The City of Irvine, California

Case Summary

A 1959 master plan for a city of 50,000 surrounding the new University of California at Irvine served as the foundation for the creation of the City of Irvine, California. This initial master plan called for a full spectrum of residential, commercial, industrial, and recreation land uses, which came to fruition during the 1960s and 1970s. This fortuitous beginning imparted an identity to the city as a place and people who developed long-term, strategic plans and followed them to create a holistic and well-functioning community. The enactment of this vision has allowed Irvine to provide direct financial support to its public school; emphasize excellence in police hiring, leadership, and community relations; maintenance of open sightlines in the layout of new public, business, and residential spaces; promote youth programs; and prevent graffiti and other visible signs of deterioration. As a result, the City of Irvine with over 240,000 residents has recorded the lowest levels of violent crime rates of any city with over 100,000 residents annually since 2004.

What its internal staff discovered in the wake of the 2008 recession was that its history as a high growth city had caused Irvine to rely upon quantitative, linear regression financial forecasting models that over-emphasized growth-driven variables. While the organization had the foresight to create reserves that could allow it to ride out the short-term implications of this error, a longer-term strategy was needed. Toward that end, Irvine’s leadership developed a “Three Year Bridge Plan” that incorporated four principles including no tax increases, no layoffs, no pay raises, and no material reductions to core services. This stated set of policies gave elected officials and the public confidence that the city’s budget would not be balanced at the expense of the public’s interests, while assuring staff they would be able to keep their jobs while the city contended with the financial challenges presented by the recession.

Irvine was successful in fulfilling the four promises of the Bridge Plan through a combination of eliminating positions through attrition, consolidating duplicative activities, deferring specific non-operating expenditures, economizing on activities that were not core to the city’s mission, and judicious use of its reserves during the most difficult periods. The plan was supported by a rigorous short-term forecasting and monitoring process to ensure the city remained on track. The agility shown by city staff in responding to falling revenues enhanced the credibility of the Bridge Plan and emphasized the need for all stakeholders to be adaptable.

At the end of three years, Irvine had arrived at a new structurally balanced budget. Irvine was able to present a balanced budget without the use of reserves or other one-time measures.
and concurrently increased its support of local public schools. It began to prepare for the next recession by increasing its contingency reserve funding to 20 percent of budgeted appropriations. A 2013 survey indicated that 92 percent of residents surveyed were satisfied with the city’s overall performance in providing municipal services, a satisfaction measure relatively unchanged from 2006, the last time such a study was conducted.

**Connections to the Financial Sustainability Framework**

**LS #1 – Create open communication among all participants.** The city was very open about the challenges with its forecast and the need to develop a plan to overcome financial distress. It engaged elected officials in the plan and kept stakeholders informed of the city’s intentions for dealing with the crisis.

**LS #3 – Convince stakeholders there can be benefits from collective efforts.** The three-year Bridge Plan provided assurances that the city’s decisions would respect both the interest of the public and public employees as the city contended with the crisis.

**LS #5 – Build long-term horizons into fiscal planning.** The city’s plan for overcoming immediate crisis spanned three years. It also gave consideration to building back the reserves after the crisis was over.

**IDP #1 – Well-Defined Boundaries.** Irvine had created clear decision rules and boundaries that required long-term forecasting and adherence to financial policies on acceptable use of fund balances and the target level of fund balances. This meant that Irvine had the capacity to change its forecast model and use its fund balances responsibly when the situation calls for it.

**IDP #2 – Proportional Equivalence of benefits and costs.** Flexibility in a crisis situation insures that institutional arrangements don’t collapse under the weight of a crisis, thereby preserving services. In Irvine’s case, the city had established high quality service for its constituents and was able to preserve that value for citizens despite the financial crisis. The city had built up reserves before the crisis to provide flexibility and used short-term forecasting to remain agile. Further, the Bridge Plan was positioned as a living document that would change as conditions changed.

**IDP #4 – Monitoring and decision making.** The city developed a short-term forecast model and a process for regularly monitoring its financial position against the forecast. This helped make sure the plan stayed on track.

**IDP #5 – Graduated sanctions and credible rewards.** The city had developed an identity as a “planned city,” where planning was a natural response to a challenge. Hence, when confronted with a financial crisis, Irvine’s reflex was to develop a long-term plan to overcome it. Because
this identity naturally pushed the members of the organization in the direction of developing a plan, they did not need external exhortation to get them there.

Excerpt from http://www.gfoa.org/sites/default/files/pisano_wp17mp1_0_0.pdf