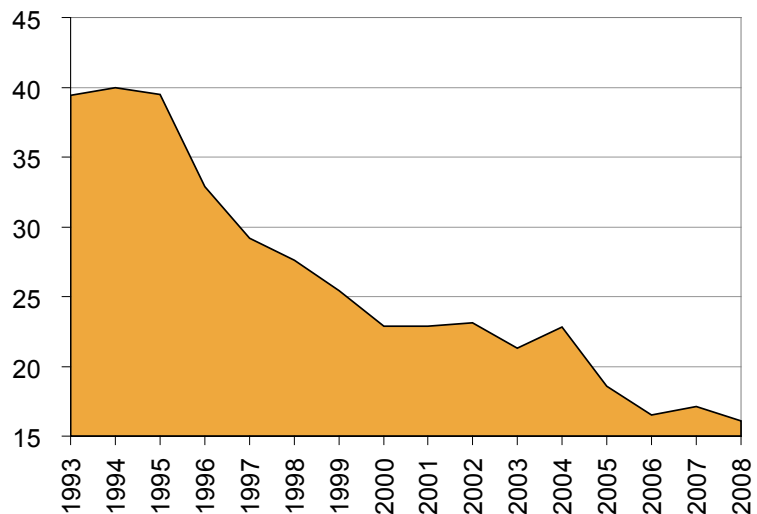
Chart II-2
Per Capita Calls for Service



Source: Public Safety Department

Chart II-3 illustrates that crime per 1,000 residents has dropped from 40 crimes per thousand population to 16 over the last fourteen years.

Chart II-3
Part I Crimes Per 1,000 Residents



Source: Public Safety Department

Strategy:**Maintain Active Involvement as a Member of the Orange County Fire Authority**

As the largest of the 22 contract member cities in the Orange County Fire Authority (OCFA), Irvine is a major contributor to Orange County fire protection and emergency medical services.

Irvine property owners pay for fire services through a portion of their property tax payments. The City also receives additional fire service enhancements funded through OCFA's budget surpluses. Approximately \$58 million of Irvine property tax dollars have been allocated to the OCFA in fiscal year 2008-09 (please refer to Appendix E, Figure E-6, for more information on the allocation of Irvine property tax revenue). Staff continues to monitor the public safety partnership established with the OCFA to ensure that response standards are met and that the City receives appropriate fire service enhancements in the future.



Building Safety

Ensuring that the homes and buildings are constructed to meet the health and safety standards adopted in the City’s Building, Fire, and Grading Code is essential for the public welfare and a safe community. Building Code requirements include standards to promote structural and seismic safety, to promote safe water, sewer, gas, and building ventilation systems. Code requirements include standards to reduce the potential for electric shock, fire, flooding, and to ensure that geotechnical hazards due to landslides, excessive settlement, and seismic events are mitigated.



Strategy:
Provide Effective Enforcement of City Building, Fire, and Grading Codes

Plan check and field inspection staff are responsible for enforcing City Building and Grading Codes. Orange County Fire Authority Staff provides plan check and field inspection services for the enforcement of City Fire Codes. Adequate staffing and contract resources are necessary to perform timely plan reviews and field inspections and are needed to ensure construction conforms to City codes. The City employs qualified engineers for performing technical plan reviews of structures, plumbing, mechanical systems, grading, and geotechnical reports and plans. The City employs certified Building Inspectors and provides an ongoing training program. Additionally, the City adopts the latest building codes based on State Code adoption. The City

minimizes local code amendments in order to promote statewide uniformity but amends the code for significant local conditions. Working in cooperation with the Orange County Fire Authority, the City adopts and maintains codes for development in urban-wild land interface areas. Additionally, the City develops and maintains a Security Code to minimize crime through environmental design.

Development Services costs are paid for by applicants requesting building services through plan check and inspection fees. Full development costs are recovered for these development services (with the exception of services to homeowners where costs are partially recovered). Table II-1 shows the five year history for Plan Check and Inspection Services.

The City provides online access to building permit information, parcel information, and inspection scheduling. The City will continue to expand online services.

Table II-1
Plan Check and Inspection

Plan Check-Inspection Services	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Number of Plan Checks	3,185	3,431	6137	5,817
Number of Inspections	156,200	142,089	155,744	130,000
Valuation of New Construction*	\$867	\$1,091	\$1,150	\$985

* (\$ Millions)

Source: Community Development Department

Parks, Facilities, and Open Space

Parks and Facilities

Strategy:

Implement the Five-Year Parks and Facilities Construction Program

Standard:

Develop Facilities and Parks consistent with the City's adopted General Plan, Zoning Ordinance, Park Plans, and the Northern Sphere Community Park Agreement

Since its incorporation, Irvine has developed its parks and open space facilities through use of development requirements such as the Quimby Act, as well as through funding mechanisms such as park bonds, grants, and General and Special Fund resources.

Irvine's growing park acreage and facilities are anticipated and incorporated into the General Fund Fiscal Model consistent with the City's adopted General Plan, Zoning Ordinance, and Subdivision Ordinance requirements. Table II-2 details a five-year projection of City-initiated park and facility development appropriations. Table II-3 (on the next page) identifies the project scheduling for new park and

facility design and construction activities for the next five years. The second table includes both City constructed infrastructure as well as parks and facilities to be constructed by developers and dedicated to the City as a condition of development. In the next five years Sweet Shade Community Park, Northwood Community Park, and University Community Park projects are expected to be completed, while design and planning for a myriad of other park projects outlined in the schedule are undertaken. A significant number of park projects are expected to be completed just outside the five year forecast window, including the construction of a new Multi-Use/Gymnasium facility at Bill Barber Park.

Table II-2
City-Initiated Park and Facilities Projects - Funding Allocations

Parks & Facilities Development	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Northwood Community Park: Construction Drawings / Construction	\$800,000	\$5,000,000			
Bill Barber Community Park: Planning/ Construction	\$250,000				\$17,800,000
Quail Hill Community Park – Phase II Community Center: Design/Construction	\$250,000				\$9,000,000
Oak Creek Community Park – Phase II Community Center: Design/Construction	\$700,000				\$6,500,000
PA 12 Jeffrey Open Space Trail: Design/Construction		\$350,000			\$2,200,000
Harvard Community Park – Community Center: Design				\$650,000	
Hicks Canyon Community Park - Community Center: Design					\$500,000
Total	\$2,000,000	\$5,350,000	\$0	\$650,000	\$36,000,000

Table II-3
Five Year Community Service's Parks and Facility Design/Construction Efforts

Parks & Facilities Development	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
University Community Park (Modernization & Expansion), 6,100 SF	Construction-Projected Opening: 2010				
Sweet Shade Neighborhood Park and Community Center, 8.8 acres, 3,000 SF (Developer Constructed): Projected opening, July 2009.					
Bill Barber Community Park: Multi-Use/ Gymnasium, 18,500 SF	Planning	Design			Construction-Projected Opening: FY 2014-15
Northwood Community Park (Modernization & Expansion), 3,500 SF	Design		Construction-Projected Opening: FY 2011-12		
Quail Hill Wilderness/Community Center, 12,000 SF	Design				Construction
Oak Creek Community Park Phase II: Community Center, 7,500 SF	Design				Construction
PA 12 Jeffrey Open Space Trail		Design			Construction
Harvard Community Park (Community Center)				Design	
Hick's Canyon Community Park (Community Center), 4,500 SF					Design

As the City has grown in population over recent years there has been increased demand for City services. The City plans to build several multi-use and multi-generational facilities in the future that will help to meet the diverse needs of all Irvine citizens. In addition, the City is planning other investments in new operational and administrative facilities to accommodate population, facility and infrastructure growth. Continuing facility and infrastructure investments are required to maintain Irvine's high quality of life by scaling operations in-line with growing service demands.

In May 2008, the City Council reviewed consultant reports indicating that the City has reached maximum utilization of the existing 191,000 square foot Civic Center. As a result, the City Council acted by appropriating funding for the design of a new Public Safety facility.

In January 2009, the City Council ratified the final selection of the Program Manager at Risk for the design and construction of a new Public Safety facility and authorized execution of a Professional Services Contract for this effort. Staff is expected to return to

the City Council within approximately one year with a funding plan for construction of the new Public Safety facility when a Guaranteed Maximum Price is known. Expected costs for new police facility construction, when approved by the City Council, will be included in future updates to the Strategic Business Plan.



There are several sources of capital funding that may be tapped for the development of new operational and administrative facilities. First, the City is scheduled to repay its long-outstanding Irvine Public Facilities and Infrastructure bonds on November 1, 2010. This will free approximately \$6 million per year in General Fund debt service payments beginning in fiscal year 2011-12. In recognition of the possible need for new investments in City infrastructure, these payments have been included as a continuing expenditure beyond November 1, 2010, in the Strategic Business Plan forecast. This serves as a placeholder allowing for the possible issuance of new bonds that could be used for the financing of special facilities if approved by the City Council.

A second possible source of capital funding for future City facilities is a cooperative agreement signed in 2006 between

the City and the County of Orange regarding the Frank R. Bowerman Landfill in Irvine. The City Council approved agreement stipulates that the City of Irvine will be paid host-fee revenues for allowing the extended operation of the landfill through the year 2053. According to the July 25, 2006 City Council staff report, total estimated future Bowerman host-fee revenue through 2053 is expected to exceed \$100 million. This includes a lump sum payment of \$5.5 million that was paid to the City in late 2007. In addition, quarterly fees, based on tonnage of waste accepted at the facility, will be paid to the City beginning in 2014 when new areas of the landfill receive disposal waste. Annual fee revenue is expected to average approximately \$2.4 million per year from 2014 to 2053. Table II-4 summarizes the Public Works Department's forecast of the cash flows expected from this agreement and provides an accompanying net present value analy-

sis of these cash flows assuming 2% annual inflation. In summary the City expects to receive nearly \$103 million in total from this agreement through 2053, which has an expected present value to the City of approximately \$69 million given future inflation averaging 2% per year.

The Bowerman revenue can be used for various facility investments and to make debt service payments for bonds issued to finance the construction of new facilities. The revenue stream could also be used to pay for future infrastructure or rehabilitation including the remediation of wear and tear on City streets resulting from the impact of truck trips originating from the Bowerman facility.



Photo courtesy of Orange County Integrated Waste Management

Table II-4
Estimated Bowerman Landfill Host Fee Revenue

Year(s)	Estimated Revenue	Present Value (discounted at 2%)
2007	\$5,500,000	\$5,665,000
2014 - 2023	30,562,000	25,285,000
2024 - 2033	22,200,000	15,113,000
2034 - 2043	22,200,000	12,398,000
2044 - 2053	22,200,000	10,171,000
Total Revenue	\$102,662,000	\$68,632,000

Sources: July 23, 2006 City Council Staff Report / PW Department Analysis

Open Space

Strategy:

Provide Sound Stewardship of Open Spaces

Standard:

Develop Open Space lands consistent with the City’s adopted General Plan, Open Space Ballot Measure, Natural Communities Conservation Program Agreement, and Open Space Master Park and Facilities Standards



Large tracts of open space preserves are located in both the northern and southern areas of the City. With the planned development of the Jeffrey Open Space Trail (JOST), the Northern and Southern Open Space Preserves will be linked. The City owns 5,250 total acres of open space preserves, as indicated in Table II-5.

By consolidating conservation and open space acres into large contiguous areas, and by establishing a network of open space spines linking those areas, the City will promote stewardship to protect, maintain, and enhance the integrity of the ecosystem. This stewardship will also provide for public use of the land for passive recreation, environmental education, scientific research, and other uses compatible with the natural amenities. Funding for the maintenance and operation of the southern and northern open space preserves has been anticipated and included in the General Fund Fiscal Forecast.

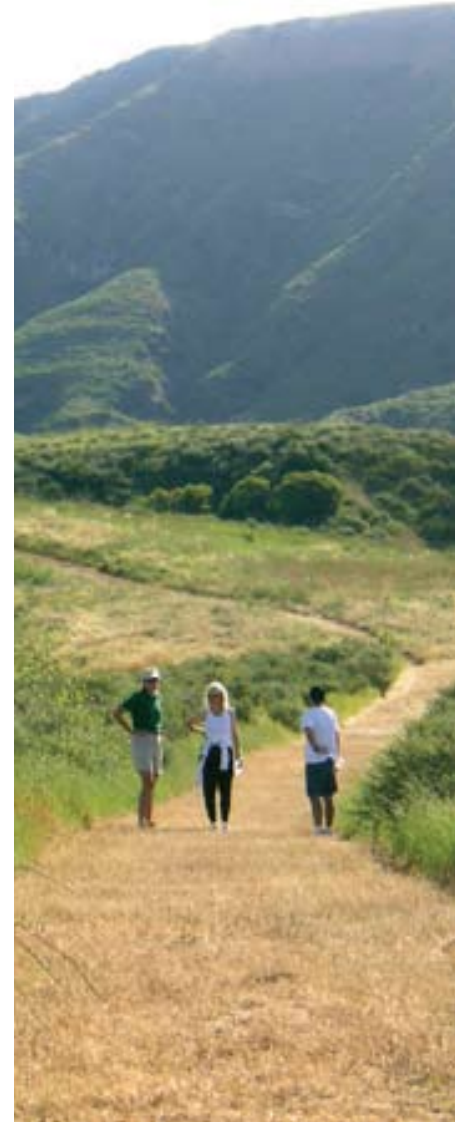


Table II-5
Projected Open Space Dedication

Open Space Acres	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Current Total	5,250	5,250	5,250	5,250	5,250	5,250
Additional Acres	-	-	-	-	-	-
Total	5,250	5,250	5,250	5,250	5,250	5,250

Family Support Services

Educational Opportunities

Strategy:

Support Our Children and Our Schools through the City of Irvine Educational Partnership Fund Program

As of fiscal year 2007-08, approximately 29,300 elementary, middle, and high school students live in Irvine. Of this number, 3,200 students attend schools within the Tustin Unified School District (TUSD) and 26,100 students attend schools within the Irvine Unified School District (IUSD). IUSD encompasses 17,300 elementary and middle school students, and 8,800 in the high schools. There are 2,400 TUSD students in elementary and middle schools, and 800 in high school, located in the City of Irvine.

The City supports the school districts through a variety of programs including school resource officers at high schools and middle schools, aquatics, maintenance and operations, school crossing guards, D.A.R.E. education, joint use of facilities and the City of Irvine Educational Partnership Fund program.

The mission of the Educational Partnership Fund program is to further support school districts

and advance the goal of providing Irvine residents with the safest community, the highest quality of life, and the best public resources available.

The Irvine Educational Partnership Fund provides annual funding to add or appreciably enhance activities within the schools to help children excel. By providing grants that enhance health, guidance services, and that address factors that affect academic performance, children will have opportunities to overcome circumstances that decrease their potential to be successful and productive members of society. Program funding (currently \$500,000) is allocated from the City's Carryover funds.

Based on enrollment numbers approximately 89% of the available Educational Partnership Funds will be earmarked for IUSD programs, and approximately 11% of the available funds will be earmarked for TUSD programs.



Photo by Tim Knight



Recreational Activities

Strategy:

Provide Recreational Activities for Children and Youth that Promote Socially Productive Behavior

Our youth are disproportionately both the victims and the perpetrators of crime. Statistics indicate that children are being drawn into criminal behavior at increasingly younger ages, partly because they are not developmentally prepared to make appropriate choices about how to use their unstructured time. While the direct costs of crime are enormous, investments in proactive, preventive programs such as after school activities are a bargain by comparison.

The most cost-effective long-term approach to securing a safe community is through promoting socially productive behaviors in children and youth. Young people need positive recreational activities that provide the opportunity for them to form healthy adult relationships and develop a high degree of self-direction and personal responsibility. The City plays an important role in this process by offering a variety of age-appropriate programs and

recreational activities throughout the year, providing children and youth with many opportunities to form positive, cohesive relationships with other members of the community. Participation in community activities, where caring adults provide consistent and appropriate modeling, promotes positive social development in youth. In turn, these activities increase community safety by decreasing the likelihood that youth will become involved in criminal activity.

Recreational activities and programs offered through the Community Services and Public Safety Departments will continue to encompass a broad spectrum of issues and interests. The City's recreation programs are designed to be age-appropriate and are offered on days and times convenient for participants at reasonable fees. Programs listed in Table II-6 are examples of those funded in the fiscal year 2008-09 budget, and continued funding for these programs is included in the General Fund Fiscal Forecast.

Table II-6
Children, Youth, and Families
Programs and Recreational Activities

Middle School Programs	Mobile Recreation Program
Vacation Camps	Kids Klub Program
Youth Action Teams	Leadership In Training Program
Irvine Youth Employment	Adventure Playground
Fine Arts Programs and Camps	Nature Center Programs
Adult and Youth Athletics	Open Space Programs
Aquatics Programs	Community Education Classes
Cross Cultural Programs and Support	Cultural Programs
Police Explorers	Special Events
DARE (Drug Awareness Resistance & Education)	Community Parks Programs





Strategy:

Provide Facilities and Activities that Promote a Safe Environment for Irvine's Youth

Irvine has developed an extensive network of parks and facilities for recreational purposes to ensure places exist for large groups of youth to safely interact. The City has developed 18 community parks (12 containing athletic facilities), 35 neighborhood parks (22 containing athletic facilities), and 2 vista point parks, as well as a skate park facility located within Harvard Community Park.

Through diligent maintenance efforts, Community Services and Public Works staff members

ensure that public buildings, parks, and athletic facilities are clean and safe for all to use. The safety of the large numbers of people utilizing City facilities is significantly enhanced by both the Police Department's Geo-Policing efforts as well as the Community Services Department's site supervision.

As new development occurs, the City will continue to evaluate opportunities to create places for youth to engage in appropriate group activities. Such opportunities could include commercial facilities and churches, or space for City or community programs. These places will be accessible, attractive, visible, and safe. Finally, the City will attempt to attract quality commercial recreation ventures through economic development efforts.



Strategy:**Implement the Strategic Plan for Children, Youth and Families and Work to Promote the Well-being of Local Families**

Irvine is committed to providing and promoting a safe, secure, protective, healthy, and stimulating environment for all children, youth, and families. In 2003 the City Council directed staff to prepare a report on the condition of children, youth and families in Irvine. The purpose of the report was to:

- Measure the well-being of children, youth and families residing in Irvine;
- Spotlight the positive results and identify areas of need;
- Compare similar indicators at City, County and State levels; and,
- Guide funding decisions about conditions documented in indicator reports.

The report was presented to the City Council in 2005 and included 14 indicators measuring the well-being of children, youth and families. In response, the City Council committed resources for a biennial update of the report, with the next version due in 2007. The 2007 Indicators Report on the Conditions of Children, Youth and Families

was presented to City Council in April 2007. The updated report included 36 indicators to provide a comprehensive perspective of the health and well-being of children, youth and families in Irvine.

Between October 2007 and February 2008, a community planning process was implemented to respond to the findings of the 2007 Indicators Report. The outcome of the planning process was the creation

of a Strategic Plan for Children, Youth, and Families, providing the City of Irvine with a vision, strategies, and an implementation plan for 2008-2013.

The Strategic Plan for Children, Youth, and Families defines how the City of Irvine intends to improve areas of need in the community while building on existing strengths. In the 2008-09 fiscal year, actions contained within the Strategic Plan Implementation include the following:

- Expand the capacity of child care for children ages 0-5
- Enhance the quality of child care services
- Advocate wellness among youth
- Develop programmatic opportunities for physical activity at school sites
- Engage funding partners for health and fitness initiatives
- Apply nutrition standards to youth sports program providers
- Prevent alcohol use among juveniles
- Increase opportunities for at-risk youth to make constructive use of leisure time
- Enforce alcohol related infractions and crimes involving juveniles
- Support families in need through education and outreach campaigns
- Build on the community's engagement in volunteerism
- Support the expansion of treatment options to improve the mental health of children and youth

The City of Irvine and community partners offer multiple programs and services that address the areas of need for children, youth, and families as identified in Table II-7.

Table II-7
Activities and Resources that Support and Assist Children, Youth, and Families

Tailored Residential Paratransit Service (TRIPS)	Community Safety Classes
Irvine Adult Day Health Services Partnership	Enrichment and Self Improvement Classes
Congregate Nutrition Program	Parent Education Classes
Senior Services Resource Center	Services for Persons with Disabilities
Irvine Child Care Project (City/Irvine Unified School District – Joint Powers Authority)	Irvine’s Middle School Program
Scholarship Programs	“readyFITgo” Youth Health Expo
Child Care Partnerships (Irvine Child Development Center & Irvine Community Nursery School)	Irvine Child Care Project
Child Resource Center	Child Resource Center
Earned Income Tax Credit Assistance	Scholarship Program
Lunch Time Activities	Youth Action Team Clubs
Irvine Public Schools Foundation	Family Resource Center
IUSD Nutrition Services	Irvine Ranch Conservancy



Community Cohesion

The City promotes activities that encourage social cohesion and community participation, which is an important element in helping the City maintain its reputation as one of the safest communities in the nation. Irvine continues to provide access to City services that promote a healthy community where people can interact with their neighbors and gather together.

Strategy:

Engage a Culturally Diverse Community



One of Irvine's strengths as a community is its rich cultural diversity. As our multi-national community grows and flourishes the benefits and challenges of our diversity increases. The City has long been committed to maximizing opportunities for people from diverse cultural backgrounds to engage in their community. On-going efforts are noted below:

- Supporting Irvine's Sister City Program comprised of relationships with Tsukuba, Japan; Hermosillo, Mexico; and Taoyuan, Taiwan, as well as managing Irvine's Friendship City Program with recently established relationships with the cities of Nowon-gu and Seocho-gu both in the Republic of Korea. Through these programs, Irvine has a window to the world through which we can see opportunities for greater understanding, appreciation for different cultures, business development, and cooperation.
- Promoting and supporting multicultural organizations that are dedicated to fostering understanding, harmony and respect between cultures through educational and social programs for people of all ages in our community.
- Implementing cultural celebrations, namely the annual Irvine Global Village Festival.
- Establishing and sustaining a variety of collaborations with community groups meeting cross-cultural health, mental health, social service, religious, and cultural-sharing needs.

Acknowledgement of and appreciation for community diversity is not limited to these specialized programs. The City also offers a full spectrum of classes and events through the Community Services Department, including:

- Culture-specific cooking and dance classes;
- Fine Arts Center exhibitions;
- English-as-Second-Language classes;
- School-age children's culture-specific activities (snacks, crafts, games, and music); and,
- Senior nutrition program which provides special meals.

As the world becomes more connected through technology and trade, it is imperative that Irvine maintain and enhance its connections to the world beyond City limits. Therefore, the City will continue to dedicate resources and energy towards developing partnerships and collaborations worldwide.

Strategy: Engage Senior Citizens

The City promotes the safety, mental and physical health, and well-being of its older residents through the provision of positive social, recreational, educational, nutritional, and transportation services. The City's two well-attended Senior Centers offer hundreds of activities that bring thousands of people together each year. Older residents continue to volunteer their time (over 58,000 hours last year) to help provide service at the Senior Centers and in the community. The City maintains effective partnerships with local non-profit and private groups in order to provide a broad range of services and activities to older adult residents.

As the City continues to develop its residential areas, Irvine's population will increase and, correspondingly, so will the number of older residents. Indeed, people age 45 and over represent the fastest growing demographic category in our community. The City will need to develop new strategies to provide its excellent level of services to this expanding population. The City's senior services and activities are distributed geographically throughout the City, utilizing alternative sites and home-based programs.

The Irvine Adult Day Health Center is another service that Irvine supports. Operated by a non-profit organization, this facility (the only one of its kind in the City) brings seniors and people with disabilities into an

environment where they receive social, physical and medical support.

Strategy: Engage Persons with Disabilities

For persons with disabilities, societal barriers impose many additional handicaps. Many of these barriers involve transportation, housing, and employment. In recognition of this reality, the City provides accessible activities and events to allow for full inclusion of people with disabilities. Some of these activities include: golf clinics, community excursions, bowling, dances, and dinner-and-movie events. The Tailored Residential Paratransit Service (TRIPS) provides transportation for these events and day-to-day transportation for people with disabilities. The City also provides support for people with disabilities through referrals, access reports, and quarterly newsletters. Through these services, people with disabilities have opportunities to participate in community and public activities and may lead more fulfilling lives.

Disability services is committed to providing resource and referral services, disability sensitive training, accommodation, and inclusion services.



Strategy:**Engage the Community
at the Irvine Civic Center**

For the last five years, the Irvine Civic Center has served as a central locale for bringing the community together. Funding provided through the Irvine Hotel Improvement District has enabled the City to provide a series of affordable, diverse, and enriching cultural and educational programs designed to entice participants of all ages and interests. Examples of these programs include:

- Irvine Global Village Festival
- Joyful Jingles
- Spring and Summer Concert Series
- Shakespeare in the Park

Civic Center cultural programs will continue in the years ahead funded by the Hotel Improvement District (Table II-8). Plans include Sunday performances, lecture series, classical concerts, and a variety of other programs that will be structured to appeal to different multi-cultural audiences.



Table II-8
Hotel Improvement District Funding

Funding Sources	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Hotel Improvement District	\$560,000	\$608,000	\$652,000	\$686,000	\$720,000

Source: Calculated on the Basis of Updated Hotel Tax Revenue Projections

Strategic Goal Success Indicators

Success indicators for this strategic goal to promote a safe and secure community are noted below:

Community perception of safety:

An important indicator of success is the community's perception of safety.

No signs of disorder:

No signs of disorder, including vandalism, loitering, graffiti, and criminal activity.

Crime rates per capita:

Evaluation of changes in crime rates per capita is one important indicator in measuring and achieving a safe and secure community. As an example, Part I crime rates have dropped from 43 crimes per thousand population in 1990, to 17 crimes per thousand in 2007.

Change in the nature of events involving juveniles:

Juveniles are disproportionately the perpetrators and the victims of crime. Juvenile crime rates are an important indicator of the level of criminal activity, particularly related to gang activity. Tracking and evaluation of data on gang activities and juvenile crime is another indicator of the City's success in preventing disorder.

General public safety indicators:

Many other indicators of levels of disorder in the community are tracked and evaluated. These include change in calls for services, change in available time for discretionary patrol activities, change in the number of juvenile probationers, case clearance rates, nature of police investigative case loads (e.g. domestic violence, child abuse, gang activity, and economic crime) and the traffic accident index.

Usage and participation rates:

Extensive use of parks and community facilities are an indicator of cohesive community life. Participation rates and evaluations of user profiles provide important information in assessing the City's degree of success in promoting a safe and secure community.

Standards met:

Meeting the standards for provision of youth and children's services is essential to our success. In order to achieve our goals, it is necessary to continue to fund these services at appropriate levels. The City must also assure that public safety standards are met, including patrol emergency response and response to non-emergency calls for services.



Photo by Tim Knight

Chapter Funding Summary

Presented below is a summary of General and Special Fund resources identified in this chapter that advance the City's goals. The resources identified below are in addition to the funding assumptions included in the General Fund Fiscal Model.



Revenue Funding Sources	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Parks & Facilities Development:					
Quimby Fees (Fund 112)	\$0	\$0	\$0	\$0	\$24,800,000
SDC Non-Circ (Fund 118)	\$2,000,000	\$5,350,000	\$0	\$650,000	\$6,381,887
Hotel Improvement District	\$560,000	\$608,000	\$652,000	\$686,000	\$720,000
Total	\$2,560,000	\$5,958,000	\$652,000	\$1,336,000	\$31,901,887

Expenditures	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Parks and Facilities	\$2,000,000	\$5,350,000	\$0	\$650,000	\$36,000,000
Civic Center Programs	\$560,000	\$608,000	\$652,000	\$686,000	\$720,000
Total	\$2,560,000	\$5,958,000	\$652,000	\$1,336,000	\$36,720,000

Balance	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Total Revenues	\$2,560,000	\$5,958,000	\$652,000	\$1,336,000	\$31,901,887
Total Expenditures	\$2,560,000	\$5,958,000	\$652,000	\$1,336,000	\$36,720,000
Net	\$0	\$0	\$0	\$0	(\$4,818,113)



Chapter Introduction

Irvine's distinct identity and quality of life is attributable to its heritage as a skillfully crafted master planned community. Irvine remains attractive for business, private investment, and residential living. Irvine has been recently ranked by *Money Magazine* as one of the best cities in the country in which to live. Additionally, Irvine has been selected by *America's Promise Alliance* as the best community for young people." The Orange County Business Journal's 2009 Book of Lists also reports that four of Orange County's 10 fast-

est growing public companies and two of its 5 fastest-growing private companies are located in Irvine.

Irvine's future prosperity will be based on maintaining a sustainable quality of life through a mix of land uses, a safe community with no visible signs of deterioration, an efficient circulation system that promotes alternative modes of transportation, and abundant open space and recreational amenities. These attributes, along with its strong economic base, will build upon Irvine's reputation as being a special place that is unique, attractive, culturally and socially diverse and which abounds with a strong feeling of community.

The City's General Plan emphasizes a balance between residential villages, commercial and industrial development, and parks and open space. The attraction and retention of a variety of businesses and markets is essential to maintaining a sound fiscal base that will support the City's high quality of life. This chapter illustrates some of the strategies that the City uses to promote economic prosperity and a livable community.



Buildout of the General Plan

Strategy:

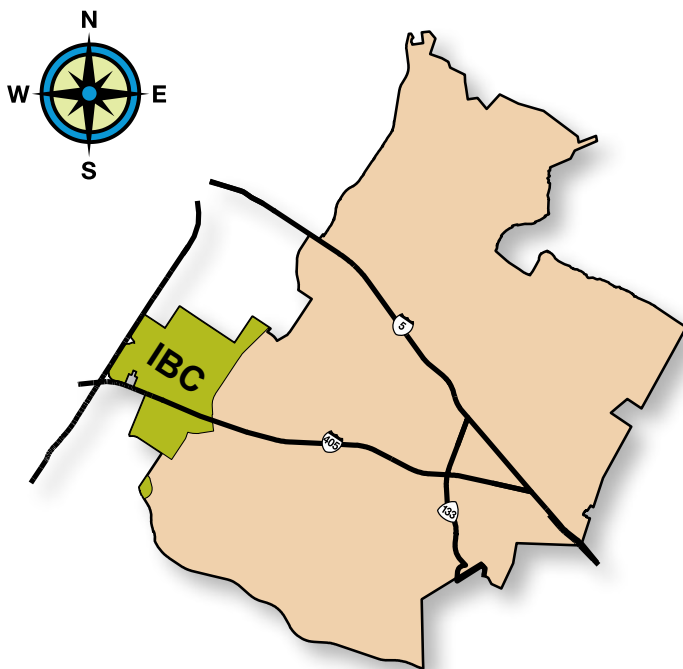
Promote a Safe and Economically Prosperous Community through the City's General Plan and Zoning Ordinance

The City's General Plan provides the guiding, long-range vision for the development of our community and promotes the creation and development of a livable and visually attractive city through thoughtful planning and sustainable development. The General Plan is updated periodically to keep current with issues, trends, and community goals. The General Plan also comprehensively addresses all geographic areas of the City and it provides the connection between the social, financial, environmental, and physical characteristics of existing and future land-uses.

Irvine's Zoning Ordinance provides specific development requirements throughout the City to ensure consistency with the General Plan. It promotes the development of a livable, viable, and visually attractive commu-

nity. The Zoning Ordinance also provides for consideration of urban design in the development review process so that new developments will enhance the City as it matures. It is also updated on a periodic basis to incorporate changes from the General Plan and to keep current with community needs.

Changing economic conditions in the Irvine Business Complex (IBC) are creating opportunities for expanding land uses that have traditionally not been found in this area. The IBC has traditionally been almost exclusively an office, light industrial, and warehousing district that accommodated residential development only on its fringes. The combination of a mature office, research and development, and warehouse market, as well as a heightened interest in seeking



improvement in the regional jobs-to-housing balance have dramatically increased the feasibility of residential development in the IBC. For these reasons, it is important to reflect on the comprehensive urban planning issues that such a transition in the IBC might generate and the work efforts that may be necessary to address them.

Some of the issues confronting the conversion of the IBC from a center of commerce to a mixed use area incorporating residential and other uses include:

- Urban Design
- Traffic and Transportation Impacts
- Fiscal Impact
- Commercial Needs
- Affordable Housing
- Recreational Needs
- Regulatory Constraints

Facilitating the transition of the IBC to include more mixed land uses, including a residential urban environment, will require community participation, preparation of new mixed use residential development standards, and urban infrastructure analysis. An IBC Vision Plan is now being prepared and is scheduled for public hearings in mid-2009. The potential outcome of this holistic approach to new zoning regulations in the IBC will eliminate the need for developers to make individual zone change requests for each residential site and create a sense of place in the IBC.

Orange County Great Park

Strategy: Develop the Orange County Great Park

The Orange County Great Park Corporation staff is working with its Board of Directors to create a Strategic Business Plan. The Plan is scheduled to be developed over a series of months with direction provided by the Great Park Board of Directors at their regularly scheduled public meetings. Once the process is complete, a

final Business Plan will be presented to the Board for approval. Following its approval by City Council, it will be incorporated into the City's next published Strategic Business Plan. While the Great Park is a component department of the City of Irvine, it is important to note that revenues and expenditures associated with developing, operating, activating, and maintaining the Orange County Great Park are separate from the City of Irvine General Funds. Because they are separate, they do not impact the financial projections contained within the General Fund portion of the City of Irvine's Strategic Business Plan document.



Redevelopment Agency

Strategy:

Implement the Redevelopment Agency's Mission, maximize the public benefit from the Redevelopment Plan for the Great Park Project Area

The Irvine Redevelopment Agency (Agency) was created to facilitate the redevelopment of the former Marine Corps Air Station at El Toro to civilian uses. Redevelopment would benefit the local economy and improve infrastructure deficiencies. The Agency was established on March 9, 1999.

In March 2005, the City Council approved the Redevelopment Plan for the Great Park Project Area, as well as a Five-Year Implementation Plan. The primary goals of the Redevelopment Plan include converting El Toro to a Great Park with regional open space, educational and recreational facilities, as well as expanding the City's supply of housing, including opportunities for low and moderate income households. Additional objectives include, but are not limited to, the use of energy efficient sustainable design principles throughout the project area and to provide alternative transportation and access to the area. The Redevelopment Plan will be implemented to avoid local taxpayer responsibility and financial exposure. The Plan will be financed through development costs recovered from users directly benefiting from the project.

The Agency's primary source of revenue will come from property "tax increment revenue."

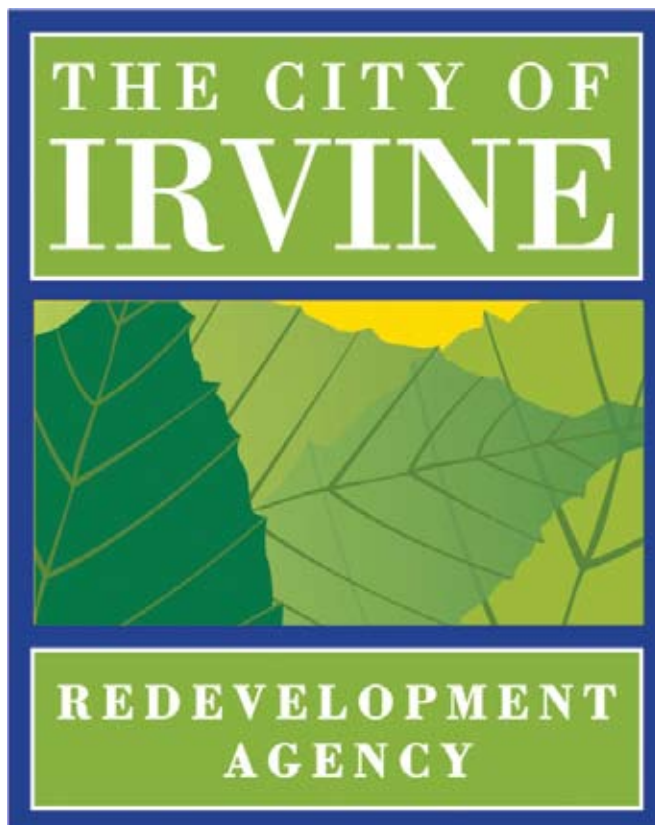
Tax increment revenue is generated when the value of assessed property increases above the "base value." The project area's base value was established prior to the base being sold to Lennar in 2005. Property taxes related to the incremental increase in assessed values will be allocated to the Agency.

The Agency received its first tax increment in fiscal year 2006-07 totaling \$15,691,529. That amount included tax increment from the previous year in the form of a supplemental payment. For fiscal year 2007-08, the Agency received tax increment revenue of \$6.8 million of which \$1.7 million went to the Housing Fund, \$2 million was paid to other entities in pass through and facility payments, and \$3.3 million will remain in the project fund. For 45 years, revenue will be available to the Agency that is created through private development in the redevelopment project area. These funds may only be accessed and expended through debt obligations occurring in the first 20 years of the Agency's existence for the "non-housing" funds and may only be spent within and/or to benefit the redevelopment project area. The Redevelopment Plan seeks to leverage these resources to maximize the public benefit from these funds. If sufficient debt is not incurred

in prior years, the tax increment revenue will be disbursed by the County to other taxing entities as required by law.

The Agency is required by law to set aside 20 percent of gross tax increment revenue received for the purpose of increasing, improving or preserving the community's supply of low and moderate income housing. This tax increment revenue allocation known as "housing set-aside" will be used to ensure that the Agency complies with the state requirements for the production of affordable housing.

During the coming year the Agency will continue to perform a variety of basic administrative functions. The Agency will likely finalize environmental and design standards, and continue to implement the Affordable Housing Strategy and Implementation Plan. As tax increment is received, these funds will be available for a variety of capital projects.



Agency specific goals include:

- Work with the Orange County Great Park Corporation and the City of Irvine to implement its five-year plan;
- Develop design standards that lead to high quality development in the redevelopment project area;
- Continue to implement the Affordable Housing Strategy and Implementation Plan adopted by the Agency in March 2006. This includes marketing and outreach to the public; implementation of the business plan for the Irvine Community Land Trust, and the development of an affordable housing financing strategy for the expenditure of Agency housing funds. The Irvine Community Land Trust is a non-profit corporation created by the City of Irvine to provide for permanent stewardship of land for affordable housing in the City;
- Consult with bond counsel and financing team to prepare a preliminary debt allocation and financing plan;
- Implement the Energy Plan adopted by the City in July, 2008;
- Continue to facilitate the Green Team collaborative design process to foster sustainable community design throughout the redevelopment project area;
- Begin to develop energy efficiency and sustainable development guidelines for Agency sponsored projects in the project area, including affordable housing projects.

Economic and Business Development

Economic Vitality

Strategy:

Promote Economic Growth and Development that Attracts and Retains Business and Tourism

A strong local economy with wide-ranging career opportunities for its residents, prosperous companies, and robust tax revenue are essential building blocks for maintaining a balanced community with a high quality of life.

The current economic crisis and fundamental changes in major business sectors have demonstrated the need for greater City involvement in business attraction and retention activities. Irvine's economy is diverse and remains relatively strong, but the City must assume a leading role in economic development functions given its reliance on sales tax and hotel tax, two of the City's three largest revenue sources. By developing a big-picture economic development strategy, the City will proactively set priorities to communicate the City's assets, support entrepreneurship, work with community stakeholders, and champion initiatives to facilitate business retention and expansion. The City is currently working to develop this big-picture effort and expand its role in this critical sphere.

Historically, the majority of the traditional economic development activities have been administered through the Irvine Chamber of Commerce Economic Development and Tourism programs. The City, the Irvine Chamber of Commerce, and 13 Irvine hotels partnered to create

the Irvine Hotel Improvement District (HID) in January 2003. The creation of this district established a funding mechanism for programs and activities designed to promote tourism within the City; attract, recruit and retain businesses; and to furnish cultural programs and signature events that have a positive effect on the Irvine economy.

As partners in the HID, the 13 member hotels have elected to assess all room rentals at a 2% rate to generate funding for tourism and economic development activities administered by the Irvine Chamber of Commerce, and funding for the cultural events program administered by the City of Irvine. The City of Irvine appropriates 1.5% of this funding to the Irvine Chamber of Commerce and the remaining 0.5% funds to the City. Because business travelers represent over 90% of Irvine hotel occupancy, business improvements, hotel promotion and tourism-related activities offer value to the hotels in the City.

Irvine's dynamic business environment and location attract companies from around the world. To promote the City's excellent business amenities and business diversity, the Irvine Chamber of Commerce organizes a series of City Familiarization Tours for regional and out-of-state industry professionals in

site selection, travel, tourism and media to meet business and community leaders, tour facilities and hear testimonials about the City's business climate to recruit prospective new businesses to Irvine. The Irvine Chamber also solicits business leads at international and national trade shows targeting retail and tourism. Additional marketing efforts include advertising campaigns for tourism and business in national magazines and newspapers. Because weekends and holidays are slow for hotels that concentrate on business travelers, the Irvine Chamber sponsors a weekend get-away promotion to tap into the large existing tourism traffic in Orange County.



In addition to these business development efforts, City staff is engaged in a variety of activities that directly support and enhance the business community. Examples include the administration of small business loans (Community Development Block Grants), public safety and emergency preparedness planning assistance, and programs such as youth employment and community classes that are operated by Irvine small business owners. Other services include guidance and workshops on pollution prevention, energy conservation, and waste management measures. Additionally, the City provides various tax-exempt financing vehicles such as Industrial Development Bonds (IDBs), Assessments Districts, and Community Facilities District financing, which adds value to the business community through the reduced costs of infrastructure and low interest financing opportunities. The City's one-stop Development Assistance Center serves as a primary resource for businesses, developers, and real estate professionals to make decisions regarding business expansion and development potential. The Development Assistance Center also facilitates review of proposed tenant improvements, sign permits, alcoholic beverage licenses, business license applications, and home occupation permits.

With globalization occurring at a rapid pace, the City of Irvine takes a proactive approach to promoting opportunities for mutual benefits with our global partners. As part of this effort, the City strives to engage our multicultural organizations to further ties with the international community and promote our local economy. The City's Sister and Friendship City programs also contribute to the health of our economy by creating an atmosphere of goodwill, opening the lines of communication, fostering the exchange of information, and providing opportunities for business-to-business contacts.

The City of Irvine is committed to the health and vitality of its business community. As the City develops its economic development strategy during a fluctuating business environment, the City will emphasize business retention through business outreach activities that are suited for the community. By understanding the business community's needs, identifying problems at an early stage, and facilitating business resources and assistance, the City and its partners can effectively enhance business vitality.

Planning and Development

Strategy: **Strengthen the City's Revenue Base**

The City's General Plan is designed to ensure that adequate recurring revenues are generated to meet recurring expenditures without a burdensome level of taxation. A critical component of the City's fiscal goals include the premise that future development will balance the need for housing, jobs, parks, and open space and also generate tax revenues that adequately support City services. The City's General Fund Fiscal Model is a useful tool used to identify the fiscal costs and benefits of proposed changes to the General Plan. While the fiscal ratio of revenues to expenses should not in itself determine land use, it is a component for consideration to ensure the City has a sufficient level of resources overall to support a desired level of services to the community. Clearly, the City's future fiscal health is based on today's land use policy decisions.

For most local governments, the existing revenue structure forces cities to emphasize retail sales to the exclusion of other land uses. This phenomenon is called the "fiscalization" of land use.

From the beginning, the City's General Plan has required a fiscal balance between commercial and residential development in order to develop a fiscally sustainable community. However, a substantial portion of the City's commercial development is now committed to office buildings, which generate jobs but little General Fund revenue (when compared to retail stores and businesses). Thus, even the mix of retail and office use found in the General Plan is critical for the amount of revenue generated by Irvine's commercial districts.

The City receives 42% of its general-purpose revenues from sales tax. Sales tax revenues can be influenced by local land use decisions. The City's General Plan attempts to balance non-sales tax revenue generating uses, such as residential and parks, with land uses that generate sales tax. Fiscally beneficial land uses include auto malls, retail stores, and certain manufacturing classifications. Many other industrial and institutional land uses also generate sales tax revenue through business-to-business transactions.

Preserving an equitable balance of land use categories in order to maintain a balance of revenues to expenditures will be instrumental in maintaining a strong and resilient economic base for the City. Staff will continue to evaluate strategies to address these issues in the future.

Strategy: **Increase the Number of Businesses Located in Irvine that Generate Sales Tax Revenue**

Taxpayers have made it clear that new or increased taxes are seldom acceptable. From Proposition 13 to Proposition 218, the ability of local governments to levy or increase taxes has been greatly reduced. Thus, cities have fewer options for funding ongoing municipal services and maintaining fiscal self-reliance.

One option to solve this growing fiscal dilemma is to attract businesses to the community that generate revenues in direct or greater proportion to the services they use. In order to determine which



businesses generate revenues, the City needs to understand the fiscal impact of business in Irvine. Fiscal impact is defined as the financial or economic consequences (in terms of revenues generated and the cost of providing services) that result from a business operating in Irvine. Clearly, certain businesses consume more services and generate greater wear and tear on infrastructure than they contribute through Sales Tax, Property Tax, Utility Users' Tax, or other revenue sources. Absent any specific goals or thresholds for increasing the City's retail business or business-to-business sales, the City may face long-term fiscal constraints due to a large business and employment base that produces little or no revenue to pay for civic services provided to employers and employees alike.

Strategy:

Support Legislation that Protects City Revenues, Long-Term Financial Stability, Infrastructure Rehabilitation, Maintains Funding Levels for Highway and Transit Programs, and Preserves Local Decision Making

The City Council recognizes the need to protect Irvine's interests and identify various avenues to implement its strategic goals. These goals have traditionally been based on the City Council's understanding that investments of financial, physical, and staffing resources made today ensure the community's quality of life is preserved and enhanced in the future. These goals protect exist-

ing core services such as public safety, recreation, and transportation and circulation services. The City Council supports reforms that will develop greater authority to generate local revenues to finance discretionary services and protect revenue streams against State Budgetary incursions.

Fiscal discipline is of key importance to the City of Irvine. Ensuring the ongoing fiscal sustainability of the City is critical for competitiveness, economic growth, and enhancing our quality of life. Furthermore, the City supports efforts to strengthen the legal and fiscal capability of local agencies to help prepare, adopt and implement plans for orderly growth, development, beautification, and conservation of the local environment.



Circulation

Mobility

The ease with which people can move about is an important attribute of a prosperous and livable community. An effective circulation network, along with a variety of transportation choices, encourages the efficient movement of goods, services, and people.

Increasing mobility is a top priority for the City. In working to increase mobility, the City is pursuing a multi-prong strategy. First, the City is pursuing road-

way improvements to maximize traffic flow through the City. A current example of this is the Jeffrey Grade Separation project. Some future major projects being planned include the Sand Canyon Grade Separation project and also the widening of Jamboree Road underneath the 5 freeway. In addition, the City of Tustin is planning to connect Von Karman through the former Tustin Marine Corps Air Station to Tustin Ranch Road.

The second prong in the City's strategy to maximize citywide mobility is to enhance its traffic signal system. The Irvine Traffic Engineering Management

System (ITEMS) is a five-year, \$8.2 million capital investment program developed as part of the Strategic Business Plan to enable Irvine to provide orderly traffic flow, coordinate with adjoining jurisdictions, and respond to incidents on more than one corridor simultaneously. By the end of FY 08-09, ITEMS will have been implemented in 60 percent of the city. Full implementation will be accomplished by 2011. This program is described in detail in the Maintained Environment chapter but some of the related projects are included in this chapter in Table III-2.

The third strategy is to implement new transit and alternative transportation programs. The City's new *i* Shuttle, for example, began operations in Spring 2008. The City is now evaluating a potential citywide rubber-tired shuttle system described more fully in the Transit section later in this chapter. In addition, the City has an extensive on and off-street bike trail system and is planning to expand this infrastructure as guided by its Bicycle Transportation Plan, with future projects identified in Table III-3.



Strategy:

Fund the Circulation, Capital Improvement Program, and Bicycle Transportation Plan

Funding the City’s Capital Improvement Program (CIP) is a large commitment which utilizes many different funding sources. Typically, CIP projects range from rehabilitation requests (such as street overlay projects) to road widening projects.

Table III-1 shows the anticipated Irvine Business Complex (IBC) projects over the next five years. Projects within the IBC are typically funded by the IBC Development Fee Program. The fee program was developed in 1982 with the intent of ensuring the availability of funds to implement necessary area-wide

transportation improvements commensurate with land development within the IBC. Table III-2 (next page), identifies proposed circulation projects over the next five years in the rest of the city, exclusive of the IBC area.

In June 2006, the City Council adopted an updated Bicycle Transportation Plan that outlines priority projects for on-street bike lanes, off-street bikeways, and grade separated crossings. Funding has been earmarked in the Strategic Business Plan in order to implement projects from the priority list. The City hopes to secure outside grant funding for most projects, and the funding is currently reflected in the Strategic Business Plan would cover the City’s local matching fund requirements. Table III-3 (next page) presents the next five years of estimated implementation expenditures.



Table III-1
IBC Circulation Projects

IBC Circulation Projects	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
IBC Sliding Interim Year Analysis		\$175,000		\$175,000	
IBC Project Development	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000
IBC Sidewalk Improvement	\$125,962	\$535,253			
Jamboree Corridor (Main-Barranca)	\$200,000			\$500,000	\$1,000,000
Jamboree/Michelson Pedestrian Bridge (partial)		\$4,000,000			
Harvard Ave/Barranca Parkway Improvements				\$200,000	\$750,000
Harvard Ave/Michelson Improvements				\$150,000	\$400,000
Total	\$455,962	\$4,840,253	\$130,000	\$1,155,000	\$2,280,000

Table III-2
Citywide Circulation Projects
(Exclusive of IBC)

Circulation Projects	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Program/Project Development	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Circulation Phasing Report			\$250,000		\$250,000
New Traffic Signal			\$400,000		\$400,000
GMA Administration	\$3,500				
Jamboree/I-5 SB Ramps	\$1,441,394	\$10,584,321			
Sand Canyon Grade Separation		\$52,000,000			
Culver Dr/Alton Pkwy Improvements			\$200,000	\$1,400,000	
Laguna Canyon & I-405 Overcrossing	\$3,254,103		\$4,945,897		
Culver Dr Widening (Scottsdale to I-5)	\$300,000		\$1,850,000		
Irvine Center Dr Signal Coordination		\$135,500			
MacArthur Signal Coordination	\$42,460	\$265,400			
Total	\$5,241,457	\$63,185,221	\$7,845,897	\$1,600,000	\$850,000

Table III-3
Bicycle Transportation Plan

Circulation Projects	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Bike Plan Implementation			\$750,000	\$750,000	\$750,000
Jeffrey Off-Street Bikeway (Venta Spur-Bryan)	\$423,800	\$591,400			
Total	\$423,800	\$591,400	\$750,000	\$750,000	\$750,000

Strategy:
Fund the North Irvine Transportation Mitigation (NITM) Projects

The City developed the North Irvine Transportation Mitigation (NITM) Program to ensure that residential and commercial development in the northern portions of Irvine are accompanied by the timely construction of traffic and transportation improvements. The intent of the NITM Program is to expedite circulation development by providing a funding mechanism to coordinate and phase the completion of required traffic and transportation improvements connected to land use development in Planning Areas 1, 5, 6, 8, 9, 30, 40, and 51.

The NITM program identifies a number of improvements that are related to development and are to be funded through the program. The development community retains the option of constructing the improvements and receiving fee credit, or funding the identified improvements and letting the City build them.

Staff has reviewed the list of NITM improvements, as well as the anticipated funding of projects in the developing areas, and anticipates the project phasing schedule referenced in Table III-4.

Table III-4
NITM Projects

NITM Projects	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
NITM Administration	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Projects Outside of Irvine:					
Jeffrey Road Extension			\$800,000		
Jamboree Rd. & Irvine Blvd. (Tustin)				\$1,524,000	
Projects in Irvine:					
Bake Pkwy & Jeronimo Rd. (Const)				\$4,498,000	
Bake Pkwy & Irvine Blvd. (Const)				\$2,489,000	
Culver Dr. & University Dr.					\$4,475,000
Jeffrey/Walnut (Const/ROW)					\$1,015,520
Total	\$100,000	\$100,000	\$900,000	8,611,000	\$5,590,520

Transit

As the City matures, the pace of land development must be coordinated with the development of Irvine’s circulation system. Existing and planned roadway capacities are rapidly being maximized as development continues both within the City and throughout the surrounding region. While automobile use clearly will continue to be the dominant choice for travel, the development of alternative modes of transportation is very important. Without forethought, the City will not be able to maintain the current level of circulation and traffic congestion will escalate. The deterioration of traffic circulation standards will have a negative impact on the economic prosperity of the City.

**Strategy:
Encourage the Use of
a Balanced Multi-Modal
Circulation System**

In cooperation with neighboring cities, regional transportation agencies, the development community, and interested citizen groups, the City is committed to finding alternative solutions to improve existing public transportation. Due to recent cut-

backs in state and local agency revenues, limited amounts of funding now exist to assist in the development or enhancement of alternative fuel vehicle programs, shuttle services, and park-and-ride lots. In accordance with adopted General Plan policies, City staff continues to work with the development community to ensure that alternative forms of transportation are considered and implemented, as appropriate and concurrent with development.

Future strategies may include:

- Advocating and promoting bus and rail service with transit providers such as OCTA, Metrolink, and the California High Speed Rail Authority (CHSRA);
- Sponsorship of promotional events for transit, bicycle, pedestrian, and other forms of transportation;
- Conducting transportation modeling so the City can better gauge the local impact of transit on the City’s circulation system; and,
- Supporting requirements to equip new buildings with Internet access, thereby enabling people to work at home.

Table III-5 shows the anticipated transit projects over the next five years. Projects without funding are included in Appendix D.

**Table III-5
Transit Projects**

Transit Projects	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Harvard At-Grade Railroad Crossing Safety Project	\$320,000				
Sand Canyon At-Grade Railroad Crossing Safety Project		\$110,000			
Total	\$320,000	\$110,000	\$0	\$0	\$0

Strategy:

Promote the Development of Alternative Transportation Systems

The Tailored Residential Irvine Paratransit Service (TRIPS) program provides reliable public transportation essential for dependent seniors and disabled adults to help maintain their independence. The TRIPS program provides over 28,000 rides annually, via shuttle services. TRIPS provides an additional 10,000 rides annually to support transportation for participants enrolled at the Irvine Adult Day Health Services Center.

The City initiated service of its *i* Shuttle in Spring 2008, providing shuttle service within the Irvine Business Complex (IBC) area of the City. The program provides connecting shuttle services from Tustin Metrolink station to major employers, residential communities and amenities within the IBC, including John Wayne Airport, and over 150 restaurants and retailers.

City staff is preparing a Citywide Transit Study in cooperation with the Irvine Company in compliance with a development condition for Planning Area 40. The study is evaluating a citywide rubber-tired clean technology shuttle system intended to

provide convenient, safe, environmentally friendly, direct connections from Irvine and Tustin Stations to other development areas in the Irvine Spectrum, the Orange County Great Park and Heritage Fields, Woodbury/North Irvine, and the IBC. The study is building on the success of the City's *i* Shuttle; the University of California, Irvine Student Shuttle Program; and the planned expansion of Metrolink service by the Orange County Transportation Authority (OCTA). The Study, including specific information on routes, ridership, and costs, is expected to be presented to the City Council in spring 2009.

On January 13, 2009, the City Council approved execution of a Cooperative Agreement with OCTA to transfer approximately \$120 million of Proposition 116 funds to OCTA in exchange for future credit that will be made available to the City through the Renewed Measure M Program. This funding will then be available to the City to use as matching funds for capital and or operational costs associated with an expanded Citywide transit program.

The Irvine Station Master Plan has been updated to incorporate 15 new acres and to support a variety of planned transit services, including existing and planned OCTA and citywide local bus service, planned increase of

Amtrak and Metrolink service, OCTA Bus Rapid Transit, Los Angeles World Airports Fly-Away service, and high-speed rail. The Master Plan update incorporated an additional 15 acres of land, including 7 acres adjacent to the existing site on the south side of the LOSSAN rail corridor and 8 acres north of the LOSSAN rail corridor. As envisioned, the Irvine Station will be at the center of a planned Transit-Oriented Development District and the regional gateway for visitors to the Orange County Great Park and the Spectrum area. Funding for the implementation of the Master Plan may be derived from variety sources including the federal stimuli, renewed Measure M and/or other state and federal funds. The project is currently listed in Appendix D.

The City supports mobility options that provide City of Irvine employees and residents with an alternative mode of transportation consistent with a livable and sustainable community. The City will continue to plan for transit opportunities for Irvine as needed. Continued development in Irvine will result in increased tourism, residential development, and employment growth. The integration of transit, bikeways, and pedestrian enhancements remains a City priority.

Safe, Quality Housing

Processing Standards

Strategy:

Provide a Timely and Efficient Development Review Process

Efficient and timely review of development projects is important to the economy of the community. Reducing the cost of regulatory review is necessary to maintain compliance with City standards for a livable, viable, and visually attractive community. Unnecessary delays can contribute to escalating development costs. The City maintains processing timeframe standards for both discretionary review procedures and building and grading permit applications. Standards for next-day inspections of construction projects are also in place to avoid delaying construction activity. The City continues to expand the use of on-line information and services to promote efficiency.

Competitive Fees

Strategy:

Maintain Development Fee Service Time Standards

Another important component to the City's economic prosperity is the measurement of overall development activity. Table III-6 details recent development activity in Irvine, as well as the required support staffing over the past four years. During this four year period, most indicators have increased. Through the use of consultants and contingency staffing, the City has maintained appropriate staffing to meet the variable demand for development activity services.

Table III-6
Development Activity and Staffing Support

Building Activities	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	4 Year Average
Construction Valuation (\$ billions)	\$0.9	\$1.1	\$1.2	\$0.8	\$1.0
Plan Check Applications	3,185	3,431	6,137	5,817	4,643
Inspections Conducted	156,200	142,089	155,744	174,362	157,099
Permits Issued	13,424	14,766	13,033	11,156	13,095
Contacts at Counter	19,509	20,482	20,716	18,762	19,867
Number of FTE Staff	99	102	102	111	104
Contract and Consultant Services	\$2,352,416	\$3,459,890	\$2,646,218	\$2,311,257	\$2,692,445

Source: Community Development Department

Housing

Strategy:
Provide Quality Housing for All Economic Segments of the Community

In 2003, the City Council adopted an Inclusionary Ordinance requiring that 15 percent of all new residential units be affordable housing. In cases where the required affordable units cannot be built on site, developers may request the option of paying an in-lieu fee to the City. The in-lieu fee is adjusted annually to account for increased costs. The fees are then used to fund affordable housing projects developed throughout Irvine.

A Housing Strategy and Implementation Plan (“Plan”) was presented to the City Council and Agency and was adopted on March 14, 2006. The Community

Development’s Housing Division will implement the adopted Plan. The Plan includes programs for land acquisition and negotiations with developers, obtaining funding sources to leverage City and Agency funds, and a variety of programs to implement adopted goals and priorities.

The Housing Division also maintains a list of housing resources to assist Irvine residents. Available information includes: contact information and general requirements for Orange County Housing Authority rental assistance; a pamphlet and a website that contain information on affordable housing properties throughout the City; housing assistance available through non-profit organizations and local government agencies; funding resources through non-profits that provide rental assistance; and other services provided by non-profit housing groups to help Irvine residents remain in their homes.

The Plan established a goal that 10 percent of the total housing stock would be permanently affordable by the build-out of the City. This goal identifies approximately 9,700 permanently affordable homes that would be distributed throughout the community demonstrating the City’s prior commitment to affordable housing. Table III-7 shows that there are 3,959 affordable housing units as of January 2009 in the City leaving a balance of 5,741 units to be built during the Plan period. The Plan suggests that land at an average density of 25 units to the acre will create a need for approximately 230 acres to achieve this goal. To date, a development agreement with the Irvine Company has secured 15 acres and negotiations are underway to obtain land as part of the redevelopment of the former El Toro base.

The Housing Division is responsible for reviewing affordable

Table III-7
Breakdown of the City’s Affordable Units by Planning Area and Income Level

<i>Planning Areas</i>															
Income Level	4	8	9A	10	11	12	14	15	17	21	23	24	36	38	Total Units
Income Level I-II (up to 50% AMI)	162	290	150	94	77	60	282	426	120	22	40	191	396	34	2,344
Income Level III (51-80% AMI)	0	146	0	30	303	0	258	156	0	44	0	194	87	44	1,262
Income Level IV (81-120% AMI)	0	0	0	0	0	0	258	0	0	0	0	0	95	0	353
Total Units	162	436	150	124	380	60	798	582	120	66	40	385	578	78	3,959

Source: Housing Division, Community Development Department

housing programs and plans and ensuring compliance with City requirements. This effort is funded by the General Fund and Federal Government Program Funds in the following manner:

- The City receives approximately \$1.6 million annually in Federal Community Development Block Grant (CDBG) and Home Investment Partnership (HOME) funds, the majority of which are used to provide affordable housing services to those in need and rehabilitation of homes owned by low income families;
- The City was awarded \$752,124 from the State Workforce Housing Grant program to assist the Irvine Community Land Trust purchase homes that will be permanently affordable for lower income households.

- The City was awarded \$1.86 million from the State BEGIN grant program to assist lower income households with down payment assistance to purchase units in the Irvine Business Complex.

As part of the City’s receipt of Federal funds and in compliance with state regulations, the City is required to secure and/or initiate:

- Annual certification of tenants’ income to ensure eligible tenants occupy affordable units and the required number of affordable units are maintained; and,
- Site visits to ensure properties are well maintained.

City of Irvine Income and Housing Costs

Table III-8 below shows the income breakdown by percentage of Average Median Income (AMI) for 2008. The AMI breakdown is calculated by the Federal Government and State of California Department of Housing & Community Development and is determined by the median income of a family of four living in Orange County. Table III-9 shows typical rental rates in the City. In 2008, the most recently published information, the Average Median Income per family in Orange County was \$84,100.

Table III-8
Income Level in Irvine

Bracket Stats	Level I	Level II	Level III	Level IV	Level V
% AMI	(0-30)%	(31-50)%	(51-80)%	(81-120)%	121%+
Bracket Limit	\$27,900	\$46,500	\$74,400	\$100,900	\$100,900+

Source: Community Development Department

Table III-9
2008 Typical Market Rental rates in Irvine

Residential Type	Rental Amount
1 Bedroom & 1 Bath	\$1,599
2 Bedroom & 2 Bath	\$1,995
3 Bedroom & 2 Bath	\$2,440

Source: Community Development Department

The U.S. Department of Housing and Urban Development defines “affordable housing cost” as not more than 30 percent of gross household income adjusted for household size used to fund housing costs. Table III-10 below provides the 2008 “affordable” monthly rents for each income level by number of bedrooms in a unit.



Table III-10
2008 Affordable Rent Levels

Unit Size	Level I	Level II	Level III	Level IV
1	\$504	\$841	\$1,009	\$1,850
2	\$567	\$946	\$1,135	\$2,081
3	\$630	\$1,051	\$1,261	\$2,312
4	\$681	\$1,135	\$1,362	\$2,497
5	\$732	\$1,220	\$1,464	\$2,684

Source: Community Development Department

The Housing Division will look at alternatives for land acquisition to create affordable housing units in perpetuity, rather than for defined periods of time as has been the practice. One such alternative that implements land acquisition is the creation of the Irvine Community Land Trust in 2006. The Housing Division will also work to create affordable housing opportunities in the Great Park Redevelopment Project Area as well as throughout the City.



Sustainable Community

Promote Sustainable Practices as a Core Value

Strategy:

Balance the Interests of People and the Need to Protect the Environment by Promoting Sustainable Practices as a Core Value

Enhancing the quality of life of Irvine residents and meeting the needs of future generations can be met through implementing a long-term strategy that actively promotes green and sustainable development. This is accomplished through well-planned land use, energy efficiency, green building practices, alternative transportation, water quality management, waste reduction, and resource management.



Strategy:

Produce a Comprehensive Climate Action Plan to Reduce Greenhouse Gas Emissions, as Stipulated by New Government Legislation

With increasing scientific alarm being raised in recent years over the threat poised by climate change, there is increased urgency for government, at all levels, to take action and to implement environmental policies aimed to reduce the amount of greenhouse gas emissions (GHGs). GHGs, in the forms of carbon dioxide, methane, nitrous oxide, and various other harmful gases, are believed, with a very high degree of scientific confidence, to be the main cause of climate change. The effects of climate change, which once seemed a vague threat, are now becoming more clear and ominous with the increasing frequency and severity of drought, wildfires, heat waves, hurricanes, flooding and other phenomenon. Consensus scientific opinion is that human activities have negatively impacted many of the natural systems in our world including agriculture, ecosystem forests, sea levels, regional weather patterns, human health, and various sectors of the economy. It also predicted that the future impacts

of climate change will worsen and become more severe if action is not taken to curb greenhouse gas emissions in the very near-term.

The State of California has responded to the threat of global warming by ratifying two pieces of state legislation that attempt to reduce greenhouse gas emission levels. AB32, enacted on September 27, 2006 explicitly states the state of California will reduce its greenhouse gas emission to the levels of 1990 by the year 2020. Furthermore, SB 375, enacted more recently on August 19, 2008, compliments AB32 by establishing proposals requiring metropolitan planning organizations to utilize sustainable community strategies to reduce carbon emissions. The process of reducing greenhouse gas emissions is dependent on city policy; therefore, the City is implementing new strategies in addressing emissions reduction. The City of Irvine Energy Plan outlines four goals which are summarized as involving the entire community in reducing energy consumption and carbon emissions, increasing energy efficiency in buildings to reduce energy use, implementing renewable energy to all new buildings across the city, and reducing greenhouse gas emissions citywide to 1990 levels by the year 2020.

Renewable energy in the forms of wind, solar, and biomass will be

implemented as viable sources of energy for the City. The first way of empowering the City of Irvine with renewable energy would be to purchase renewable energy from other sources. The second way of empowering the City with renewable energy would come from utilizing on-site generators such as solar power. By installing solar panels on the rooftops of various residential units and business structures, solar photovoltaic and solar thermal systems could be retrofitted to fit the urban design of the City of Irvine's existing landscape.



Strategy:
Enhance Irvine's Physical Environment by Promoting "Energy Efficient" High Performance Buildings

High performance building, also known as "green" building, offers developers, owners, and users substantial energy, economic, and environmental benefits over standard buildings. High performance designs are energy efficient, which saves money and natural resources, and results in healthier places to live and work. Green Building is achieved through a process that considers the structure and systems as a whole and examines how these systems work best together.

In commercial high performance buildings, owners and operators not only benefit from

reduced operating and maintenance costs, but also gain from improved worker productivity through improving Indoor Air Quality (IAQ). According to the Environmental Protection Agency, many Americans average 90% of their time indoors; therefore, they are exposed to significantly higher levels of pollutants. By using a greater percentage of filtered outside air, improving ventilation, controlling moisture, and by regulating the level of contaminants in building cleaning substances, optimal air quality will be obtained for building occupants. Utilization of automatic sensors that control and maintain temperature, humidity, and injection of outside air will also improve the quality of air confined within buildings.

Homeowners also reap the benefits from high performance buildings as they will see a reduction



in their energy and water bills as well as improved health resulting from less exposure to harmful toxins and pollutants.

Benefits will also accrue to the larger statewide community through diminished demands on our energy and management systems, our water and wastewater systems, and diminished use of other natural resources. This concept is vitally important given our natural resources are becoming scarcer. Furthermore, building efficiency increases our ability to conserve these precious resources and to attract businesses, workers, and residents who value a high quality of life. This idea also runs in tangent with the City of Irvine’s energy goal of involving the entire community in its effort in reducing GHG emissions.

Strategy:
Utilize the U.S. Green Building Council’s Leadership in Energy and Environmental Design (LEED) as the Premiere System for Green Building

The U.S. Green Building Council’s Leadership in Energy and Environmental Design (LEED) rating system is the most effective green building rating program available for City projects. This is based on the familiarity of the Southern California design and construction community with LEED, partly as a result of initiatives by other local governments, such as the cities of Los Angeles, Santa Monica, and Anaheim. Since the launch of LEED five years ago, over 1,000 buildings have been certified, with over 9,000 registered for certification. LEED has four levels of certification: Certified

Silver, Gold, and Platinum.

The expansion and modernization of the City’s University Community Park facility, now ready for construction, has been designed to achieve LEED certification. The City will use the lessons learned, derived from the University Community Park project, and apply this knowledge to new City facilities and remodeling projects.

The additional cost of LEED certification for City projects is estimated to be 3% depending on the design aspect, including project registration and follow through. These up-front costs are estimated to be paid back in five to seven years. Given the estimated useful life of major building systems is 25 years, and buildings are expected to be in operation for an even greater amount of time, the City will accrue significant financial benefits from an initial investment in LEED design and construction elements. In addition, there are benefits related to visionary leadership in the community, employee satisfaction, public health, and overall environmental quality will be generated by these projects.



Water Quality

Strategy:

Use and Protect Water Resources in a Manner that is Environmentally Conscious

The Irvine Ranch Water District's reclaimed water system is possibly the largest and most sophisticated in the nation. The City uses reclaimed water to irrigate 98% of all common landscape areas in Irvine. Irvine is the first city in California to have an approved regional program for treating storm water and urban runoff. This network of water quality treatment wetlands is

being constructed in developing areas throughout the City. The City also requires project Water Quality Management Plans for all new development and significant redevelopments. Additionally, the City uses integrated pest management practices such as beneficial insect releases to limit pesticide use that can be harmful to our waterways.



Strategy:

Improve Surface Water Quality to Maintain Beneficial Uses in Upper Newport Bay and the San Diego Creek

Standard:

Execute the City’s Local Implementation Plan (LIP) and Participate in Regional, Countywide, and Watershed Programs Designed to Improve Surface Water Quality in the Newport Bay Watershed

The City participates with other cities and the County of Orange in a regional program to protect and monitor surface water quality. As part of that program, participating jurisdictions are regulated under a National Pollutant Discharge Elimination System (NPDES) permit issued by the Santa Ana Regional Water Quality Control Board. Irvine actively protects the physical environment by complying with this permit and other federal, state and regional regulations. During the fiscal year 2007-08

reporting period, the Building and Safety Division conducted 778 water quality inspections. Without proper monitoring and action, the pollutants that enter City storm drains would end up in Peters Canyon Wash, San Diego Creek and Newport Bay.

The City of Irvine has entered into agreements with stakeholders in the Newport Bay Watershed to improve the water quality in Peters Canyon Wash, San Diego Creek and Newport Bay. These agreements fund sediment, nutrient, fecal coliform and toxic Total Maximum Daily Load (TMDL) programs in the Newport Bay Watershed.

The Santa Ana Regional Water Quality Control Board has issued an order to Irvine that requires the City to reduce the levels of selenium and nitrogen in groundwater discharges to the storm drain system. These discharges are necessary to prevent groundwater flooding of the City’s roadway undercrossings. In order to mitigate selenium and nitrogen discharges to the storm drain system, the City has entered into a partnering agreement with IRWD and paid half

of the construction cost of the Cienega Demonstration Project. (\$1.4 million). This project is now operational and is being evaluated to serve as an offset to remove selenium and nitrogen in groundwater discharges associated with the City’s Jamboree and Culver roadway undercrossings and the future Jeffrey roadway undercrossing.

The Sand Canyon undercrossing is also being planned. This undercrossing may also require an offset to remove selenium and nitrogen from groundwater discharges to the storm drain system. The City may have an opportunity to increase the size of the Cienega Project in partnership with IRWD to provide an offset for this project, if necessary.

The remainder of NPDES funding is included in General Fund Fiscal Forecast projections. A percentage of costs related to the review and inspection of new development is recovered through development permit fees.

Table III-11 shows capital costs associated with the City’s Water Quality program.

Table III-11
Water Quality Projects

Water Quality	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Water Quality Project Compliance	\$0	\$100,000	\$100,000	\$100,000	\$100,000
Total	\$0	\$100,000	\$100,000	\$100,000	\$100,000

Solid Waste Management & Recycling

Strategy:

Provide Solid Waste Collection Systems to Meet the Refuse Disposal Needs of the City and Comply with State Waste Diversion Mandates

The City's Waste Management and Recycling program ensures compliance with the California Integrated Waste Management Act of 1989 (AB 939). This state law made recycling a top priority in California and now requires every city and county to divert 50% of their waste from landfills on an ongoing basis. This is to be accomplished through various means including waste reduction, recycling collection, and composting programs. AB 939 requires all jurisdictions to develop and implement waste plans, called Source Reduction and Recycling Elements. These plans outline the specific programs utilized to achieve diversion requirements and encourage waste reduction, recycling, and the creation of strong recycling markets through consumer purchase of recycled-content products.

Irvine complies with AB 939 through implementation of its effective public awareness programs and waste and recycling collection systems in the residential and commercial sectors, and recycling requirements for construction and demolition projects. According to the California Integrated Waste Management Board, between 1995 and 2007, the Irvine community kept more than 2.8 million tons of solid waste material from entering local landfills and is diverting 56% of total waste from disposal.

The City's Waste Management & Recycling program works cooperatively with, and monitors the performance of the City's authorized waste haulers to ensure compliance with solid waste franchise agreements. The program also promotes enforcement of waste-related municipal and zoning codes and provides planning assistance for new development projects and facilities to ensure effective solid waste and recycling collection during and after construction is completed. The program staff works with community representatives and public agencies to address local, state, and federal solid waste management and landfill issues. The program also seeks to prevent pollution by encouraging the proper handling, disposal, and recycling of hazardous wastes such as used oil, and by providing technical direction to businesses and developers regarding solid and hazardous waste issues.

Ongoing funding for solid waste and recycling programs is derived from quarterly franchise fees paid by the City's authorized waste haulers and state grants from the California Integrated Waste Management Board and the California Department of Conservation, Division of Recycling.

Clean Air

Strategy:

Be Actively Involved with the AQMD to Promote Clean Air Programs

The Air Management District program implements the California Clean Air Quality Act of 1988 (AB 2766). This program allocates 40% of the fees imposed by the South Coast Air Quality Management District (AQMD) to local jurisdictions to fund the reduction of air pollution from motor vehicles. These fees have provided funding to encourage the use of public transportation systems at the Irvine Station, the purchase of alternative fuel vehicles for the City's fleet, the communication

system for on-line access to City services, and to acquire emission credits pursuant to South Coast Air Quality Management District (SCAQMD), SCAQMD Rule 2202. The purpose of this Rule is to provide employers with a menu of options to reduce mobile source emissions generated from employee commutes and to comply with federal and state Clean Air Act requirements.

The City proposes to use future AQMD revenues to fund the Irvine Station alternative transportation programs, facilitate the purchase of more alternative fuel vehicles, and to develop long range transportation plans. AQMD funding is anticipated to enable the following projects identified in Table III-12 over the next five years (with the majority of funding for Irvine Shuttle Operations coming from the IBC TMP Fund).



Table III-12
AQMD Projects

AQMD Projects	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Irvine Station Operations	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000
Bus Stop Improvements	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Emission Credits	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000
The <i>i</i> Shuttle - Operations	\$500,000	\$500,000			
Total	\$689,000	\$689,000	\$189,000	\$189,000	\$189,000

Strategy:

Foster Public-Private Partnerships that Improve the Community's Quality of Life

The City of Irvine, known for its progressive stance on incorporating new and innovative technologies, continues to be a leader in helping advance clean air technologies through strategic partnerships with businesses and educational institutions.

The University of California, Irvine in collaboration with a private firm implemented Orange County's first hydrogen fueling station in Irvine in February 2007. The purpose of the new facility is to fuel advanced test vehicles from automakers such as Toyota, Nissan, Honda, and General Motors. The station is the first hydrogen fueling station in the State that dispenses hydrogen at a pressure higher than standard pressure. The higher-pressure increases the driving range of vehicles fueled there. Vehicles using hydrogen as their fuel source are clean in the sense of producing only water as a by-product.



With implementation of its **i** Shuttle transportation system, the City of Irvine has seen a reduction in its carbon emissions. With The **i** Shuttle providing constant and rapid transportation services from the Irvine Business Complex to the Tustin Metrolink Station and John Wayne Airport, commuters are provided with a fast, reliable, and eco-friendly ride to and from their work. Customers of The **i** Shuttle also save money on gasoline and have the convenience of avoiding traffic and parking.

Strategic Goal Success Indicators

Success indicators for the goal of promoting economic prosperity are noted below:

Plans implemented on time and within budget:

An important indicator of success is the extent to which the City satisfactorily completes the five-year Capital Improvement Plan within estimated costs and on schedule.

Revenue increased:

Long-term increases in revenue, beyond what is the result off cyclical fluctuations in the overall economy, is a key success indicator. The extent to which

the City can evaluate the linkage between its strategies and revenue increases is important.

Business attraction revenue exceeds service costs:

The City evaluates the relationship between revenues generated by new business attraction with the concurrent cost to deliver services.

Jobs created:

The number of jobs created is one

indicator of success in promoting economic prosperity. The City will annually track the number of jobs created in the City.

Circulation standards met:

The City’s ability to meet the Level of Service (LOS) circulation standards is one measure of the success of the City’s circulation system.



Chapter Funding Summary

Presented below is a summary of General and Special Fund resources that will be used to fund the projects identified in this chapter. The resources identified below are in addition to the funding assumptions included in the General Fund Fiscal Forecast.

Revenue Funding Sources	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
IBC Circulation Projects:					
Developer Fees	\$0	\$4,000,000	\$0	\$0	\$0
M Competitive (Grant)	\$295,250	\$404,750	\$0	\$0	\$0
IBC Fees (Fund 123)	\$130,000	\$305,000	\$130,000	\$1,155,000	\$2,280,000
IBC TMP (Fund 138)	\$30,712	\$130,503	\$0	\$0	\$0
Citywide Circ. Projects (Ex IBC):					
Developer Fees	\$3,254,103	\$6,000,000	\$0	\$0	\$0
OCTA	\$0	\$38,000,000	\$0	\$0	\$0
M Turnback (Fund 110)	\$354,388	\$0	\$400,000	\$0	\$0
M Competitive (Grant)	\$152,013	\$5,776,443	\$0	\$0	\$0
Proposition IB-HRSCA Grant	\$0	\$8,000,000	\$0	\$0	\$0
Gas Tax (Fund 111)	\$0	\$0	\$0	\$0	\$450,000
SDC Circ (Fund 118)	\$1,480,953	\$2,000,000	\$2,250,000	\$1,600,000	\$400,000
Bicycle Plan Implementation:					
Infra & Rehab (Fund 010)	\$215,079	\$0	\$0	\$0	\$0
M Competitive (Grant)	\$208,721	\$291,279	\$0	\$0	\$0
NITM:					
NITM Fees (Fund 122)	\$100,000	\$100,000	\$900,000	\$8,611,000	\$5,590,520
Transit:					
M Turnback (Fund 110)	\$320,000	\$110,000	\$0	\$0	\$0
Water Quality:					
Infra & Rehab (Fund 010)	\$0	\$0	\$0	\$0	\$0
AQMD:					
AQMD (Fund 130)	\$439,000	\$189,000	\$189,000	\$189,000	\$189,000
IBC TMP (Fund 138)	\$250,000	\$500,000	\$0	\$0	\$0
Total	\$7,230,219	\$65,806,975	\$3,869,000	\$11,555,000	\$8,909,520

Expenditures	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
IBC Circulation Projects	\$455,962	\$4,840,253	\$130,000	\$1,155,000	\$2,280,000
Circulation Projects	\$5,241,457	\$63,185,221	\$7,845,897	\$1,600,000	\$850,000
Bicycle Plan Implementation	\$423,800	\$591,400	\$750,000	\$750,000	\$750,000
NITM Projects	\$100,000	\$100,000	\$900,000	\$8,611,000	\$5,590,520
Transit Projects	\$320,000	\$110,000	\$0	\$0	\$0
Water Quality	\$0	\$100,000	\$100,000	\$100,000	\$100,000
AQMD Projects	\$689,000	\$689,000	\$189,000	\$189,000	\$189,000
Total	\$7,230,219	\$69,615,874	\$9,914,897	\$12,405,000	\$9,759,520

Balance	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Total Revenue	\$7,230,219	\$65,806,975	\$3,869,000	\$11,555,000	\$8,909,520
Total Expenditures	\$7,230,219	\$69,615,874	\$9,914,897	\$12,405,000	\$9,759,520
Net	\$0	(\$3,808,899)	(\$6,045,897)	(\$850,000)	(\$850,000)

Chapter Introduction

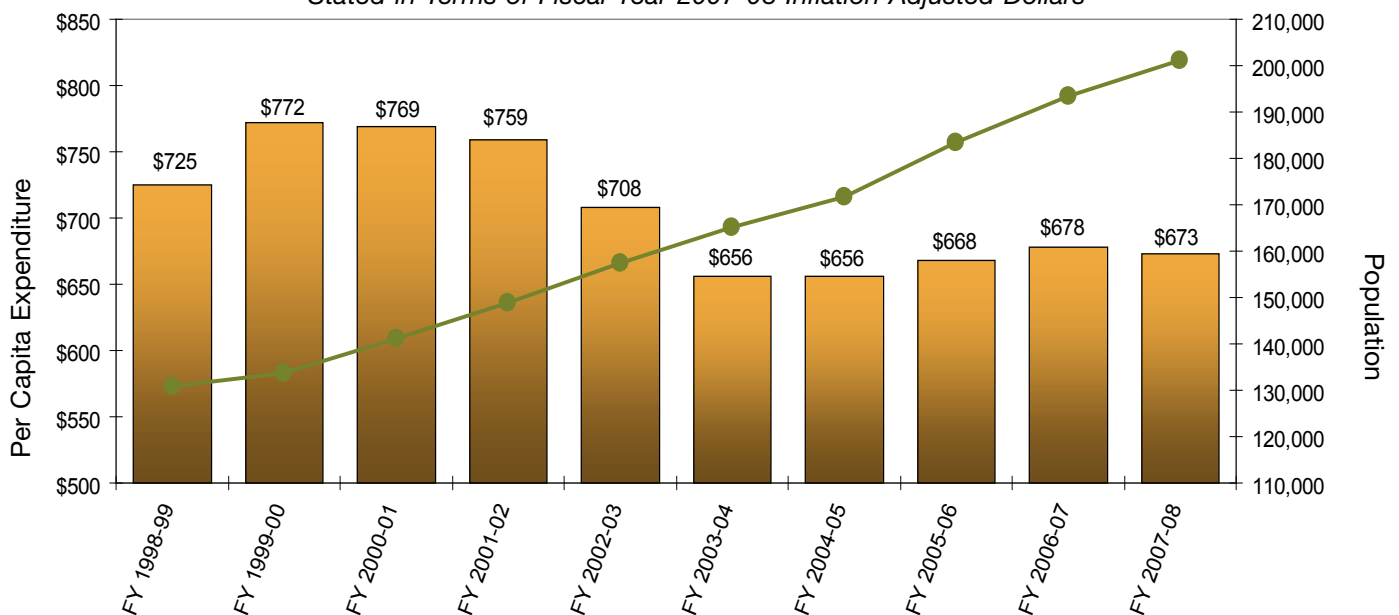
The City of Irvine has a well deserved reputation for providing exceptional customer service. Its commitment to quality service at a competitive price continues to be a central focus of the organization. This chapter reviews business strategies the City is using to maintain and enhance an organization that is flexible, market-based, and customer focused in its service delivery.

Over the last ten years the City has lowered the per capita costs of providing services while at the same time maintaining high standards of service delivery. As Chart IV-1 below shows, over the past ten years, the City's resident

population has increased 57%, while per capita General Fund expenditures (adjusted for inflation) have decreased 7% over the same period.

The City of Irvine remains flexible in its ability to deliver high quality cost-effective services and is responsive to changing economic and market conditions. As the City has evolved over time and revenue growth has become more constrained, City staff has remained vigilant in the examination of policies, services standards, allocation of resources, and funding needs for ongoing issues such as communications technology, infrastructure development, and rehabilitation.

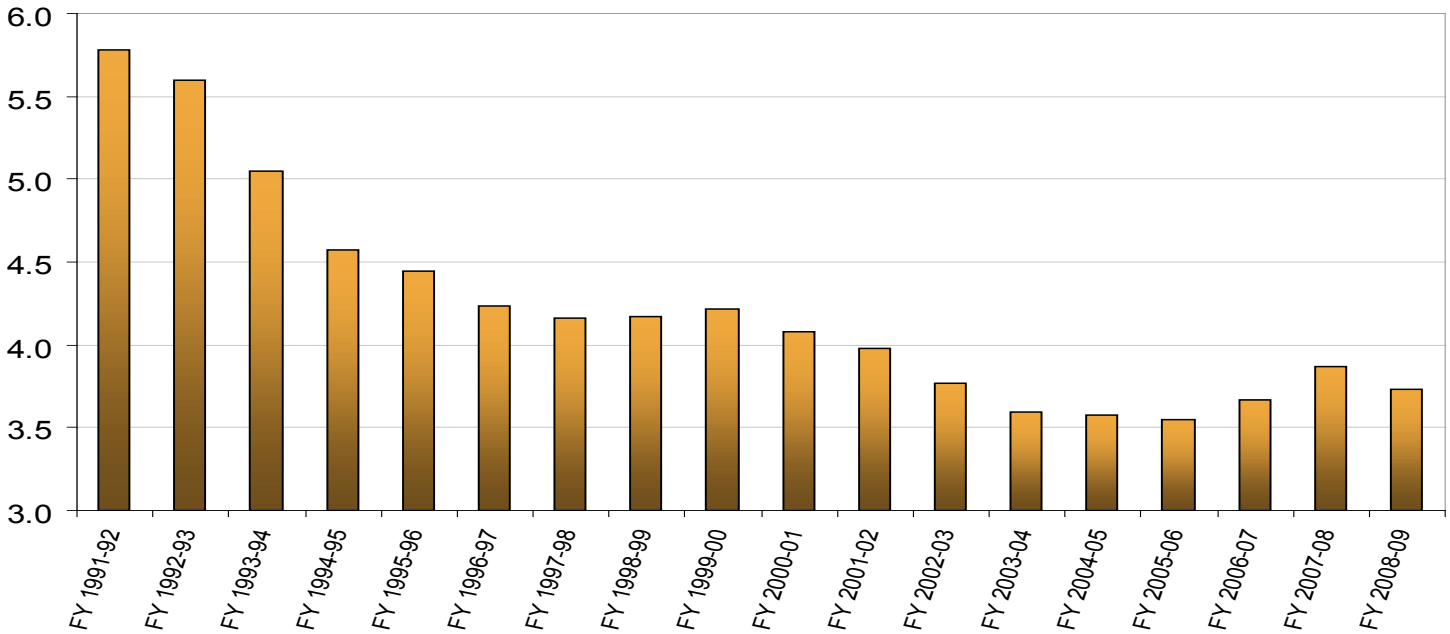
Chart IV-1
Reduced Per Capita Costs: Population & Per Capita Expenditures
Stated in Terms of Fiscal Year 2007-08 Inflation Adjusted Dollars





A variety of steps have been taken to define the City’s goals, redirect resources, identify service standards, link standards to the budget, restructure systems to foster flexibility and responsiveness, and reflect market costs for fee-services. With the leadership of the Irvine City Council, City staff have been able to balance quality service delivery with the needs of a growing city. Additionally, City service delivery has been enhanced over the years while the ratio of full-time staff to residential population has been reduced. As the chart below demonstrates, the full-time staff to resident ratio has declined significantly over the last 18 years. Chart IV-2 demonstrates the successfully focused effort City staff has made to provide quality services while simultaneously increasing the efficiency of service delivery.

Chart IV-2
Full-Time Staffing Per 1,000 Resident Population



Citizen Satisfaction

Strategy: Measure Citizen Satisfaction

Citizen satisfaction is the City's most important goal. One method of measuring community satisfaction is through resident surveys. The City conducts these surveys routinely, with its most recent survey completed in 2006. The City's satisfaction studies are designed to:

- Measure residents' perceptions and satisfaction with the municipal services received from the City;
- Identify policy priorities and key issues of concern for residents; and,
- Provide feedback on the City's progress in meeting its strategic goals.

In summary, the City's 2006 resident satisfaction survey placed the City of Irvine within the top 5% of municipalities for resident ratings of service performance. Listed below are a few highlights from the survey in terms of the City's progress in meeting its strategic goals:

- 97% of Irvine residents rated the quality of life in Irvine as excellent (61%), or good (36%), demonstrating the City's success in achieving its strategic goal of promoting economic prosperity and building a livable community;
- 99% of residents indicated that they felt safe while shopping in the City of Irvine, while 92% felt safe visiting an Irvine Park or recreation facility, indicating success in accomplishing the City's strategic goal of providing a safe community;
- When asked to prioritize various projects for City spending, completing street construction at a faster pace was assigned the highest priority, followed by coordinating traffic signals; and,
- 93% of Irvine residents rated their level of satisfaction with the provision of City services as either very satisfied (59%), or somewhat satisfied (34%), an improvement over 2005 and an indication of success in accomplishing the City's strategic goal of effective governance.

In general, the results of the 2006 resident satisfaction survey exhibited incremental improvements over the results of the last survey conducted in 2005. Reported satisfaction with Irvine's quality of life, for example, improved by one percentage point. Satisfaction with the provision of City services improved by about five percentage points, primarily due to an 18% increase in satisfaction with the City's efforts to communicate with residents.

This improvement is explained by the fact that the Public Information Office (PIO) has instituted a number of new programs and program improvements. The City developed a community newsletter, *Inside Irvine*, which is delivered to all residents

and businesses in Irvine. It created and delivered a 2006 Report to the Community and launched a bi-weekly news show on ICTV, the City's cable channel. The PIO also began a weekly advertising campaign in the *Irvine World News* which highlights events and activities happening around the City that week, and a calendar of events.

The City also instituted a number of changes to its website, and implemented a new dynamic web survey, which will be changed three times per year. The PIO additionally improved marketing outreach to the community with regard to events.

The City's success and accomplishments to-date are impres-

sive. Interestingly enough, 23% of survey respondents in the 2006 study could not identify a serious problem facing the City that needed to be addressed. Those who could identify a problem highlighted three topics mentioned in previous reports: traffic management, managing growth and development, and providing affordable housing. These priorities are reflected throughout the Strategic Business Plan document and will guide the City's planning and resource allocation decisions for years to come, as the City seeks continued success in making Irvine the best possible place to live.



Community Access

Strategy:

Provide Public Information in a Timely Manner to Educate while Building Support, Partnerships, and Understanding between the City and its Residents, Businesses, and Visitors

The residents of Irvine are deeply committed to their community and require of city government a reliable two-way communication effort able to provide information on issues vital to their relationship.

Providing information dissemination and public information in Irvine is a challenge for a city of this size. With no local daily newspaper, commercial radio station, or outside television broadcast, the dissemination of timely information is vital to keep the community informed. The lack of any local commercial media outlet adds significant importance to both the City's website and television station (ICTV Channel 30) as sources of local information.

The Public Information Office (PIO) is comprised of nine full-time employees led by the Director of Public Affairs and Communications who reports directly to the City Manager. The PIO team coordinates all public relations activities for the City, manages the City's television station, City website, advertising, newsletters (internal and external), public outreach, and media relations.

Communication goals and strategies are reviewed and updated to support and promote Irvine's Strategic Plan. The goal of the Public Information Office is to provide information in a timely manner using appropriate and effective communication tools that inform and educate while building support, partnerships, and understanding between the City and its residents, businesses, and visitors.

The PIO's objectives are to:

- Build and maintain a positive public awareness of the City of Irvine, its many events, and programs;
- Uphold the confidence of residents and taxpayers that the City is fiscally responsible and maintains sustainable, innovative, ethical, and visionary planning to preserve and improve the quality of life in the City of Irvine;
- Sustain a positive public perception of the City that encourages business support to maintain a robust and solid tax base; and,
- Communicate the fact that the City is a first-rate and enviable employer in order to enhance customer service and ensure the City consistently attracts talented employees.

The PIO has identified seven strategies to achieve these objectives:

- Develop a strategic public outreach plan to solicit feedback and provide a strong foundation for multi-directional communication between residents, the business community, and the City;
- Create a policy framework to provide guidance and consistency for City communication efforts;
- Provide Irvine citizens and businesses with trustworthy, effective, and timely sources of local information;
- Create and carry out strategic internal communication initiatives to maintain a high level of employee satisfaction;
- Develop and nurture relationships with the media;
- Maintain due diligence to protect the image of the City; and,
- Work cooperatively with the Emergency Management office to ensure effective communications plans are in place in the event of a crisis or emergency.

Highlights of the methods used to support these strategies include:

- Continued improvement of the City's external and internal newsletters to provide information to better serve the public and staff in a timely and engaging manner;
- Create marketing plans that will allow departments to work more efficiently with the PIO to effectively and successfully promote events;
- Expand the in-house produced programming for ICTV;
- Continue to improve the outreach and interactive capabilities of the City's website; and,
- Centralize public information services to enhance efficiencies, create continuity in the City's messaging strategies, and provide standards of excellence to ensure consistent quality.

The Public Information Office will measure its success on quantifiable results, including enhanced media coverage, improved ratings on surveys, and enhanced public outreach through Inside Irvine, ICTV, and the City's website.

For 37 years, residents and businesses have chosen Irvine because of its dedication to maintaining its reputation as America's Safest City and one of the best-educated, business-friendly communities in the country. This dedication to public information and community outreach helps make Irvine the strong community it is today and what it will continue to be for generations to come. Communicating this unique story throughout the City and the region continues to be the goal of the Public Information Office.

Strategy:

Connect the Community with the Past, Present, and Future of Irvine

As part of the City's goal to provide access to public information, the City Clerk's Office is charged with the responsibility of maintaining all records City-wide. As of January 2002, the City Clerk's Office of Records and Information Division discontinued micro-filming permanent records and implemented the Irvine Records and Information System (IRIS), an imaging system where documents are scanned and stored electronically. In 2003, a project was initiated to convert the City's 8,000,000 microfilm documents to the IRIS for electronic access. In the first phase of that project, 1,000,000 documents related to Development Case Files were converted from microfilm to image. In the second phase an additional 1,000,000 microfilm images related to CIP Files and Street Improvement Plans were converted. The third phase is currently underway, and includes the conversion 1,000,000 images related to Personnel Files and Grading Permits.

To further the goal of providing prompt and easy access to public information, in 2004 the City Clerk's Office of Records and Information Division developed

"Irvine Quick Records," an internet-based records search engine which provides online access to public records. This user-friendly system allows citizens and City staff to search for City documents by key words or by words or phrases within a document, greatly reducing the time it takes to retrieve vital information. In conjunction with the release of Irvine Quick Records, the City Clerk's Legislative Division implemented an electronic agenda management system, Agenda Plus, to manage City Council, Board, Commission and Committee meeting agendas. Agenda Plus enables accessibility of Agendas and supporting documentation which are published directly to the City web site and are available to the public before and after meetings have been conducted. In concurrence with the implemen-

tation of Agenda Plus, the City implemented streaming video with Granicus, enabling live-streaming of City Council meetings and dual access to agendas and supporting documentation.

Today, the City creates approximately 1,500,000 pages of information annually eligible for imaging, with over 5,500,000 images in the system. With the implementation of Irvine Quick Records, Agenda Plus, and Granicus, City employees and the public at large can research public records from the convenience of their own desktops, furthering the City's goal of a creating a virtual City Hall.



Organizational Capacity

Strategy:

Continuously Evaluate the Staffing Mix of Employees, Consultants, and Contractors

While the City’s population has grown 57% over the past 10 years, and inflation adjusted per capita costs have decreased 7% during this same period, Irvine’s tradition of providing quality service has remained steadfast. The delivery of quality service to our community has been accomplished through a mix of cost-containment programs, techno-

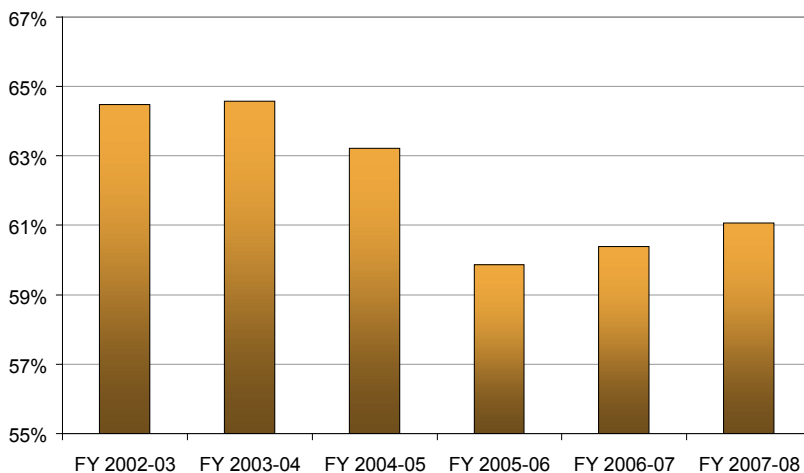
logical initiatives, and by balancing our mix of full and part-time staff with an appropriate level of consultants and contract employees. Chart IV-2 shows that the cost of salaries and benefits for City employees, as a percentage of the overall budget excluding consultants and contract employees, has decreased by 3.4% over the last 5 years.

The City uses a workforce comprised of full and part-time employees, contractors, and consultants to provide efficient City services. The increasing demand for City services has been met with an increased use of contractor and consultant services as well as with greater reliance on technology and other efficiency measures.

As the City grows and demand for services increases, however, it is imperative that staff regularly review and evaluate the mix to ensure we realize the most efficient cost-effective ratio of employees, consultants, and contractors. Continuous evaluation of the City’s organizational structure and the cost efficiency and effectiveness of using contract employees in lieu of full-time staff will become even more important as the City’s population and physical size grows. While there is certainly an advantage to using contract employees for services that call for quick changes due to economic fluctuations, when the need for permanent services increases with the growth of the City, the addition of permanent staff becomes more cost effective.

In service areas related to development activity such as planning, permit processing, plan check and inspection, the use of contract and consultant services has allowed the City to adjust its workforce size according to the level of development activity. The balance between the use of full and part-time City employees, contractors, and consultants will be evaluated and adjusted accordingly in the future in order for the City to maintain quality service delivery in an efficient cost-effective manner.

Chart IV-2
Salaries & Benefits as a Percentage of the Budget



Strategy: Implement the Strategic Technology Plan

The City of Irvine envisions itself as a “Smart City” within a vibrant community where information is easily obtained by residents and businesses alike and where organizational efficiency is driven by technological innovation. A key to successful interaction between City services, businesses, and residents is to enable the community to receive and provide information through a variety of tools. The basic tenets of a “Smart City” are in direct line with the City Council’s strategic goals, and a growing Internet presence to meet constituents’ demands. “Smart City” goals include:

- Improving access to services
- Enhancing communications with the community
- Making the City “business e-friendly”
- Attracting high technology businesses
- Marketing the City and its benefits
- Creating a consistent community image

During the past several years, key components of the Strategic Technology Plan have been completed. The City’s technology foundation is now complete, secure, and robust, enabling the City to continue its efforts towards becoming a “Smart City” where our virtual City Hall is open 24/7. “Smart City” goals will continue to bring City services to the community and will improve the dissemination of information to City staff.

Citizens can now register for classes on the City’s website, access agendas and minutes, find information on road construction, review job openings and apply for jobs, inquire and apply for various permits, apply for a business license, view pets available for adoption, retrieve City documents, and access the City’s Schedule of Events. The most frequented pages include news, employment, the animal shelter, and Public Safety.

The role of technology in the City is expanding as more services and equipment are taking advantage of Internet Protocol (IP) based networking. The City has also

implemented Voice over Internet Protocol (VoIP), integrating the telephone system into the data network. The City has been able to substantially reduce its phone costs through the adoption of this new technology.

In the past fiscal year the City has implemented video recording in Public Safety vehicles with an automatic upload of the recording (via wireless) as vehicles enter the secured Public Safety lot. A Citywide 4.9 GHz wireless network for Public Safety use is in the implementation process as is expanded coverage for the City’s 1640 am radio station.

The City has installed and implemented a computerized maintenance management system (GBA) which covers pavement, streets and bridges, landscape, facilities, trees, signs, and traffic signals assets and work orders. This system is in the process of being configured to enable residents to submit work requests via the City’s web site. In addition to these improvements, the City has implemented a citywide distributed time entry system (Intellitime).

Table IV-1
Strategic Technology Plan Funding Assumed in the Fiscal Model

Strategic Technology Plan	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Departmental Contributed Capital	\$6,144,100	\$6,144,100	\$6,168,700	\$6,193,400	\$6,218,200
Total	\$6,144,100	\$6,144,100	\$6,168,700	\$6,193,400	\$6,218,200

The importance of maintaining and retrieving information continues to grow just as the City's population grows. Data and technology are expanding resources of the City. Increased demands and dependency will be placed on the data network as the City and the Community rely more and more on information technology for the transmission of data and voice.

On-going Strategic Technology Plan Projects include software, hardware and personal computer (PC) life-cycle replacements, maintenance, upgrades, PC operating system and Office Suite upgrades, and bi-yearly testing of the disaster recovery plan for the City's financial systems.

The Strategic Technology Plan is a rolling five year assessment of City technology goals and needs as well as a funding plan and implementation schedule. The

plan is updated annually and adopted by the City Council prior to the preparation of the annual budget. More detail about the City's most recent technology initiatives can be found within this document.

Organizational Efficiency

Strategy: Use Activity Based Cost Studies to Set Fees that Recover the Full Cost of Fee-Based Services

One of the City's goals is to promote effective government by providing the highest quality of services to the community at the most cost-effective rate. By determining the full cost of services, the City's competitiveness can be measured regularly and can be

considered as part of policy decisions when setting user fees and cost recovery levels.

To make certain that the City efficiently and effectively uses the limited fiscal resources that it has available, user fees are often charged in cases when an individual receives an exclusive or disproportionate benefit from a City service. The City Council determines the level of cost recovery desired and a fee is set and reviewed on a scheduled basis.

Fee studies are used to analyze and update service costs. To make sure the fees charged for services are appropriate, Cost studies are based on cost accounting methods that use activity data to measure the cost of providing services to the community. The City contracts with cost accounting experts to conduct these studies.



By comparing the cost competitiveness of services to similar public and private sector-based organizations, the City can make appropriate changes to become a more efficient provider of services.

Strategy:
Deliver Cost-Effective Services

According to the most recent 2006 resident satisfaction survey, the City of Irvine is once again in the top 5% of municipalities for resident ratings of service performance. Irvine municipal government is clearly effective given

current revenues and resources. However, as the City ages, rehabilitation needs will begin to take an increasing percentage of current resources to maintain Irvine as we know it today. In addition, important City cost inputs such as medical insurance and the cost of gasoline, asphalt, electricity and water have all been increasing significantly faster than overall inflation in recent years and this has put existing pressure on the City budget.

As resource priorities change in the coming years, staff must find ways to deliver effective services in a more efficient manner. Embracing technological initiatives and streamlining internal

systems to become more efficient and productive while maintaining quality, effective, and responsive services. We must shift our focused efforts from effective service delivery to become cost-effective in our service delivery. Opportunities exist to pursue excellence and value at the same time. Our mission now is to seek out those opportunities by embracing the incremental changes that reduce the cost of service delivery without diminishing service effectiveness.



Strategic Goal Success Indicators

Accomplishments achieved by the City that highlight the organization's effectiveness include:

Award-Winning City:

The City of Irvine is a progressive community that is nationally recognized for its many accomplishments. For example, assuring a safe and secure community is a priority for the City. The result, Irvine was noted as the safest city for violent crime in the nation with a population of 100,000 or more in the FBI's Uniformed Crime Report. Also, by promoting a solid economic base and attracting many new businesses, Irvine has become an economic powerhouse in the Southern California region. What makes Irvine an attractive location is its quality of life. The City takes pride in taking the initiative to protect the environment by promoting and preserving open space with the establishment of parks and protecting community heritage. Furthermore, Irvine is consistently improving the needs of its transportation system to eliminate the negative impacts of traffic congestion.

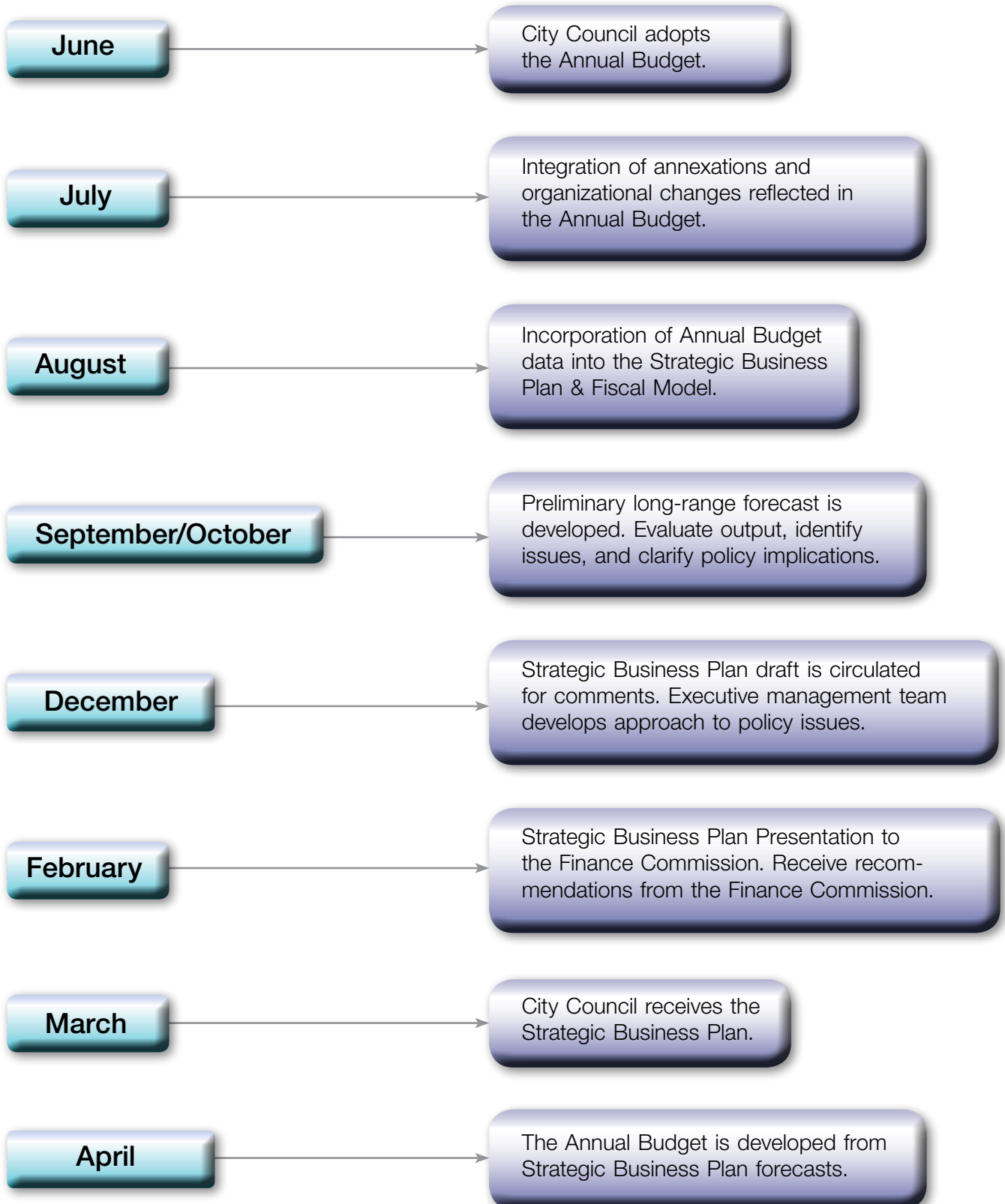
Increased Service Efficiency:

Over the last five years, the City of Irvine has experienced tremendous growth. Population has increased 27%, park acres have increased 18%, street landscape acres increased 29%, facilities increased by 7%, and

street lane miles have increased by 14%, and over the last five years, per capita costs (adjusted for inflation) have declined 5%, while the ratio of full time employees per thousand residents has been essentially flat – all while maintaining current service standards.



2010 Strategic Business Plan Development Timeline





Overview of the General Fund Fiscal Impact Model

The Fiscal Model combines forecasts of residential and nonresidential development, the current adopted General Fund Budget, and City maintained infrastructure into ratios and relationships in order to assess the impacts of projected development on the General Fund Budget. Revenues in the short-term (5 years and less) are forecast based on anticipated economic conditions while the longer term revenue forecast (beyond 5 years) is based on existing ratios and budgetary relationships. By forecasting the Operating Budget into the future, an assessment may be made about the sustainability of current City services.

To produce a forecast, the Fiscal Model uses the following factors:

- Residential Development (dwelling units)
- Commercial Development (square feet)
- Residential Population
- Employment Population
- Daytime Population
- Sworn and Non-Sworn Merit Increases
- MOU Increases
- Known and estimated future CalPERS Rate Changes
- National Pollutant Discharge Elimination System (NPDES)
- Inventory Increases Including:
 - Park Acres
 - Street Landscape Acres
 - Street Lane Miles
 - Civic Facilities (square feet)
 - Open Space Acres
 - Strategic Technology Plan
- A forecast of economic variables and conditions

Citywide Land Use Development Projections

Community Development produces a Citywide Land Use Projections Database, which forecasts increases in residential dwelling units and nonresidential development through City build-out. The Development Forecast is produced in five-year increments including 2010, 2015, 2020, 2025, 2030 with the remaining development lumped in post-2030. The forecast has been adjusted for prevailing economic conditions.

To make the Development Forecast useful for fiscal forecasting, the forecast is annualized given historic annual development rates adjusted for current economic conditions and also current available information on the phasing of various large projects throughout the City.

The annualized Development Forecast is then combined with General Plan factors for residents per Dwelling Unit (DU) and Employment per Thousand Square Feet (SF) to produce:

- Residential Population Estimates
- Employment Population Estimates

Daytime Population is estimated by combining the residential population forecast with the employment population forecast (assuming that 50% of the population forecast remains in the City during the day).

The model uses the following detailed data sets defined by the City's General Plan:

Residential Categories (projected in dwelling units):

- Estate Density (density of one unit or less per acre)
- Low Density (0-5 units per acre)
- Medium Density (0-10 units per acre)
- Medium-High Density (0-25 units per acre)
- High-Density (0-40 units per acre)
- Multi-Use (0-40 units per acre)
- Institutional (e.g. UCI campus housing)

**Non-Residential Categories
(projected in square feet):**

- Exclusive Agriculture
- Development Reserve
- Preservation
- Recreation
- Estate Density Residential
- Low Density Residential
- Medium Density Residential
- Medium-High Density Residential
- Multi-Use
- Transit Oriented Development
- Neighborhood Commercial
- Community Commercial
- Vehicle-Related Commercial
- Commercial Recreation
- Irvine Center Regional Commercial
- Irvine Center Retail/Office Commercial
- Irvine Center Urban Commercial
- Irvine Center Garden Commercial
- Lower Peter's Canyon (LPC) Regional Commercial
- IBC Mixed-Use
- IBC Multi-Use
- IBC Industrial
- General Industrial
- Medical and Science
- Business Park
- Institutional

General Fund Budget

The model uses the following General Fund Budget categories to produce a forecast:

Revenues:

- Sales Tax
- Property Tax
- Vehicle License Fees (VLF)
- Hotel Tax
- Franchise Tax Revenue
- Community Service Fees
- Utility Users Tax
- Fines and Forfeitures
- Licenses and Permits
- Community Development Fees
- Public Works Development Fees
- Documentary Transfer Tax
- Miscellaneous

Expenditures:

- City Manager's Office
- Administrative Services Department
- Community Development Department
- Community Services Department
- Public Safety Department
- Public Works Department
- Non-Departmental

Detailed Model Assumptions

Population and Employment Factors

The following General Plan factors (General Plan Table A-3) for population per dwelling unit and employment, derived from the 2000 census, are used in the model:

Population per dwelling unit:

<i>Land Use Element Category</i>	<i>Residents per Dwelling Unit</i>
Estate Density	3.25
Low Density	2.94
Medium Density	2.57
Medium-High Density	2.29
High Density	1.30
Multi-Use	1.30
Institutional*	1.00

**Institutional data is presented in terms of bed count rather than residents per unit*

Employees per 1,000 sq. ft. of commercial development:

<i>Zoning Category</i>	<i>Employees per 1,000 Sq Ft</i>
Development Reserve	2.0
Preservation	2.0
Recreation	2.0
Estate Density Residential	2.0
Low Density Residential	2.0
Medium Density Residential	2.0
Medium-High Density Residential	2.0
Multi-Use	2.0
Neighborhood Commercial	2.0
Community Commercial	2.0
Vehicle-Related Commercial	2.0
Commercial Recreation	2.0
Irvine Center Regional Commercial	2.0
Irvine Center Retail/Office Commercial	2.0
Irvine Center Urban Commercial	2.0
Irvine Center Garden Commercial	2.0
LPC Regional Commercial	2.0
IBC Mixed-Use	1.9
IBC Multi-Use	1.9
IBC Industrial	1.9
General Industrial	1.9
Medical and Science	1.9
Business Park	1.9
Institutional	2.0

Service Factors

Strategic Technology 5-Year Base Plan General Fund expenditures are included in the model as expected to be budgeted from FY 09-10 through FY 13-14. Thereafter the cost projections increase with gains in population.

50% of Irvine's population remains in the City during the day.

Police calls for service are divided:

- Residential 70%
- Commercial 30%

A portion of development services fee revenues are transferred into the General Fund to supplement the overhead portion of services provided. The revenues are transferred to the General Fund as accounts receivable revenues are billed, or as development fee revenues are received.

Right-of-Way Development:

- Lane mile pavement width: 12 feet
- Ratio of street landscape acres to street lane miles: 40% (five year average)
- Ratio of sidewalk miles to street lane miles: 50% (FY 07-08 Average)

General Fund operating transfers to the Rehabilitation and Infrastructure Fund are shown on the General Fund Summary Forecast in the Financial Condition chapter.

The Fiscal Model assumes that infrastructure, such as parks, street landscape acres, and right-of-ways, come online the first day of each fiscal year.

Revenue and expenditure projections include inflation as detailed in the Financial Condition chapter. Financial projections beyond five years, however, are deflated and presented in terms of present value.

Special Funds

There are several Special Funds that partially support the cost of ongoing City operations. The costs borne by these funds are subtracted in projecting the City's future General Fund fiscal position in the Fiscal Model. The Special Funds that partially support ongoing services are:

- Landscape, Lighting and Park Maintenance Fund
- Building and Safety Fund (development services overhead revenue)
- Development Services Fund (development services overhead revenue)
- Development Engineering Fund (development services overhead revenue)

General Fund Revenues Assumptions

Short-Term vs. Long-Term Projections

In the short term City revenues are most heavily influenced by changes in the general economy such as changes in national Gross Domestic Product (GDP), local employment, and personal spending power, for example. In the longer term, however, economic conditions even-out, and in a developing City such as Irvine, revenues are more heavily influenced by increases in population and the dedication of new commercial retail space. As a result, a number of the revenue forecasts in the Business Plan are made using different methodologies for the short-term versus long-term projections. Generally the short-term (five years and less) projections are calculated using statistical analysis techniques while the longer-term projections are based on calculated relationships. For example, the short-term projections are typically based on a statistical analysis of economic variables, such as Orange County per capita income growth or national GDP. The longer-term projections, on the other hand, are primarily based on increases in population, dwelling units, and retail square footage. The assumptions behind the calculations for both the short and long-term projections are explained in the discussion that follows.

Model Regression Functions

Many of the City's General Fund revenue sources are forecast using a statistical modeling technique called regression analysis. Regression analysis uses historical data to estimate trends and relationships between dependent and independent variables. For example, the residential population in Irvine can be forecast by looking back historically at the number of dwelling units and comparing the housing count to the given population (using a regression equation). Regression equations are now used to statistically link historic relationships between service costs, residential and nonresidential development, infrastructure, and revenue patterns to estimate the future.

Revenue Forecast Models Using Regression Analysis Include:

- Sales Tax
- Hotel Tax
- Utility Users Tax
- Documentary Transfer Tax
- Community Service Fees

The City uses Forecast Pro statistical software (sold by Business Forecast Systems) to assist in analyzing and preparing its statistical revenue models. The revenue graphs are provided by the Forecast Pro software and show the revenue history, forecast and the forecast confidence interval for each revenue source.

The forecasts are based on historical data and also projections of macro-economic variables generated by the University of California at Los Angeles (UCLA) Anderson Forecast, Orange County Economic Outlook for 2009 (October 2008), California State University at Fullerton Forecast for the Nation, Southern California and Orange County (October 2008), and also the Wall Street Journal nationwide

survey of prominent economists (November 2008). Below is a table of the economic variables stated in real terms used in assembling the forecast for the first year (fiscal year 2009-10). Because economic conditions deteriorated as the year progressed, the individual forecast results were lowered, as deemed appropriate, to reflect a more conservative forecast than what would otherwise be generated by the variables presented in the table below. At the same time, however, each of the lowered estimates remain within the original forecast margin of error at the 95% confidence level. The forecast must be made at a point in time with the best information then available, but will be adjusted going forward as necessary. For example, the results of the analytical work done in preparing the 2009 Strategic Business Plan are being used now to

help guide fiscal year 2009-10 budget development efforts. The forecast will be adjusted, however, as more information is known about the economy closer to budget season, and therefore budgeted revenue and expenditure amounts may ultimately differ from the Strategic Business Plan forecast.

A detailed explanation of each of the regression equations is presented in the pages that follow. The regression formula is described along with key forecast variables. In addition, a graph is provided that depicts historical real revenue along with the 5 year forecast and the associated margin of error for the forecast at the 95% confidence level.

Economic Variables	2008 Estimate	2009 Forecast			SBP Forecast	Methodology
		UCLA	Fullerton	WSJ Survey		
U.S. Real Gross Domestic Product	0.3%	No forecast	1.3%	0.5%	0.5%	Use WSJ survey: consensus opinion of 54 nationwide economists
U.S. Inflation (CPI)	2.8%	No forecast	3.1%	1.8%	1.8%	Use WSJ survey: consensus opinion of 54 nationwide economists
Orange County Employees	1,487,000	1,493,000	1,470,500	No Forecast	1,482,000	Average of the forecasts
Orange County Real per Capita Income	\$49,997	\$48,947	\$52,189/ (\$48,579 real)	No Forecast	\$49,602	Average of the forecasts
Orange County Real Personal Income	\$151.3 billion	\$159.2 billion	\$161.9 billion	No Forecast	\$153.0 billion	Averaged the forecasts and removed inflation for a "real" (after inflation) estimate
Orange County Unemployment	5.2%	5.4%	6.0%	No Forecast	5.7%	Average of the forecasts
Orange County Housing Permits	3,274	6,500	No Forecast	No Forecast	6,500	Used the UCLA estimate
Orange County Change in Real Median Home Price	-25.9%	-9.1%	No Forecast	No Forecast	-10.9%	Used the UCLA estimate and added inflation to get a "real" (after inflation) estimate

Sales Tax Revenue Model

A linear regression model is used to project the first five years of City sales tax revenue. The model uses the variables below to forecast this tax revenue. The model has an Adjusted R-Square value of .98 which means that the explanatory variables used in this model explain 98% of the variation found in historical Sales Tax revenue with a minimum variance. The variables used in this model are: the total number of Orange County employees, Orange County real per capita income and the annual percentage growth in real Gross Domestic Product.

The Regression Model: (5 Year Forecast):

Sales Tax = function of: (OC employees, OC real per capita income and % real GDP growth)

The regression model projects future real (after inflation) sales tax revenue that changes along with economic activity and local spending power.

Explanatory Variables:

OC Employees

This variable represents total Orange County local employment (jobs), with future projections provided by regional economic forecasts from UCLA, Chapman, and Fullerton. Spending power (and City sales tax revenue) should increase as local employment increases.

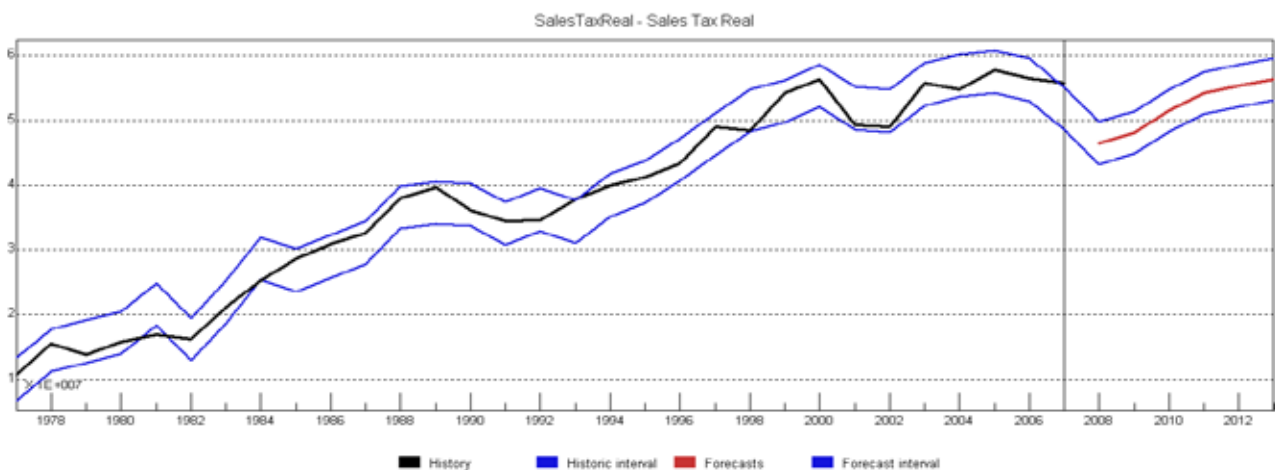
OC Real Per Capita Income

Orange County real per capita income represents personal spending power in the local economy. Future projections are provided by regional economic forecasts from UCLA, Chapman, and Fullerton. The relationship modeled is that spending on taxable goods in the local area increases with local income growth.

% Change in Real GDP

Gross Domestic Product (GDP) is the broadest available measure of national economic activity. Real GDP (as opposed to nominal GDP) is GDP growth minus inflation, which is subtracted to represent true economic growth. GDP is forecast by the Wall Street Journal survey of national economists for the first year, and then by UCLA, Chapman and Fullerton forecasts for the next 2-3

Sales Tax



years of the forecast. In the outer years of the forecast it is assumed that GDP growth will trend back toward its long-term trend rate of growth of approximately 3-3.5% per year.

Long Term Sales Tax Model:

The longer-term sales forecast, beyond five years, is calculated on the basis of projected future commercial and residential development within the City.

Direct Sales Tax

The City calculates the actual amount of sales tax revenue that it receives per square foot of non-residential intensity and this is used to project revenues associated with future non-residential development. The City uses different data sources in making this calculation: The City's Geographic Information System (GIS) is used to determine the actual amount of sales tax revenue that is received by each City zoning code category. The City's land-use database is then used to determine the amount of revenue received per building square foot in each zoning category. Multiple years of inflation adjusted data is then averaged to dampen the influence of year-to-year economic fluctuations.

In addition, it is assumed that sales tax generated from new commercial development in the City displaces 20% of sales tax received from existing commercial centers within the City (source: regression analysis).

Indirect Sales Tax

Irvine receives 1% of taxable sales within the City as General Fund sales tax revenue.

Employee Spending Assumption

Each Irvine non-resident employee spends \$3,772 per year in the City for lunch, groceries and other after work retail purchases (2004 International Council of Shopping Centers survey, adjusted for inflation)

Resident Spending Assumptions

New residents bring increased purchasing power and sales tax revenue to the City - this is estimated based on the purchase price of their home.

- Residents spend 25% of their income on taxable sales (U.S. Bureau of Labor Statistics 2006 Consumer Expenditure Survey)
- 50% capture rate for resident spending on taxable goods in existing Irvine retail centers.
- Income growth is 1.4% per year over inflation (Orange County long-term historic average)
- Resident income is 4x their annual mortgage payments (fully amortizing, 30 year mortgage at the historic long-term average interest rate)
- Home purchase price is estimated as the long-term average multiplier of historical Orange County per capita income and actual historical Irvine home prices by category (Estate density, Low Density, Multi-use, etc.)

Hotel Tax Revenue Model

This linear regression model uses the variables below to forecast this tax revenue. The model has an Adjusted R-Square value of .94 which means that the explanatory variables used in this model explains 94% of the variation found in historical Hotel Tax revenue with a minimum variance.

The Regression Model (5-Year Forecast):

Hotel Tax = function of: (OC unemployment, OC real per-capita income, GDP)

Explanatory Variables:

OC Unemployment

Orange County unemployment is a measure of local business activity. Higher unemployment means less business activity which likely means less business travel and hotel stays and therefore reduced hotel tax revenue for the City.

OC Real Per Capita Income

Orange County real per capita income represents personal spending power in the local economy. Future projections are provided by regional economic forecasts from UCLA, Chapman, and Fullerton. The relationship modeled is that spending on taxable goods in the local area increases with local income growth.

GDP

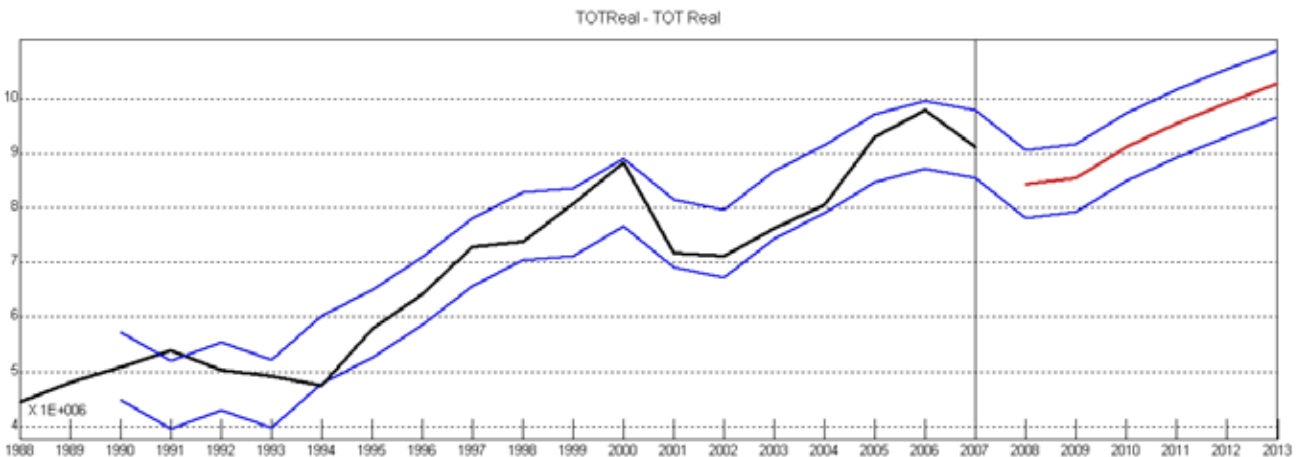
National Gross Domestic Product (GDP) is the broadest available measure of national economic health. High levels of national economic growth would be expected to filter down to the local level and to generate increased business travel, hotel stays and hotel tax revenue for the City.

Long-Term Forecast:

The longer term revenue forecast, beyond 5 years, is calculated on the basis of incremental increases in business, industrial and institutional development given the assumption that the majority of Irvine hotel stays are a function of business travel. In addition, the construction of new hotel rooms also results in additional projected revenue with the following assumptions:

- Projected on the basis of the inflation adjusted historical average of tax revenue per City hotel room
- 25% displacement rate for revenue resulting from new hotel rooms in the City

Hotel Tax



Utility Users Tax Revenue Model:

This linear regression model uses the variables below to forecast this tax revenue. The model has an Adjusted R-Square value of .76 which means that the explanatory variables used in this model explains 76% of the variation found in historical Business Utility Users Tax revenue with a minimum variance. This tax is levied on businesses located within Irvine’s City boundary. Variables used in this model are the number of Orange County employees, Orange County Personal Income and the number of Orange County Housing Permits. Revenue is expected to increase with additional business activity.

The Regression Model (5-Year Forecast):

Business Utility Users = function of:
 (OC Employees,
 OC Personal Income,
 OC Housing Permits)

Explanatory Variables:

OC Employees

This variable represents total Orange County local

employment (jobs), with future projections provided by regional economic forecasts from UCLA, Chapman, and Fullerton. As jobs increase, so should business activity and therefore City utility tax revenue.

OC Personal Income

Orange County personal income is a broad measure of the local economy’s wealth and business activity. Future projections are provided by regional economic forecasts from UCLA, Chapman, and Fullerton. The relationship modeled is that income results from more jobs and business activity which positively impacts utility users tax revenue received by the City.

OC Housing Permits

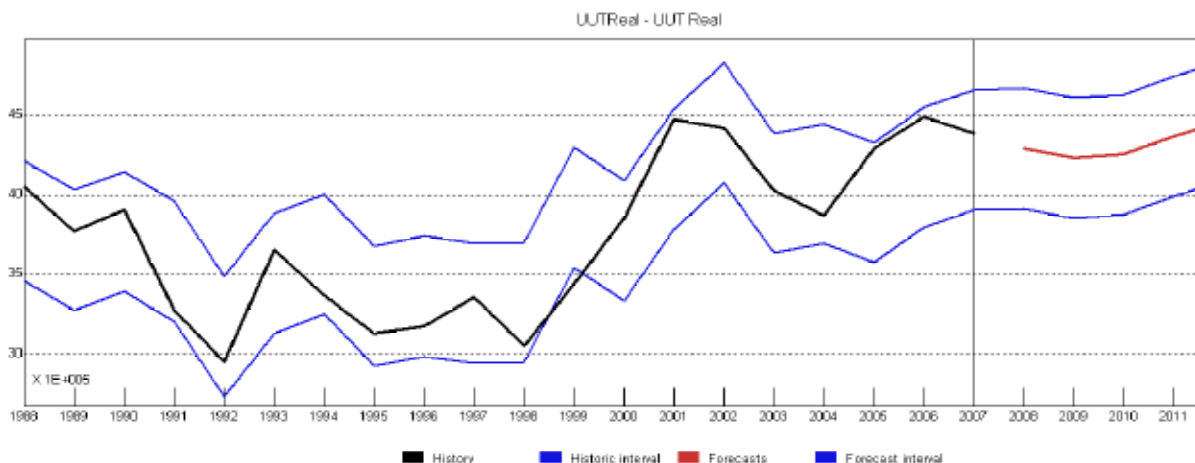
Orange County housing permits is a general indicator of economic health and business activity.

Long-Term Forecast:

Assumptions:

- Forecast base year: FY 07-08 actual revenue
- Revenue is inflation adjusted
- Revenue increases proportionately with changes in total non-residential development

Utility Users Tax



Documentary Transfer Tax Revenue Model:

The linear regression model used to estimate this tax revenue has an Adjusted R-Square value of .94 which means that the explanatory variables used in this model explains 86% of the variation found in historical Documentary Transfer Tax revenue with a minimum variance. Variables used in this model are orange county median home prices, orange county real per capita income and real gross domestic product..

The Regression Model (5-Year Forecast):

Documentary Transfer Tax = function of:
(GDP, Home Price, Home Price(-1) OC Income)

Explanatory Variables:

Home Price

This variable is the median price of Orange County homes as reported by the California Association of Realtor’s price index. Projections are derived from UCLA Anderson’s Orange County forecast.

Home Price(-1)

This variable is the median price of Orange County homes, with a one year lag.

OC Real Per Capita Income

This variable is a measure of local spending power and is an indication of the ability of households within Orange County to afford large purchases such as a new home.

GDP

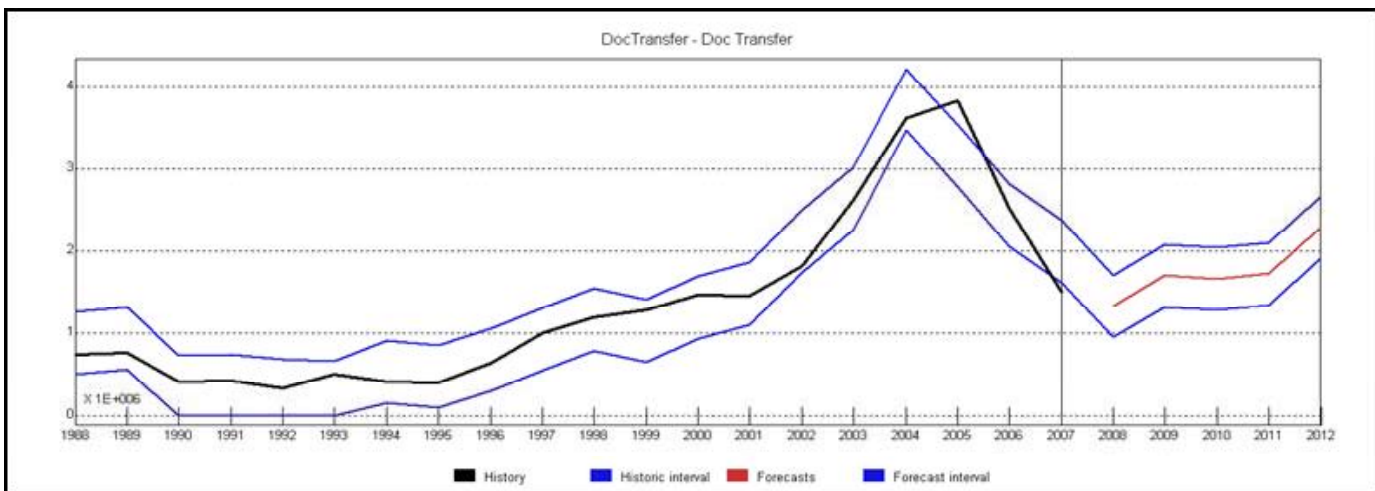
This variable is Gross Domestic Product in real dollar terms. This variable represents a broad measure of national economic activity.

Long-Term Forecast:

Assumptions:

- Rate is \$0.275 x \$500 turnover in assessed valuation
- Turnover includes new development as well as 10% per year of existing residential assessed valuation and 5% non-residential assessed valuation

Documentary Transfer Tax



Community Service Fees Model:

The linear regression model used to estimate this fee revenue has an Adjusted R-Square value of .98 which means that the explanatory variables used in this model explains 95% of the variation found in historical Community Service Fees with a minimum variance. Variables used in this model are real gross domestic product and residential population.

The Regression Model:

Community Service Fees = function of:
(Real GDP, Residential Population)

Explanatory Variables:

GDP

Gross Domestic Product is a variable that represents a broad measure of national economic activity. It is assumed that residents are more likely to pay fees to enroll in City classes when they have more disposable income.

Residential Population

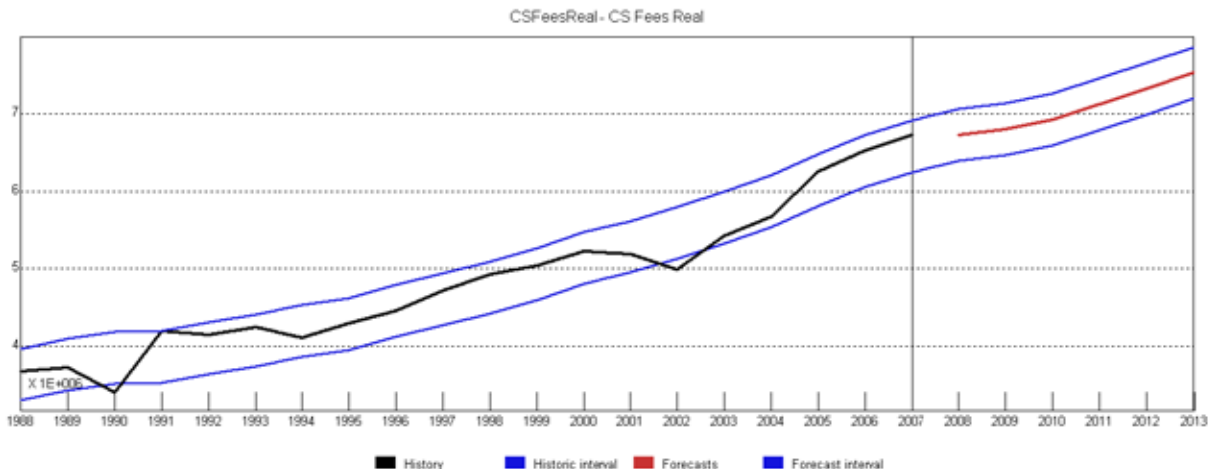
The City’s residential population as reported annually by the California Department of Finance and as projected in Appendix E.

Long Term Forecast:

Assumptions:

- The 10 year historical average of Community Services fee revenue per resident is used in projecting future revenues
- Future revenues are adjusted for both residential population growth and also expected inflation

Community Service Fees



Property Tax:

Residential Dwelling Units:

The property tax forecast calculates an estimated sales price for new homes by land use element category. This price is calculated based on the historical relationship over the last twenty-three years between Orange County per capita income and Irvine home prices by category.

Non-residential development:

The price per square foot of office, industrial and retail space was determined by evaluating recent sales transactions in Irvine and adjusting this data for prevailing market trends.

Additional property tax modeling assumptions include:

- New construction demands a 10% price premium versus resale property in the same category
- 10% of the valuation of new construction is associated with the project's land value
- Real estate values appreciate with the long-term growth in area per-capita income (annual historical growth has been 1.4% faster than inflation in Orange County)
- Turnover is 10% per year of residential properties and 5% for commercial
- The City receives 5.79% of property tax payments outside its redevelopment area (payments made on 1% of assessed valuation) consisting of secured, unsecured and no-low property tax payments net of ERAF impacts
- The City additionally receives property tax in lieu of motor vehicle license fee revenue that increases proportionately with City assessed valuation

The initial five year forecast was prepared by analyzing prevailing market value versus assessed value for Irvine homes. Property tax payments are expected to decline on a property when its market value falls below its assessed valuation. Otherwise assessed valuation typically increases by 2% per

year in accordance with Proposition 13.

It is expected that Irvine home prices will fall approximately 15% in 2008 on top of a 5.3% actual decline in 2007 (Dataquick). Price changes beyond 2008 are modelled based on changes in the projected Orange County median home price presented in UCLA's "Orange County Economic Outlook Seminar for 2009" (October 2008).

Other General Fund Revenues:

Vehicle License Fee:

Increases by the change in residential population

Cable Revenue:

Increases by the change in dwelling units using the historical average revenue received from each dwelling unit.

Franchise Tax:

Increases by the change in future residential and non-residential development.

Licenses and Permits:

Increases by the change in residential and non-residential development, with 79% of the revenue associated with non-residential development and 21% with residential development.

Fines and Forfeitures:

Increases by the change in daytime population.

Miscellaneous:

Increases by the change in residential population.

CD and PW Development Fees:

Increases, or decreases, by the year-to-year rate of change in dwelling units and nonresidential square feet of development.

Infrastructure Forecast

The departments provide an infrastructure projection for the first five years on the basis of each Department’s capital improvement plans which are driven by citywide population projections. The Department infrastructure projections include street lane miles, park acres, City facility square footage, and open space acreage.

The long term forecast of increases in park acreage inventory is made on the basis of 5 acres of parkland per 1,000 residents. Open space projections are made on the basis of meeting development thresholds in specific City planning areas which trigger open space land dedications.

Throughout the forecast sidewalk and streetscape infrastructure projections are made on the basis of the existing ratio of sidewalks and street landscaping acreage to street lane miles. Beyond five years street lane miles are forecast on the basis of 41% of the increase in residential population and 59% of the increase in citywide commercial and institutional development based on data from the City’s transportation planning group. Increases are reduced by a factor of 26% to account for the fact that most of the City’s arterial roadways have already been constructed. This factor

was obtained from a regression model used to project total street lane miles at City build-out.

The linear regression model used to estimate the number of street lane miles at build-out has an Adjusted R-Square value of .95 which means that the explanatory variables used in this model explains 95% of the variation found in historical street lane miles with a minimum variance. Variables used in this model are residential population, citywide commercial and institutional development and a constant.

The Model:

Street Lanes Miles =
f(SF(total), residential population,)

Explanatory Variables:

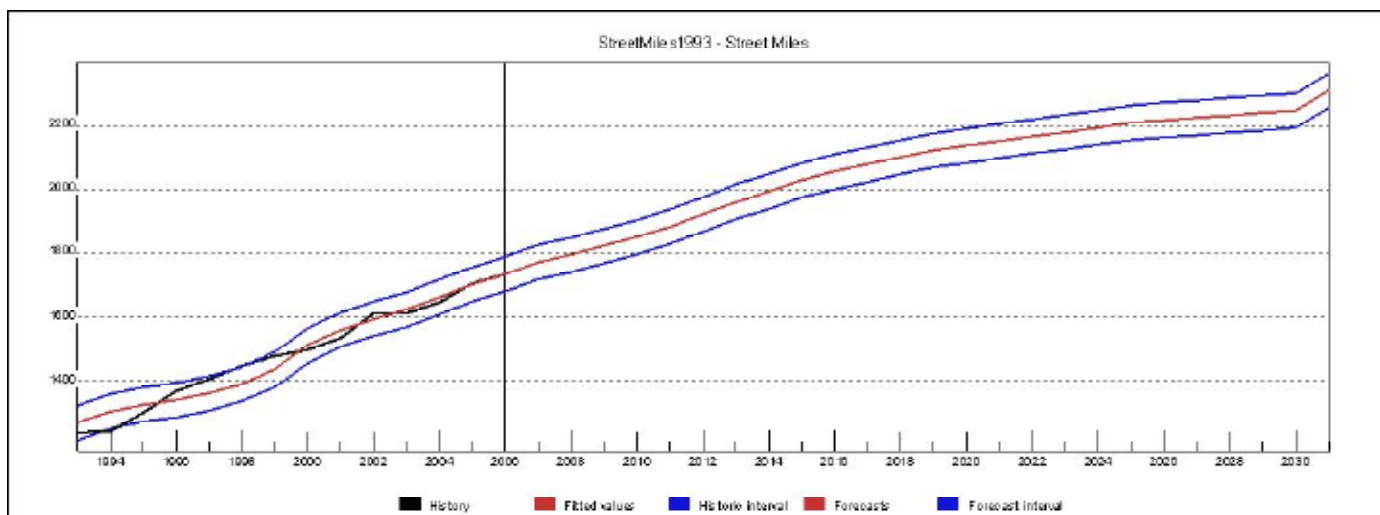
SF(total)

This variable is the total annual square footage of development within the City, including commercial, office, and institutional development.

Residential Population

The City’s residential population as reported annually by the California Department of Finance and as projected in Appendix E.

Street Lane Miles



General Fund Department Budget Assumptions

General Assumptions:

- Population growth does not drive salary and program costs in the first years of the forecast
- Population growth drives salary and program costs in the long-term

City Manager's Office

City Council:

- Salaries/Benefits increase by MOU, Merit and one-third of population increases.
- Supplies and Services by residential population.

City Manager's Office:

- Salaries/Benefits increase by MOU, Merit, and change in Line Department operations.
- Supplies and Services increases by the change in Line Department operations.

City Clerk:

- Salaries/Benefits increase by MOU, Merit, and change in Line Department operations.
- Supplies and Services increases by the change in Line Department operations.

City Attorney:

- No Salaries/Benefits.
- Supplies and Services increases by the change in Line Department operations.

Business Planning and Budget:

- Salaries/Benefits increase by MOU, Merit, and change in Line Department operations.
- Supplies and Services increases by the change in Line Department operations.

Departmental:

Includes allocation of internal services costs budgeted in the special funds including information technology, facility and vehicle maintenance costs.

Administrative Services Department

Administration:

- Salaries/Benefits increase by MOU, Merit, and one-third of population increases.
- Supplies and Services increases by the change in Line Department operations.

Fiscal Services:

- Salaries/Benefits increase by MOU, Merit, and change in Line Department operations.
- Supplies and Services increases by the change in Line Department operations.

Human Resources:

- Salaries/Benefits increase by MOU, Merit, and change in Line Department operations.
- Supplies and Services increases by the change in Line Department operations.

Information Technology:

- Services are budgeted in the Internal Service funds as detailed in the 5-year Strategic Technology Plan with the costs allocated to each Department based on usage. After five years the costs increase with residential population or line-department appropriations as relevant for each Department.

Departmental:

Includes allocation of internal services costs budgeted in the special funds including information technology, facility and vehicle maintenance costs.

Community Development Department

Administration:

- Salaries/Benefits increase by MOU, Merit, and one-third of population increases.
- Supplies and Services increases by the increase in the residential population.

Planning and Development Services:

- Salaries/Benefits increase by MOU, Merit, and the difference between development activity (DU and SF) today and last year (appropriations increase relative to anticipated development activity).
- Supplies and Services increases by the same development ratio described above.

Building and Safety Administration:

- Salaries/Benefits increase by MOU, Merit, and the difference between development activity (DU and SF) today and last year (appropriations increase relative to anticipated development activity).
- Supplies and Services increases by the same development ratio as above.

Housing Services:

- Salaries/Benefits increase by MOU, Merit, and the change in residential population.
- Supplies and Services increases by the change in residential population.

Departmental:

Includes allocation of internal services costs budgeted in the special funds including information technology, facility and vehicle maintenance costs.

Community Services Department

Administration:

- Salaries/Benefits increase by MOU, Merit only, and by one-third of increases in population.
- Supplies and Services increases by the change in residential population.

Animal Care Center:

- Salaries/Benefits increase by MOU, Merit, and residential population.
- Supplies and Services increases by the change in residential population.

Aquatic Services:

- Salaries/Benefits increase by MOU, Merit, and one-third of increases in population.
- Supplies and Services increases by the change in residential population.

Athletic Services:

- Salaries/Benefits increase by MOU, Merit, and park acre increase.
- Supplies and Services increases by the percentage increase of park acres.

Child, Youth, and Family Services:

- Salaries/Benefits increase by MOU, Merit, and residential population.
- Supplies and Services increases by the change in residential population.

Civic Center and Facility Services:

- Salaries/Benefits increase by MOU, Merit, and Square Feet of Facilities.
- Supplies and services increase by the increased square feet of facilities.
- Salaries/Benefits and Supplies and Services are adjusted by Fund 119 contributions

Irvine Fine Arts Center:

- Salaries/Benefits increase by MOU, Merit, and residential population.

- Supplies and Services increases by the change in residential population.

-

Open Space Administration:

- No salaries.
- Contractual Service costs are projected to increase proportionately with additional open space acres, with the assumption that 59% of existing costs are fixed.

Public Facility Planning and Rehabilitation:

- Salaries/Benefits increase by MOU, Merit, and one-third of increases in population.
- Supplies and Services increases by the change in residential population.

Community Parks and Special Events:

- Salaries/Benefits increase by MOU, Merit, and residential population.
- Supplies and Services increases by the change in residential population.

Senior Services:

- Salaries/Benefits increase by MOU, Merit, and residential population.
- Supplies and Services increases by the change in residential population.

Transportation Services:

- Salaries/Benefits increase by MOU, Merit, and residential population.
- Supplies and Services increases by the change in residential population.

Departmental:

Includes allocation of internal services costs budgeted in the special funds including information technology, facility and vehicle maintenance costs.

Public Safety Department

Administration:

- Salaries/Benefits increase by MOU, Merit, and one-third of increases in population.
- Supplies and Services increase by the change in residential population.

Police Operations:

- Salaries/Benefits increase by MOU, Merit, and by changes in Residential Population (residential calls for service) and by increases in Day-Time Population (non-residential calls for service).
- Supplies and Services increases by changes in Residential Population (residential calls for service) and by increases in Day-Time Population (non-residential calls for service).

Business Services and Professional Development:

- Salaries/Benefits increase by MOU, Merit increases, and by changes in Residential Population (residential calls for service) and by increases in Day-Time Population (non-residential calls for service).
- Supplies and Services increases by changes in Residential Population (residential calls for service) and by increases in Day-Time Population (non-residential calls for service).

Departmental:

Includes allocation of internal services costs budgeted in the special funds including information technology, facility and vehicle maintenance costs.

Public Works Department

Administration:

- Salaries/Benefits increase by MOU, Merit, and one-third of increases in population.
- Supplies and Services increases by the change in residential population.

Development Engineering:

- Salaries/Benefits increase by MOU, Merit, and the difference between development activity (DU and SF) today and last year (appropriations increase relative to anticipated development activity).
- Supplies and Services increases by the same development ratio described above.

Fiscal and Environmental Programs:

- Salaries/Benefits increase by MOU, Merit, and population.
- Supplies and Services increases by the change in residential population.

Fleet Services:

- No General Fund Budget forecast. Services are budgeted in the Internal Services funds. These services reflected in departmental budgets and expenditures.

Landscape Maintenance:

- Salaries/Benefits increase by MOU, Merit, and by the increases in Park acres and Street Landscape acres.
- Supplies and Services increase with the addition of Park acres and Street Landscape Acres. Supplies and services costs are adjusted by Fund 119 contributions.

Development Review:

- Salaries/Benefits increase by MOU, Merit, and the difference between development activity (DU and SF) today and last year (appropriations increase relative to anticipated development activity).
- Supplies and Services increases by the same development ratio described above.

Transportation Planning and Project Development:

- Salaries/Benefits increase by MOU, Merit, and residential population.
- Supplies and Services increases by the change in residential population.

Project Management:

- Salaries/Benefits increase by MOU, Merit, and residential population.
- Supplies and Services increases by the change in residential population.

Street and Right-of-Way Maintenance:

- Salaries/Benefits increase by MOU, Merit, and increases to both Street Lane Miles and Sidewalk Miles.
- Supplies and Services increase with Street Lane Miles and Sidewalk Miles.

Signal Operations and Maintenance:

- Salaries/Benefits increase by MOU, Merit, and the increase in DU and SF Counts (equally weighted), adjusted for Fund 119 contributions.
- Supplies and Services increase with changes in dwelling units and non-residential square feet of development, adjusted by Fund 119 contributions.

Departmental:

Includes allocation of internal services costs budgeted in the special funds including information technology, facility and vehicle maintenance costs.

Non-Departmental

Non-Departmental Operations:

- No Salaries/Benefits in non-departmental operations.
- Supplies and Services increase at the rate of population.
- The Civic Center Facility Rent is included in the amount of the City's scheduled debt service payments through FY 10-11 when the debt will be extinguished with a final payment of \$6.0 million.
- After FY 10-11 debt service payments are forecast to continue, increasing at the rate of population growth as a placeholder for potential future infrastructure obligations to accommodate future City growth. See the Safe Community Chapter for more information.

Long-Term Fiscal Forecast

The General Plan Fiscal Impact Model is a useful tool for identifying how related demographic, land use, and infrastructure expenditures influence future General Fund budgets. As a result, the long-term forecast has been designed primarily with the purpose of evaluating the approximate impact of proposed land-use changes to the City's General Plan rather than to pinpoint the General Fund financial position twenty years in the future. In fact, the long-term forecast is constructed very differently than the short-term forecast with the short-term forecast designed to reflect expected economic conditions, while the long-term forecast is designed to soften the influence of economic cycles on the model results.

The long-term fiscal forecast assumes development will unfold according to forecasts prepared by the Community Development Department in conjunction with the Budget Office and is based on the current adopted General Plan. The forecast utilizes the FY 08-09 Adopted General Fund Budget as the basis for revenue and expenditure relationships and projections.

Table C-1 provides a snapshot of the fiscal forecast for the General Fund Operating Budget at 10, 15, and 20 years into the future. The long-term projections are stated in constant dollar terms (as of FY 09-10). The model forecasts negative balances for Fiscal Years 18-19, 23-24, and 28-29. It is important to note, however, that this projection does not take into account planned budget savings that are expected to be implemented in the next three fiscal years to result in significant projected surpluses in the future when implemented. In addition, the projections also include a placeholder of approximately \$6.0 million in continuing expenditures for debt service on new bonds for the construction of special facilities as described in the Safe Community chapter. Actual future debt service payments may be less than what has been projected, depending on final policy direction.

Forecasting economic variables such as revenues and expenditures out 20 years is at best a vague attempt to see into a distant future. The forecast presented in this appendix is best used as a general gauge of whether or not General Plan policy decisions move the balance positively or negatively when reviewing zoning changes and other fiscal impact decisions. By itself, the long-range forecast should be viewed circumspectly given the extended forecast horizon.

Table C-1
Long-Term General Fund Operating Budget Forecast
 Present Value \$

General Fund Revenues	FY 18-19	FY 23-24	FY 28-29
Sales Tax	\$74,549,000	\$79,969,000	\$84,743,000
Property Tax	\$64,937,000	\$77,087,000	\$88,265,000
Vehicle License Fees	\$425,000	\$510,000	\$598,000
Hotel Tax	\$11,620,000	\$12,248,000	\$15,610,000
Franchise Tax	\$9,134,000	\$9,775,000	\$10,257,000
Community Services Fees	\$9,190,000	\$9,827,000	\$10,287,000
Utility User's Tax	\$5,723,000	\$6,039,000	\$6,291,000
Fines & Forfeitures	\$2,763,000	\$2,907,000	\$3,031,000
Development Fees	\$204,000	\$170,000	\$46,000
Doc. Transfer Tax	\$3,935,000	\$4,462,000	\$4,815,000
Licenses & Permits	\$3,114,000	\$3,430,000	\$3,680,000
Miscellaneous	\$4,477,000	\$4,788,000	\$5,012,000
Total Revenues:	\$190,071,000	\$211,212,000	\$232,635,000
Transfers-In from Other Funds			
Development Services	\$1,797,000	\$1,136,000	\$1,006,000
OCGP Reimbursement	\$100,000	\$100,000	\$100,000
Total Revenue - All Sources	\$191,968,000	\$212,448,000	\$233,741,000

Department Expenditures	FY 18-19	FY 23-24	FY 28-29
Salary and Benefits	\$136,800,000	\$155,413,000	\$173,705,000
Contracts and Supplies	\$61,529,000	\$64,892,000	\$67,316,000
Total Expenditures:	\$198,329,000	\$220,305,000	\$241,021,000
Transfers-Out to Other Funds			
Unallocated Strategic Surplus	\$1,078,000	\$1,155,000	\$1,150,000
Infrastructure and Rehabilitation	\$2,261,000	\$2,418,000	\$2,532,000
Total Appropriations & Transfers	\$201,668,000	\$223,878,000	\$244,703,000

Summary Forecast	FY 18-19	FY 23-24	FY 28-29
Total Revenues	\$191,968,000	\$212,448,000	\$233,741,000
Total Expenses	\$201,668,000	\$223,878,000	\$244,703,000
Forecast Balance	(\$9,700,000)	(\$11,430,000)	(\$10,962,000)

Note: The long-term forecast does not factor-in planned reductions in base-year expenditures which, if made according to plan, will ultimately result in annual future surpluses due to the beneficial compounding impact of the savings over time.

Potential Capital Improvement Projects For Future Consideration

There are a number of Capital Improvement Projects that have been identified by staff, City Council, and residents for possible future implementation. Inclusion on this list does not constitute staff or City Council recommendation – they are listed for purposes of providing a comprehensive look at potential projects for future consideration as priorities and funding opportunities evolve.

General Circulation Projects are usually fully or partially funded with Measure M, Gas Tax, or other Transportation Grant revenues. These projects are on the City's long range radar to take advantage of funding opportunities as they arise.

GENERAL CIRCULATION PROJECTS	Total
Campus: University - Jamboree	\$8,044,000
ICD/Lake Forest Intersection	\$2,000,000
Yale/ I-405 Crossing	\$10,500,000
2010-2040 Long Range Roadway Reconstruction Plan	\$23,600,000
Total	\$44,144,000

IBC Circulation Projects have been identified as improvements for the IBC area and are funded with IBC Development Fees. The IBC Development Fees were intended to fund 60% of the cost of improvements. Outside grant funds are needed to fully fund these projects. The projects are listed here because funding has not yet been received. Funding and project implementation are dependent upon future development in the IBC area.

IBC CIRCULATION PROJECTS*	Total
Alton: SR-55 HOV Ramps (50%)	\$18,250,000
Alton Widening (SD Creek to Red Hill)	\$9,458,000
Barranca: Red Hill - SR-55	\$18,000,000
Barranca: SD Creek - Red Hill (8 Lanes)	\$13,800,000
Harvard/Barranca Intersection	\$5,000,000
Harvard/Michelson Intersection	\$2,000,000
Jamboree/ Alton	\$500,000
Jamboree/Barranca Intersection	\$20,000,000
Jamboree/ Main	\$250,000
MacArthur: Main - SR 55	\$17,000,000
Main St. EB & WB Auxiliary Lanes (Red Hill to Harvard)	\$19,000,000
Red Hill/Barranca Intersection	\$1,463,000
Red Hill: Barranca - ICD	\$14,371,000
Red Hill: Main - Barranca	\$9,500,000
Von Karman: Barranca - Main	\$14,562,000
Total	\$163,154,000

*Funded with IBC Mitigation Fees

Potential Capital Improvement Projects For Future Consideration

Transit Projects are being considered in various areas throughout the City. Funding for these projects may come from a variety of sources, including County, State and Federal grants, Proposition 116 funds, and Measure M grants. The City is actively seeking funding opportunities for transit projects throughout the City.

TRANSIT PROJECTS		Total
Irvine Station Master Plan Implementation		\$145,000,000
	Total	\$145,000,000

Underground Utility Projects have been identified for consideration if funding becomes available. Undergrounding of utilities usually occurs in concert with street rehabilitation or other construction projects. By identifying these undergrounding needs, it may be possible to incorporate them into other related projects and/or secure funding from the California Public Utilities Commission Rule 20 Surcharge or other sources.

UNDERGROUND UTILITY PROJECTS		Total
Jamboree Road		\$3,600,000
Laguna Canyon Road		\$2,700,000
Other Locations		TBD
	Total	\$6,300,000

Bridge Projects that support vehicular traffic are usually funded with Measure M, Gas Tax, or other Transportation Grant funds. Bicycle and pedestrian bridges may be funded with grants or other revenue sources. The City has not committed to constructing or funding these projects; however, they are on the City's long range radar for the City to seek funding and take advantage of other funding opportunities that may arise.

BRIDGE PROJECTS	Total
Sand Canyon Bike Bridge	\$3,000,000
Jamboree/Michelson Pedestrian Bridge	\$8,000,000
Total	\$11,000,000

Miscellaneous Projects include sound walls, gateway monument signs, sidewalks, and City Special Facilities. Please note that City Special Facilities are discussed in greater detail in the Safe Community Chapter.

MISCELLANEOUS PROJECTS	Total
City Special Facilities - see Safe Community Chapter	TBD
Soundwalls (locations Citywide)	TBD
I-405 Soundwall University to San Joaquin Middle School	\$2,000,000
Gateway Monument/Sign (each)	\$660,000
Install sidewalk along Irvine Center Drive-Yale to Deerwood	TBD
Total	\$2,660,000



Profiles and Trends

Introduction

This appendix profiles the City’s demographic, economic, land use, and development attributes (development monitoring is an important requirement of the City’s General Plan). Each of these attributes, which consist of several individual topics, is evaluated through a series of profiles and trends and is illustrated through a series of tables and charts which are summarized below.

Demographic Profiles & Trends

Demographic information deals with the distribution, density, and vital statistics of populations. The focus of the demographic profiles and trends is vital to Citywide statistics such as ethnicity, age, crime activity, and income. Population and Density distribution data are discussed in the Land Use and Development Profile.

PROFILE – Ethnic Makeup of Population:

Based on the 2007 American Community Survey (2007 ACS), Figure E-1 illustrates the ethnic makeup of the City of Irvine and illustrates how the City is changing over time.

Figure E-1: City of Irvine Ethnicity Profile

Year	White	Asian	Hispanic	African American	Other/ Multiple
1980	82%	8%	6%	1%	3%
1990	73%	18%	6%	2%	1%
2000	57%	30%	8%	1%	4%
2007	47%	37%	10%	2%	3%

Source: U.S. Census 1980, 1990, 2000, & 2007 ACS



Figure E-2: City of Irvine Age Profile

Age Group	1980	1990	2000	2005-07
Under 15	20.3%	20.3%	19.3%	17.9%
15-24	17.9%	17.9%	18.6%	20.6%
25-44	38.8%	38.8%	32.3%	30.1%
45-64	17.2%	17.2%	22.6%	24.2%
Over 65	5.8%	5.8%	7.2%	7.2%
Total	100.00%	100.00%	100.00%	100.00%

Source: U.S. Census 1980, 1990, 2000, & 2005-2007 ACS

Figure E-3: Crime Rate Profile

Year	Population	Part I Crimes Per 1,000 Pop
1995	120,000	40
1996	125,400	33
1997	127,800	29
1998	130,800	28
1999	133,800	25
2000	141,200	23
2001	148,800	23
2002	157,500	23
2003	165,000	21
2004	171,800	23
2005	183,300	19
2006	193,400	17
2007	201,200	17
2008	209,800	16

Source: Irvine Police Department

PROFILE – Age of Residents:

Based on Federal Census data, Figure E-2 illustrates the age composition of the City’s residents for the 1980, 1990, and 2000 Census and also the 2005-2007 ACS. This table shows that the fastest growing population has been those between the ages of 45 and 64, while the percentage of population between the ages of 25 and 44 has shown the biggest decrease.

PROFILE – Crime Activity:

Based on 2008 data from the Federal Bureau of Investigation (FBI), Irvine is currently the safest City in the nation in terms of violent crime among cities with more than 100,000 residents. Figure E-3 illustrates the number of Part I Crimes from 1995 through 2008. Part I Crimes include murder, manslaughter, rape, robbery, aggravated assault, burglary, theft, and arson.



TREND – Crime Activity:

The City’s per capita crime rate has steadily improved from 1995 to 2007 as illustrated in Figure E-3. In 1995, there were 39 Part I Crimes per 1,000 residents, while in 2007 that number had dropped to 17 crimes per 1,000 residents, a reduction of 44% overall during 12 years. Due to the rapid and dynamic growth of the City, Public Safety is working proactively to ensure that our policing strategies keep pace with our evolving community.

Figure E-4 shows a four-year comparison of the types of calls for service

PROFILE – Income:

Using Federal Census data, Figure E-5 illustrates the income of the City’s residents and the respective percentage during census periods. In 2007, the median household income in Irvine was estimated at \$98,923 by the American Community Survey. According to the August 2008 US Census Bureau publication “Income, Earnings, and Poverty Data from the 2007 American Community Survey,” Irvine had the 7th highest median household income in the United States for Cities with a population between 65,000 and 249,999 people.



Figure E-4: Calls for Service

	FY 04-05		FY 05-06		FY 06-07		FY 07-08	
	Jul-Dec 04	Jan-Jun 05	Jul-Dec 05	Jan-Jun 06	Jul-Dec 06	Jan-Jun 07	Jul-Dec 07	Jan-Jun 08
Station	31,904	31,281	32,831	31,965	33,657	37,009	38,682	37,009
Officer Initiated	30,983	37,232	39,085	44,479	43,470	47,632	44,891	48,910
Bi-Annual Totals:	62,887	68,513	71,916	76,444	77,127	84,641	83,573	87,482
Annual Total:	131,400		148,360		161,768		171,055	

Source: Irvine Police Department

Figure E-5: City of Irvine Household Profile

(Not Adjusted for Inflation)

Year Income	1990 Household %	2000 Household %	2007 Household %
\$0 - 24,999	15.7%	15.3%	10.9%
\$25,000 - 34,999	10.0%	6.5%	4.6%
\$35,000 - 49,999	16.6%	11.5%	8.3%
\$50,000 - 74,999	24.0%	18.4%	13.5%
\$75,000 - 99,000	15.1%	16.0%	13.4%
\$100,000 - 149,999	12.4%	18.1%	24.1%
> \$150,000	6.1%	14.2%	25.3%

Source: U.S. Census 1990, 2000, & ACS 2007



Economic Profile and Trend

This section profiles Citywide statistics and trends relating to the City’s development and growth patterns such as building permit activity, and construction valuation that influence future revenue growth in the City. There are four major employment centers within the City that contribute directly or indirectly to the City’s revenues:

Area	Planning Area
University (UCI)	50
Irvine Business Complex	36
Lower Peters Canyon	4
Irvine Spectrum	13, 30, 31, 32, 33, 34, 35, 39

With the exclusion of the University Planning Area, each center is within the City’s land use and planning authority. The Irvine Business Complex, Lower Peters Canyon, and Irvine Spectrum contribute directly to the City’s revenue sources through property and sale taxes. Since the University of California at Irvine is a State entity, its land area is not subject to the City’s land use and planning authority. Additionally, this employment center does not contribute significantly to the City’s revenue sources such as property tax, but rather through secondary means such as taxable purchases (Sales Tax).

PROFILE – Construction Activity:

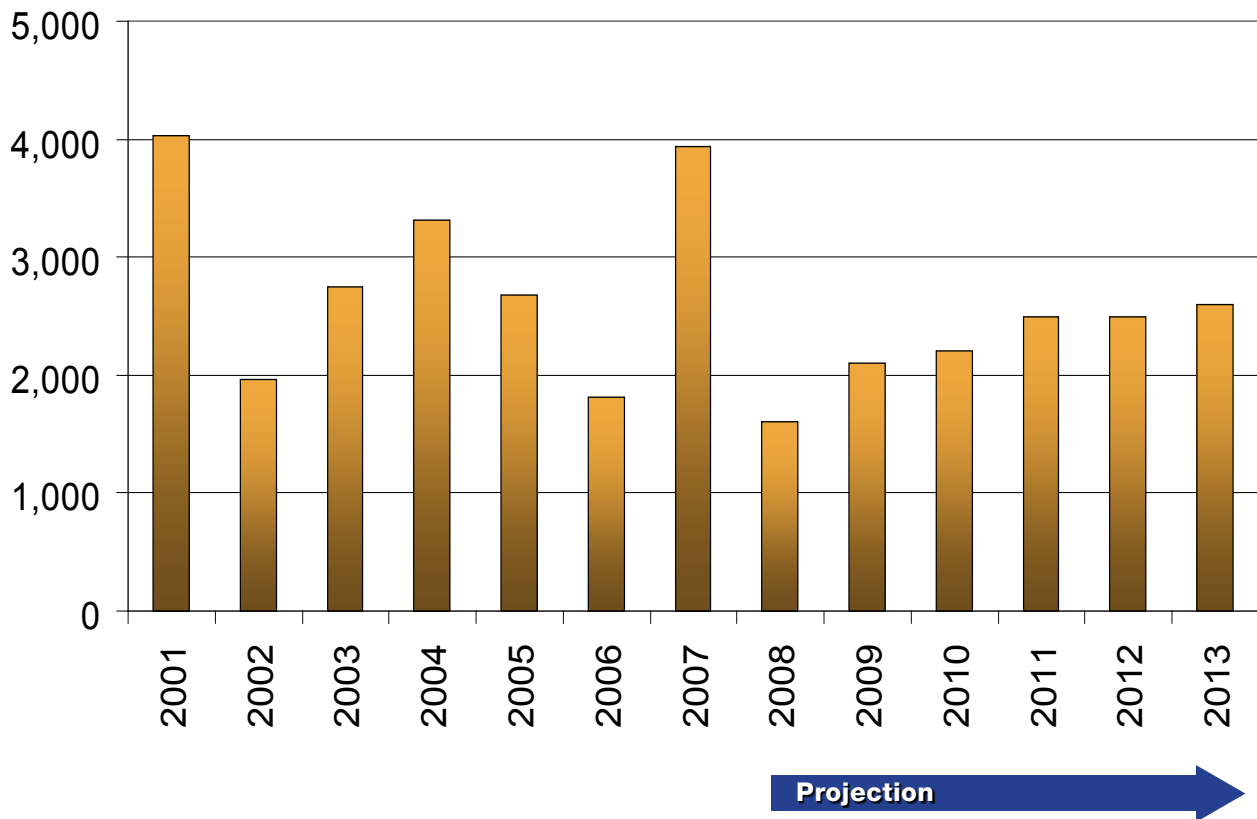
Construction activity is a precursor to future growth in the City’s revenue base as well as expenditures. According to historical records, residential dwelling units in Irvine grew from 2,757 units (not including institutional units) in 1970 to 74,329 in 2007, an average annual increase of 1,934 units during the thirty-seven year period. Since 2000, residential development has averaged more than 2,900 units per year. In addition, during the period 1982 to 2007, approximately 90.9 million square feet of nonresidential development was constructed. This amounts to an average of 3.6 million square feet per year during this twenty-five year period.

Chart E-1 depicts residential unit construction over the last 7 years, estimated activity for 2008 and projected activity for the 5 years beyond that. As indicated by the chart, residential activity was strong in recent years, though it is expected to slow in the future from its recent rapid pace. 2007 had a burst of activity as many large apartment buildings were constructed around the City. 2008 will be one of

the slowest periods for new construction activity in recent years, but then growth is expected to slowly resume and build over time as significant construction activity begins again at new communities throughout the City including Portola Springs, Woodbury, Stonegate, the Irvine Business Complex, Orchard Hills, Laguna Crossing, Heritage Fields and others. Activity will likely be tentative at first, dominated primarily by new apartment construction in 2009, but then followed by increasing amounts of for-sale construction in the years that follow.

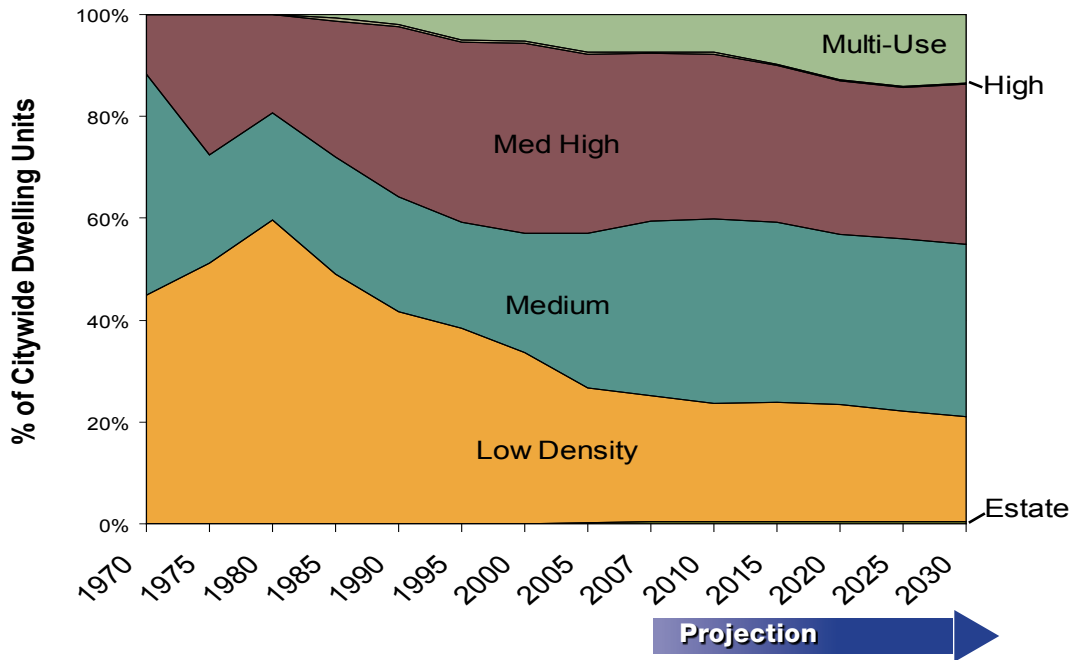


Chart E-1: Residential Development Pattern (Yearly Total Dwelling Units Constructed)



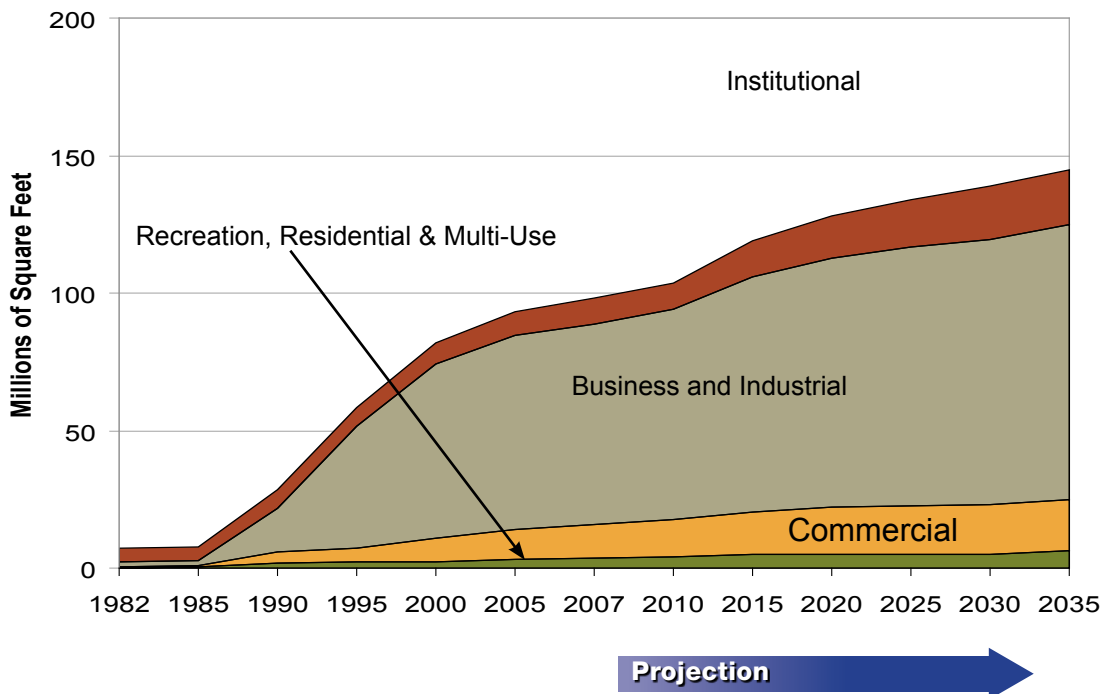
Source: Community Development Department’s Landuse Database (August 2008) / SBP projections

Chart E-2: Percentage of Dwelling Units by General Plan Density Type



Sources: 2001-2006 SBP, CD Landuse Database (August 2008), SBP Projections

Chart E-3: Cumulative Non-Residential Development



Source: Community Development Department's Landuse Database (August 2008)

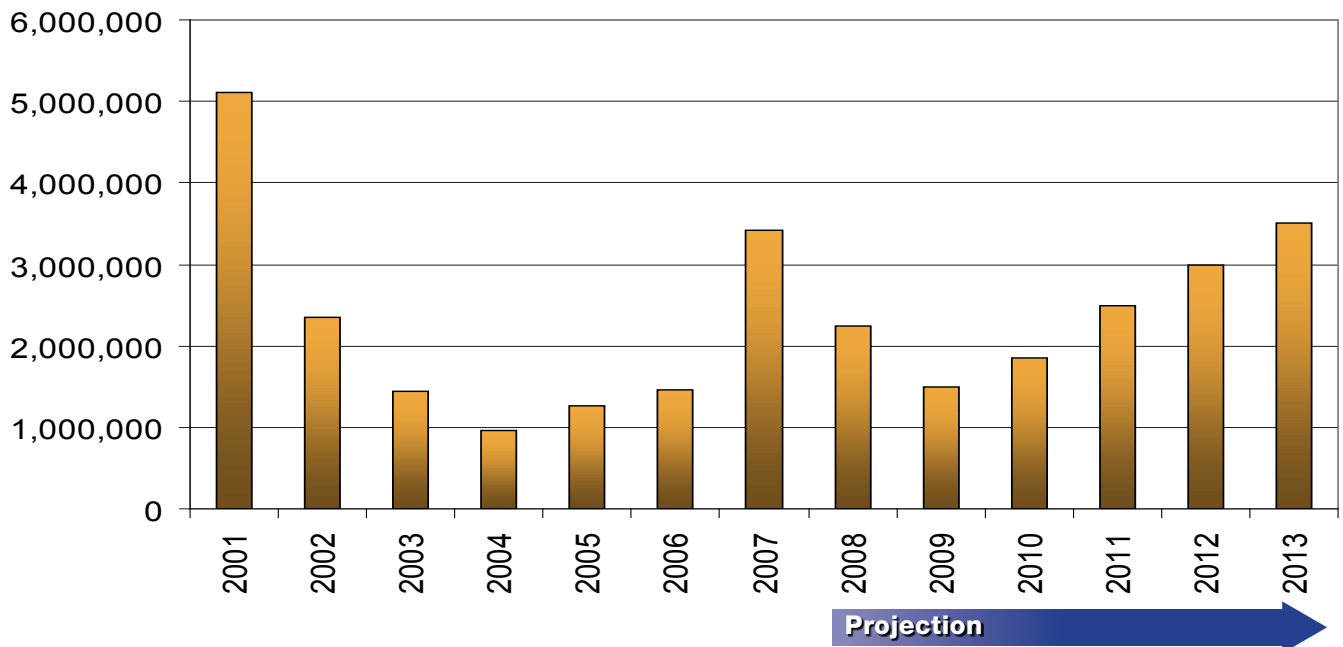
Chart E-2 illustrates the changing dynamics of Irvine’s residential housing market. Since the mid 1990’s Irvine has seen increasing higher density development.

Chart E-3 illustrates past and future non-residential development measured by square footage. The category of Business and Industrial development continues to be the dominate development type in Irvine and is followed by commercial development.

Chart E-4 depicts the City’s non-residential development history as well as the near-term development forecast.

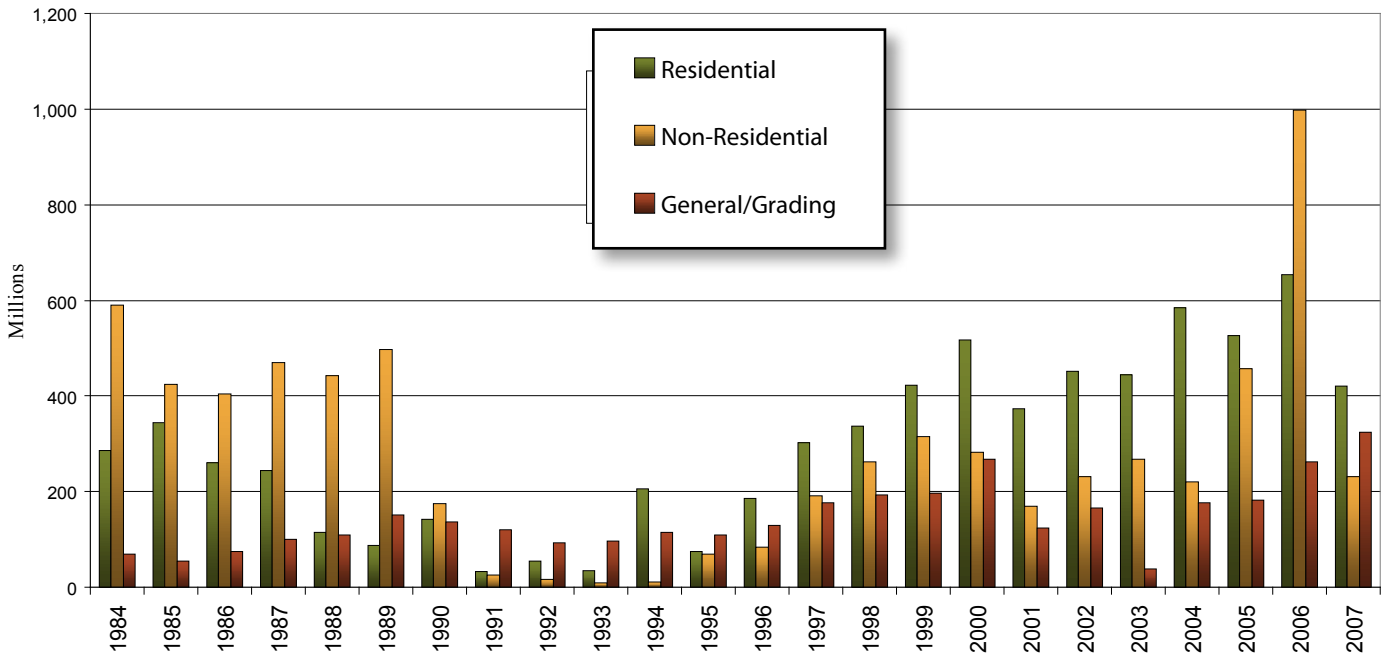


Chart E-4: Total Yearly Square Footage Constructed



Source: Community Development Department’s Landuse Database (August 2008) / SBP Projections

Chart E-5: New Construction Valuation
in 2007 inflation adjusted \$



Source: Community Development Department

TREND – Construction

For the period of 2009 to 2013, final inspection of newly constructed residential units is anticipated to average approximately 2,380 dwelling units, picking up in the later years of the forecast. Commercial development is expected to average 2,470,000 square feet.



Chart E-5 depicts the last 24 years of construction permit activity. Corresponding to the building permit activity noted above, residential and non-residential construction valuation was healthy during the mid-to-late 1980s and during the mid-1990s through 2005. As seen in chart E-5, non-residential construction during the late 1980s outpaced residential construction. Between the late 1990s to 2005, however, residential construction has been dominant. In the recent recessionary economy both sectors of the market have slowed dramatically.

PROFILE- Property Tax:

Annual Property Tax is based on the assessed value of land and structures. The rate is one dollar (\$1) on each one hundred dollars (\$100) of assessed valuation, and the revenue may be used for general municipal and special district purposes. The Irvine Unified School District, Saddleback Community College General Fund, and the Orange County Fire Authority are allocated the majority of the revenue. The City of Irvine’s General Fund receives approximately 3% prior to the “No/Low” property tax adjustments paid to Irvine. Figure E-6 illustrates the various jurisdictions and their percentage of property tax.

Figure E-6: Share of the 1% Property Tax Levy

Agencies	Distribution
City of Irvine	
City of Irvine General Fund	2.84%
Landscape, Lighting & Park Maint. District	0.48%
Sub Total	3.33%
Irvine Ranch Water District	1.24%
Local School Districts	
Irvine Unified	30.75%
Laguna Beach Unified	0.00%
Saddleback Valley Unified	1.22%
Santa Ana Unified	6.13%
Tustin Unified	4.38%
Orange Unified	0.00%
OC Department of Education	1.86%
Sub Total	44.34%
Community College Districts	
Rancho Santiago Community College	1.35%
South Orange County Community College	8.25%
Sub Total	9.59%
Education Revenue Augmentation Fund	15.19%
Orange County Fire Authority	12.45%
Orange County General Fund	6.56%
Orange County Transportation Authority	0.31%
Orange County Miscellaneous Services	
Flood Control District	2.19%
Public Library	1.85%
Harbors, Beaches, & Parks	1.69%
Water Districts	0.68%
Sanitation	0.38%
Vector Control District	0.12%
Cemetery Fund	0.06%
Water Districts - Water Reserve	0.01%
Silverado Modjeska Park & Recreation District	0.00%
Sub Total	6.98%
Grand Total	100%

Figure E-6 depicts the share, by agency, of the 1% property tax levy on Irvine properties for 2008. This table shows that the City of Irvine General Fund receives 2.84% of the overall 1% property tax levy on Irvine real property (Secured and Unsecured property tax revenue.) Local school districts receive the largest share of Irvine Secured and Unsecured property tax payments, receiving approximately 44% of total payments.

In addition to Secured and Unsecured Property Tax revenue, the City also receives “No-Low” transfer payments from the State. In FY 07-08, these payments increased the City’s property tax revenue (excluding in-lieu of VLF revenue) to a total of \$25.6 million, or approximately 5.76% of the 1% tax levied on the City’s \$44.4 billion in assessed valuation.

Source: Orange County Auditor/Controller

Note: Some agencies receive such a small portion of the overall 1% tax levy in Irvine that they appear as 0.00% in the preceding table due to rounding.

Land Use & Development Profiles & Trends

This section profiles the Land Use and Development statistics regarding residential and commercial land uses, building intensities, residential and daytime population characteristics, and circulation networks.

Legislation at the state and local levels requires the correlation and coordination of land use, building intensity, population, and circulation data. State legislation requires a local jurisdiction to zone sufficient residential areas to accommodate its General Plan projected employment opportunities. Additionally, recent State and Orange County legislation (such as Proposition 111 Congestion Management Program and Measure M) require coordination between local jurisdictions and regional planning agencies regarding land uses, as well as population and development activities, in order to qualify for funds to improve circulation networks.

Irvine participates with the Southern California Association of Governments (SCAG) and the County of Orange's Demographic Projections Steering Committee (DPSC) to provide land use and building intensity data which is used to formulate SCAG's and Orange County's regional projections. Additionally, major



developers participated in the process.

PROFILE – **Land Uses and Intensities:**

Irvine's jurisdictional boundary is currently estimated at 65.97 square miles. The City's Sphere-of-Influence (SOI) encompasses approximately 73.98 square miles. The SOI lands are located in the coastal San Joaquin Hills and Lomas de Santiago Hills (see Exhibit E-1). The City of Irvine does not have direct land use authority over its Sphere-of-Influence. As such, the City has an indirect role over land use decisions made by the County of Orange. However, regarding the land owned by The Irvine Company, the City and The Irvine Company have entered into an agreement (the Protocol Agreement) that facilitates the processing of development approvals through the City rather than the County.

Land Uses – The City of Irvine and its Sphere-of-Influence

are divided into 38 geographic regions known as planning areas (see Exhibit E-1). Thirty seven planning areas are within the City's corporate boundary and one is within the City's Sphere-of-Influence. Planning Areas serve as the platform for allocating and monitoring land uses within the City's General Plan and Zoning Ordinance. The General Plan now identifies 6 major land use categories. Figure E-7 illustrates the amount of land devoted to each of these categories.

Building Intensities –

Building intensities are governed by the City's General Plan and Zoning Ordinance, as well as allocated and monitored by planning area. Building intensities are grouped into two categories: non-residential and residential. Figure E-8 illustrates the General Plan building intensities for non-residential and residential land uses.

Residential Intensities –

Residential intensities are defined

as the maximum number of dwelling units per residential category and then further refined as dwelling units per acre. The High Density and Multi-use residential categories are the most intense of the residential categories at up to 40 units per acre according to Table A-1 of the General Plan. Next is the Medium High and the Medium residential categories, followed by Low and Estate density. Intensity ranges from less than 1 unit to up to 40 units per acre. The City’s residential development is concentrated in the Medium and Medium-High density categories which is indicative of a suburban land use pattern, though Multi-Use type development has been increasing in recent years. According to the 2007 American Community Survey Census, approximately 55% of Irvine’s dwelling units are owner occupied with a median value of \$738,200.

Trends-Residential Building Intensities

Building Intensities -

Over the next 5 years, much of the projected new dwelling units will consist of units that are within the higher density ranges, particularly large apartment project developments. The increased activity within the higher residential density categories is expected to lower the city-wide average number of people per household since fewer people occupy smaller homes than those homes that are larger. Dwelling

Figure E-7: Land Uses by Category

Land Use Category	City Acres	City %
Residential	15,587	34%
Multi-Use/Great Park	5,090	11%
Industrial	5,785	12%
Commercial	1,608	3%
Institutional	2,600	6%
Military	36	< 1%
Open Space	15,461	34%
Total	46,167	100%

Source: GIS General Plan Map, 12/18/08
 Note: Open Space includes recreation acres

Exhibit E-1

Sphere-of-Influence Area is Shaded

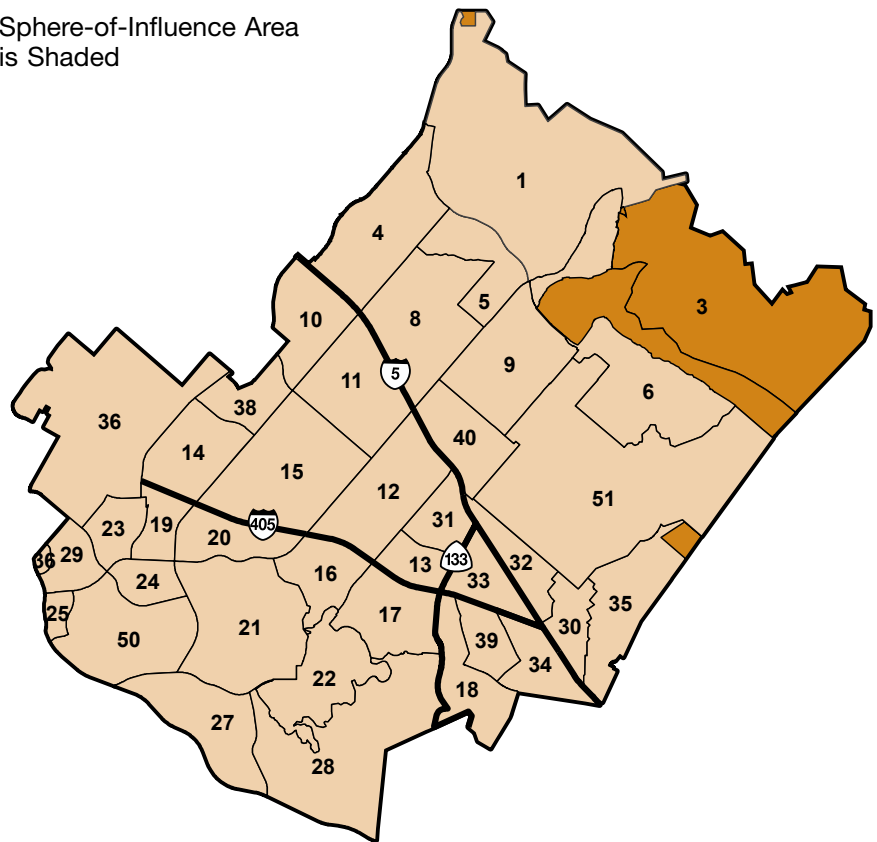


Figure E-8: General Plan Building Intensity Projected at Build-Out

Non-Residential Land Use	Intensities Gross Square Feet	Residential Land Use	Intensities Dwelling Units
Open Space	1,686,780	Estate	400
Residential	666,021	Low	20,940
Multi-Use	3,344,645	Medium	41,755
Commercial	18,806,944	Medium-High	34,595
Business/Industrial	101,209,463	High	1,178
Institutional	19,653,471	Multi-Use	14,789
Total	145,367,324	Total	113,657

Source: Community Development Department Land-Use Database, August 2008 (Excludes Institutional beds)

units are expected to increase at a rate of approximately 2.6% per year over the next five years. Chart E-6 depicts the historical and projected future cumulative dwelling units within the City of Irvine, excluding institutional construction.

porate boundary. Employment population consists of the total number of jobs in Irvine. Daytime population is a composite of the residential population that remains in Irvine during the day plus the estimated employment base.

Since the adoption of Irvine’s first General Plan in 1973, residential and daytime population data has been an important tool for monitoring the City’s economic and development progress. Figures E-9 and E-10 list the population and employment factors that are used to estimate the different types of population types found

in the City of Irvine.

Residential Population –

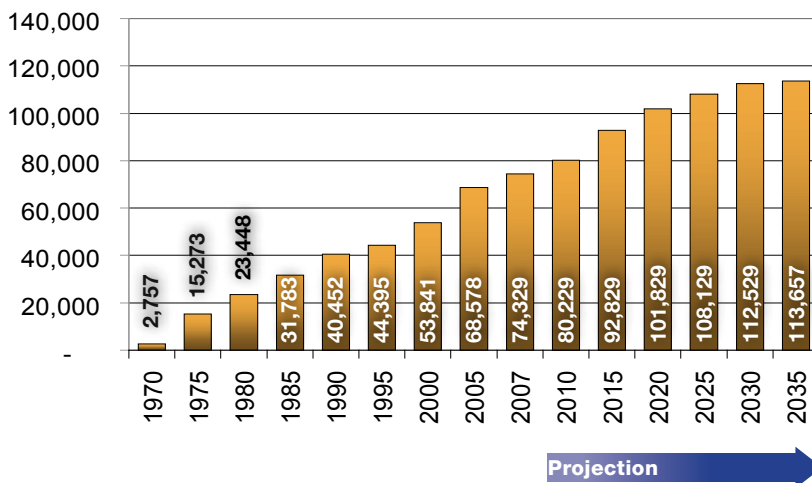
Projected residential population is derived from the General Plan residential density standards and population density standards. Each residential density category is assigned a household size (population density standard). These household sizes are used to calculate population by multiplying projected residential intensities (total number of units by residential density category) by household size. Figure E-9 illustrates the various General Plan factors used to project residential population. In addition, the timing of residential dwelling unit construction and popula-

Population

PROFILE – Population:

Irvine’s population consists of residential, employment, and daytime population components. Residential population is comprised of the total number of people living within Irvine’s cor-

Chart E-6: Historic and Projected Dwelling Units



Sources:

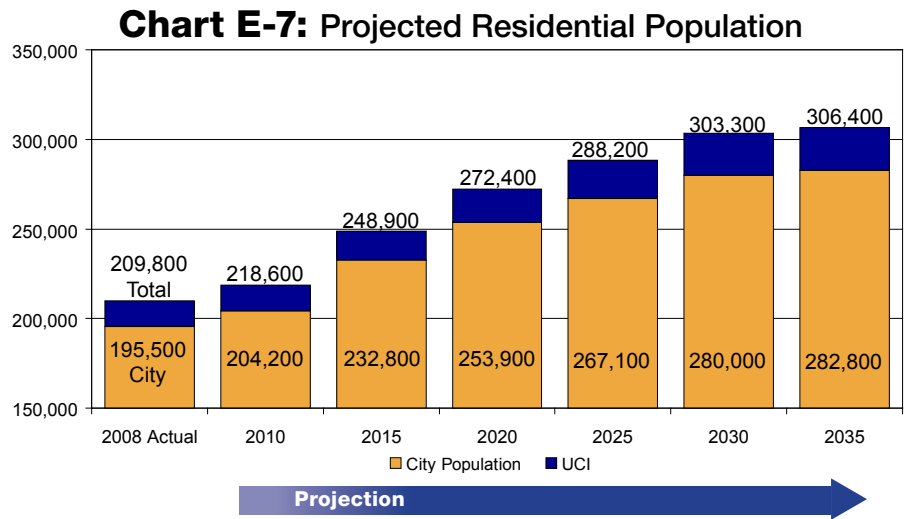
Projections are from the Community Development Department’s Landuse Database (August 2008). Historical data is from the Landuse database and, for the earliest data, archived Strategic Business Plan document from the 1990s. Dwelling unit count excludes institutional housing.

tion growth is based on market conditions that vary over time.

The California Department of Finance reports that the City’s population was 209,800 in 2008, including residential housing at the University of California at Irvine (UCI). Based on information obtained from UCI, it is estimated that UCI’s residential population, (including faculty members), is now approximately 14,300 residents.

Since the development of data in last year’s Strategic Business Plan, additional dwelling units have been approved including, most significantly, as many as 3,694 new dwelling units resulting from the General Plan Amendment and Zone Change request for Planning Areas 12 and 40 that was approved by the City Council on August 12, 2008.

In 2007, UCI updated their Long Range Development Plan document that included the University’s long-term campus



Sources: California Department of Finance, Community Development Department’s Landuse Database (August 2008), and University of California, Irvine’s 2007 Long Range Development Plan

Chart E-7 depicts projected residential population, with and without UCI housing.

housing goals. Using standard population factors per dwelling unit for faculty and family housing and the housing unit projections provided in this document, it is estimated that UCI’s residential population will increase to 23,600 by 2025-26. The timing and extent of new campus development will be dependent

on student enrollment and other factors.

Employment Population:

There were an estimated 211,900 jobs in the City of Irvine in 2008 comprised of 202,900 payroll jobs in addition to 9,000 self-employed Irvine residents. The payroll jobs were determined from a recent California Employment Development Department (EDD) report showing the number of local participants in the State’s unemployment insurance program. This number will fluctuate year-to-year as a result of changes in the economic climate, but over the long-term it is expected to increase significantly as a result of future commercial and office development in the City.

Because self-employed individuals typically do not participate in the

Figure E-9: General Plan Residential Population

Zoning Category	Residents per Dwelling Unit
Estate	3.25
Low Density	2.94
Medium Density	2.57
Medium-High Density	2.29
High Density	1.30
Multi-Use	1.30
Private College	1.30

Source: City of Irvine General Plan Table A-3

State’s unemployment program, these individuals had to be added to the EDD numbers to calculate the total number of Irvine jobs. Self employed individuals in Irvine are currently estimated at 9,000 individuals per the 2007 American Community Survey (Census). Future payroll jobs are projected based on non-residential planned development per the City’s land-use database. Each 1,000 square feet of additional non-residential development results in additional employees per the General Plan employment density standard presented in Figure E-10. In addition, the number of self employed individuals are projected to increase proportionately with growth in residential population. Chart E-8 shows the current employment population and projections utilizing the described methodology.

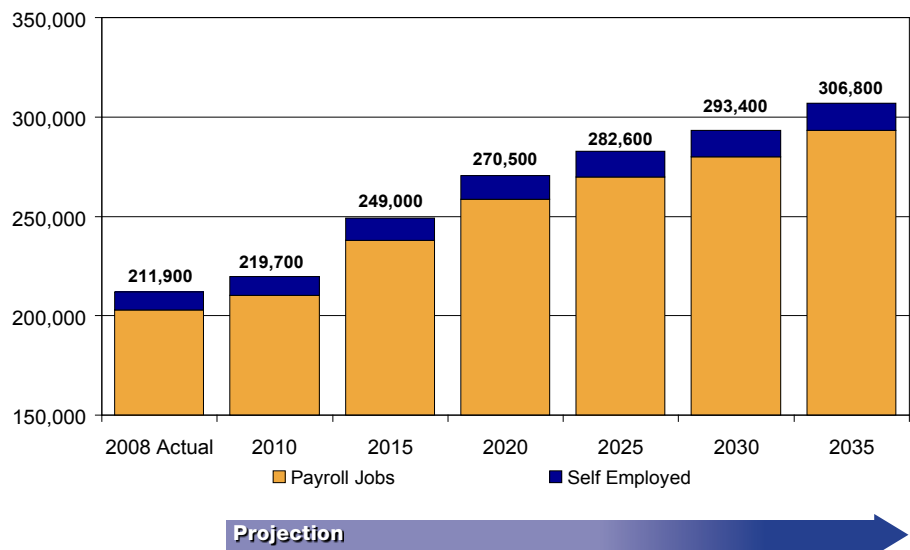


Figure E-10: General Plan Non-Residential Development

Zoning Category	Employees per 1,000 Sq Ft
Neighborhood Commercial	2.0
Community Commercial	2.0
Regional Commercial	2.0
Commercial Recreation	2.0
Education & Public Facilities	2.0
Multi-Use	2.0
Research/Urban/Industrial	1.9

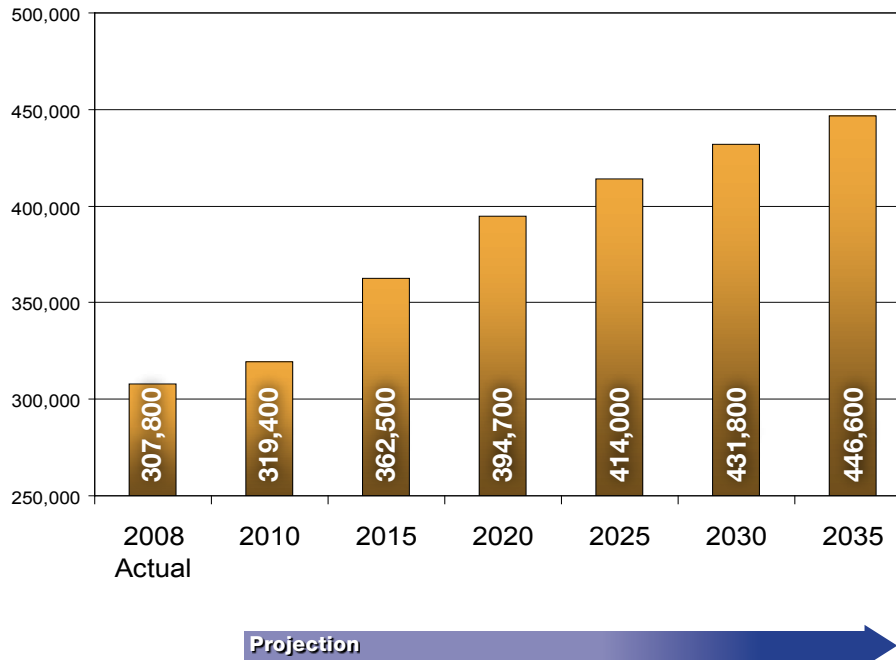
Source: City of Irvine General Plan Table A-3

Chart E-8: Projected Employment Population



Sources: EDD, 2007 American Community Survey, & Community Development Department’s Landuse Database (August 2008)

Chart E-9: Projected Daytime Population



Source: Community Development Department's Landuse Database (August 2008) / SBP Projections

Daytime Population:

Daytime population is comprised of the employment forecast plus 50% of the residential population. Community Development produces a Citywide Land Use Projections Database, which forecasts residential dwelling units and commercial development. The Development Forecast is produced in five-year increments including 2010, 2015, 2020, 2025, and 2030. The annualized Development Forecast is then combined with General Plan factors for employment per 1,000 square feet of non-residential development to produce the employment population estimate. Daytime Population is estimated by combining the residential population forecast with the employment population forecast. Chart E-9 depicts present and projected daytime population.



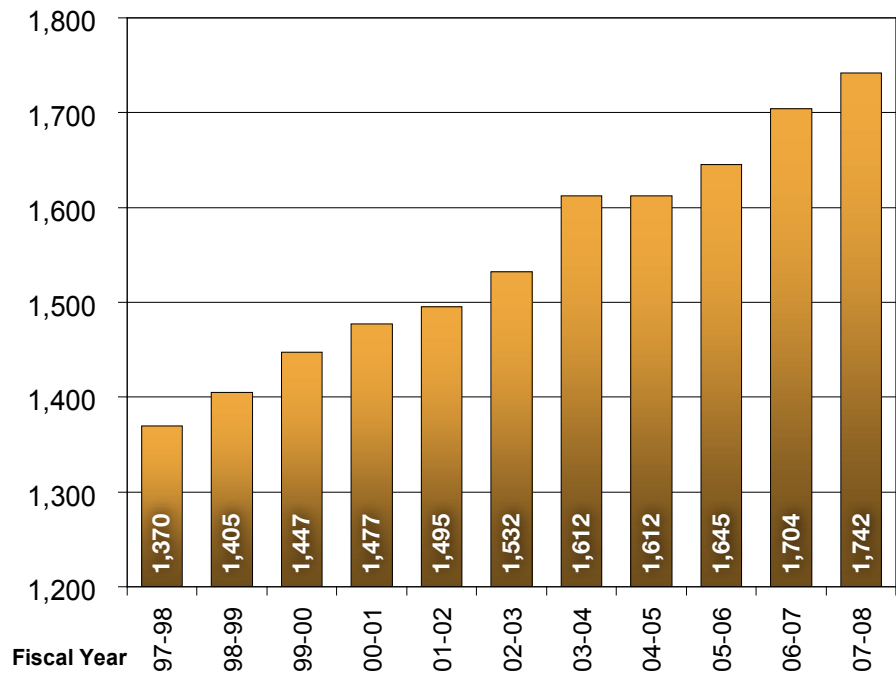
Circulation

PROFILE – Circulation:

An adequate transportation network is important to the City’s economic vitality by facilitating the efficient movement of individuals and commerce. Consistent with State planning requirements, the City’s roadway network is consistent with the General Plan’s land uses and corresponding building intensities. This network consists of highways, arterials, local streets, rail, and various trails such as bikeways. Additionally, because of the City’s geographic location, the roadway system is designed to accommodate “commute-through,” employment/commuter and residential traffic needs. Chart E-10 depicts the historic lane mile growth.

Circulation Trend: As overall population growth continues, there will be increasing traffic demands placed on the City’s circulation network. The City must plan for a substantial increase in both residential population and daytime population needs. As such, the City must coordinate the pace of development with circulation improvements. Housing-to-Jobs relationships will play an important part in accommodating

Chart E-10: Historic Total Lane Miles



Sources: Irvine Comprehensive Annual Financial Report (CAFR), June 30, 2008, and the Public Works Department

projected needs and maintaining adequate circulation capacity. Additionally, the City will need to focus on its ability to maintain the existing circulation network at the same time the City is increasing its roadway network.

Moreover, budgetary constraints dictate that the network’s capacity cannot be solely met by City funding sources. Grant programs to secure available infrastructure funds will become an increasingly important source of funding in the future.



The Asset Management Plan

The City established the Asset Management Plan (AMP) in 1985 in conjunction with the formation of the Irvine Public Facilities Infrastructure Authority. The Authority issued \$96.8 million in bonds for the acquisition and construction of the Civic Center and other improvements. The AMP combines bond debt service payments, interest earnings on plan assets, the payment of rent for the Civic Center Facilities by the General Fund, and other contributions and acquisitions into a model forecasting the growth of assets through FY 2010-11 (when all debt service is retired).

The goal of the AMP is to accumulate earnings to provide a long-term funding source for rehabilitation of the City's infrastructure. Since its inception, the AMP has also provided a source for internal loans and liquidity during the Orange County bankruptcy.

As originally forecast in 1994, the AMP was to "spin off" approximately \$2.5 million each year beginning in FY 1997-98 for rehabilitation and still have a cash balance of approximately \$62 million after all debt is retired in FY 2010-11. At that point, the 1994 Plan forecast a contribution from AMP assets of \$5 million per year of interest earnings for rehabilitation needs given an assumed 8.2% investment rate of return.

During the Orange County bankruptcy, the City relied on the AMP as a source of liquidity for funds frozen in the default. The AMP absorbed the majority of the accounts receivable portion of the bankruptcy proceedings allowing the City to maintain its current operations. As the bankruptcy unfolded, the City responded by contributing over \$2.8 million in General Fund carryover funds to the AMP in 1996, increasing rental payments by 3%, and pledging \$780,000 in additional annual General Fund transfers as restorative payments. The annual \$780,000 payments began in FY 1996-97 and continued through FY 2003-04, resulting in a total of \$6.2 million in additional restorative funding.

Due to large General Fund surpluses generated by the robust economy in the late 1990's, the City did not use the AMP as a resource to help fund rehabilitation until FY 2004-05. During the last decade, infrastructure rehabilitation was completely funded through combined General Fund Carryover contributions and by special revenue sources such as Gas Tax, Grants, and Measure M funds. Deferring the use of the AMP as a source of rehabilitation funds has allowed the Plan to grow continuously larger so that at the end of FY 2007-08 the Plan had assets of approximately \$76.1 million to offset \$22.8

million of outstanding debt, for a net positive position of \$53.3 million.

In FY 2005-06 the AMP made loans to the City's Redevelopment Agency which are now valued at \$8.0 million including accrued interest. The value of these loans are included in the Plan's reported assets of \$76.1 million and are considered as AMP investments, accruing interest at the rate of the City's return on its operating portfolio plus an additional 3.0%. The interest compounds annually and the loans are scheduled to be repaid, along with all accrued interest, in

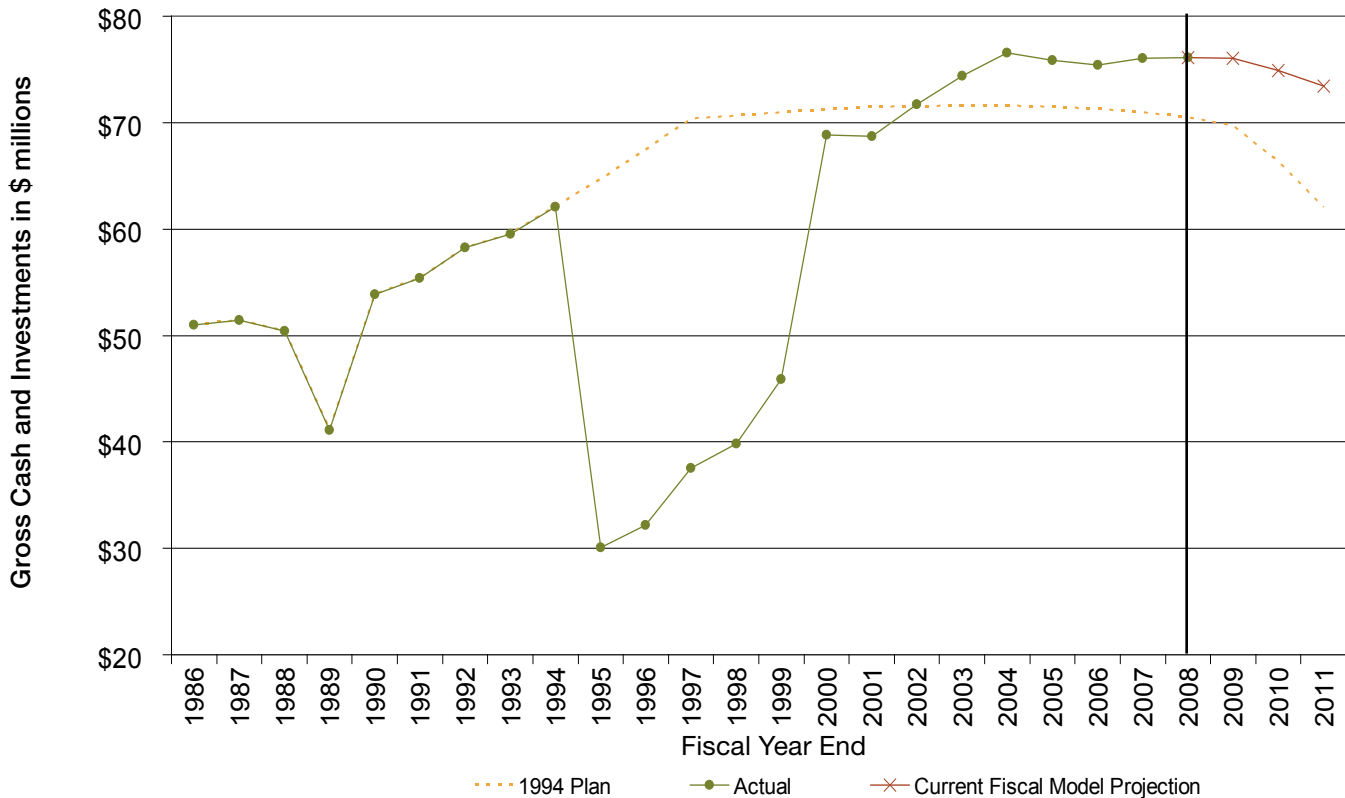
ten annual installment payments beginning in FY 2015-16.

In contrast to projections made in 1994, the current assets of the Plan exceed original estimates by approximately \$5.1 million and have recently contributed \$1.5 million annually to assist with infrastructure rehabilitation funding. While Plan assets now exceed the amounts envisioned in 1994, the capability of the Plan to sustain annual withdrawals of \$5.0 million as originally projected, in addition to sustaining its other continuing commitments, is no longer realistic due to current low investment inter-

est rates. The base operating portfolio earnings rate assumed in the update at the end of last fiscal year was 4.0%, significantly less than the 8.2% interest rate assumed in 1994. In addition, interest rates are falling due to the recession and therefore next year's interest rate assumption will likely be lower still. The rate differential is important because the interest earnings rate is determinate of the amount of cash that can be sustainably withdrawn from Plan assets without jeopardizing future contributions to rehabilitation.

Chart F-1 is a graph showing the

Chart F-1: Actual AMP Assets vs. 1994 Plan



original forecast of AMP assets (1994 Plan, the dashed line), actual gross cash and investments (the solid line) and the forecast of plan assets (solid line with cross marks) as \$1.5 to \$2.5 million is withdrawn annually for rehabilitation. The current plan is that the AMP will provide as much as \$2.5 million per year over the next several years for rehabilitation, but no more than the interest earnings generated by the portfolio in the preceding year will be withdrawn. By withdrawing less than the interest earnings of the portfolio, the principal will not be eroded. In

fiscal year 2007-08, the AMP generated \$2.7 million in interest earnings, plus an additional \$594,000 in accrued interest earnings on the AMP loans

In Figure F-1, the 1994 Plan shows what would have happened to plan assets under the original 1994 forecast assumptions. Ending plan assets in FY 10-11 would have been \$62.1 million. The Plan would have provided \$12.5 million to rehabilitation over the next three years left in the plan and would (under today's interest rate assumptions) produce \$2.5 million annually in

future transfers to rehabilitation after FY 2010-11.

The last column in the table shows what will happen to Plan assets under the current plan. Using the base operating portfolio interest rate assumption of 4.0%, this option produces \$2.9 million in future annual transfers for rehabilitation after FY 2010-11.

Figure F-1: AMP Contributions to General Fund Rehabilitation

Year-End	1994 T. Plan	Current Plan
June 30, 2009	\$2,500,000	\$1,500,000
June 30, 2010	\$5,000,000	\$2,500,000
June 30, 2011	\$5,000,000	\$2,500,000
Totals	\$12,500,000	\$6,500,000
Endowment	\$62,103,000	\$73,459,000
Yr Amt @ 4.0%	\$2,484,000	\$2,938,000

