The City of Mission Viejo has been preparing a Master Financial Plan (MFP) as part of its budget development process since 1993. City Council policy currently calls for the MFP to be updated every two years.

This long-range forecasting model is an integral part of the City's budget process. It is used to project General Fund revenue, expenditures, transfers and capital outlay for the upcoming two-year budget cycle and an additional five years out. The MFP allows for a deeper analysis of how past and current spending decisions will affect future operating costs.

This MFP was prepared as part of the 2015-2017 budget process and focuses on General Fund revenue and expenditures for 2015-17 plus an additional five years of projections, out to FY 2021/22.

The Master Financial Plan is not only used to help develop a balanced budget, it provides essential information on projected General Fund group fund balances ("discretionary reserves") and allows for analysis of the amount of resources available to fund equipment replacement as well as asset rehabilitation and repair. The long-range nature of the MFP also allows management and staff to be more proactive in budget planning, using the seven years of projections to plan for anticipated swings in revenue or expenditures. This forecast sets the stage for financial planning but it does not represent formally adopted revenues and expenditures. It provides context for considering the City's ability to continue current services, maintain existing assets and/or fund new initiatives.

The Value of "The Longer Look"

The two year budget document focuses on the upcoming two-year fiscal period in detail. It is comprehensive and presents information for all City departments and all City funds on a program and detailed object level. Programmatic accomplishments and goals as well as financial results and estimates to accomplish the goals are presented. Historical data is presented for both revenue and expenditure appropriations, along with information for the current budget year and the upcoming two years.

The MFP on the other hand takes a longer look, both in retrospect and prospectively. The longer look back provides greater historical context and helps to substantiate the estimates and projections going forward. The longer planning horizon going forward better illustrates the impact of current decisions and assumptions on future financial positions. For example, the impact of seemingly small differences in current growth rates will magnify over time and their impact will be seen more clearly in a plan with a longer horizon than that of a two-year budget.

What the 2015-2022 Revenue Forecast Tells Us

The 2015-22 revenue forecast included in this master financial plan update indicates that the effects of the worst recession in seventy years are waning and this forecast provides a clear indication that the City is benefiting from a continuously improving economic climate. We have seen a gradual increase in tax receipts following the decline during FY 2008 through FY 2010. Property tax and sales tax receipts represent about 80% of General Fund revenue. Slowly increasing tax receipts are a sign of economic improvement. However, in the long-term, most economic models project that tax revenues are in an upward trend. This MFP anticipates a gradual recovery. Overall, the 2015-2022 revenue forecast is positive when compared to prior historical periods. For example, total General Fund revenue is projected to grow an average of 2.69% over the seven-year forecasting period (FY 2015/16 through FY 2021/22). This compares favorably to the 0.71% average rate of change for the prior seven year period.

What the 2015-2022 Expenditure Plan Will Accomplish

Staff has developed a seven-year expenditure plan that allows the City to successfully navigate the challenging economic times which still lie ahead. While the recession officially ended in June, 2009, the City is maintaining a conservative approach to future expenditure planning. This is a prudent approach as the economy moves forward at a gradual pace.

The first two years of the plan (the current 2015-17 proposed budget) presents a balanced budget that maintains General Fund reserves at 50%. This was accomplished through continued reductions in staffing and prudent increases to operating expenditures. Each year thereafter the plan remains balanced and generates revenues in excess of operating expenditures and operating transfers. The City Council policy of maintaining a reserve level at 50% of General Fund revenues is maintained every year of the plan and there are no draws on reserves after FY 15/16. In fact, the plan shows that as revenue begins to grow at a faster rate than expenditures there will be an availability of funds to 1) surpass the 50% target level, or 2) fund one-time projects.

Expenditures are carefully controlled every year of the plan within available resources. Public safety is given priority and continues to be the program area receiving the greatest portion of General Fund resources over the next seven years. Personnel expenditures will be tightly managed and, for the seven years covered by the plan, there is no increase to current staffing levels. A minimum amount of funding from the General Fund has been made available for park and playground maintenance.

Rapidly escalating cost of retirement and insurance programs was addressed in FY 2014/15 by City Council action to reduce unfunded liabilities in both programs by making large one-time payments. The City Council chose to address the unfunded liabilities for the City's CalPERS Pension Plan and Retiree Medical Plan by making additional one-time payments. The goal was to reduce the pension plan unfunded liability and completely pay off the Retiree Medical Plan unfunded liability by June 30, 2016. Other pension plan reform measures such as the establishment of a second and third tier of pension benefits will further reduce the City's long term pension plan obligations. About 20% of the City's workforce is now covered by the second and third tier benefits program.

The City's reserve level going forward of 50% of annual General Fund revenues will give us a substantial cushion for absorbing unforeseen events. The City's reserves can also shield the City if another recession occurs. These reserves are an essential first line of defense against unexpected economic emergencies or natural disaster.

GENERAL FUND REVENUE FORECAST AND EXPENDITURE PLAN – 2015-2022

Orange County Economic Forecast

Mission Viejo's financial forecasting method is based on assessments made by local economists of the local, regional and national economies. These assessments and assumptions set the baseline for projecting the rates of change of Mission Viejo's revenues and expenditures. The City utilizes Chapman University and UCLA's Anderson School local economic forecast presentations and publications.

Given the timing of the 2015-2022 MFP update, and its use in developing the 2015-17 budget, the December 2014 Chapman University economic update was utilized as the primary basis for the revenue and expenditures projections contained herein. The basic tenets of that forecast, along with additional research conducted by Finance staff were utilized for the current master financial plan update.
The theme of Chapman University forecast can be summed up as slow, gradual growth. The weak national recovery will continue at its slow pace. Job growth is improving slowly and the housing sector

shows signs of recovery. Looking locally, the same trends hold as on the national scale: job creation is slow but steady.

Orange County employment growth was 2.5 percent in 2013. The Chapman forecast projects Orange County job growth of 2.1 percent and 2.6 percent in 2014 and 2015, respectively. Orange County's labor force increases at an annual average of one percent. Based on Chapman's projected employment growth rates, a gradual decline in the unemployment rate is expected. Projected job growth along with declining unemployment rates will have a positive impact on personal income and consumer spending. However, the cost of living continues to increase as seen in increasing gasoline prices. Chapman projects that Orange County consumers will be able to absorb higher costs of living resulting in more discretionary income to save or spend. Overall, taxable sales in Orange County are forecast to increase by 5.9 percent and 6.1 percent in 2014 and 2015 respectively.

The decline in home prices combined with low mortgage rates increased housing affordability in Orange County and improved housing demand. However, credit is tight due to more stringent loan qualification requirements. Tougher credit requirements make if difficult for those who experienced foreclosures and short-sales to qualify for a mortgage to purchase a home. These factors have led to an increase in rents in Orange County. Higher demand and shrinking supply are cited as reasons to expect median home prices to increase by 5.7 percent in 2014 and 4.0 percent in 2015.

Bottom line, this recovery will continue along a steady path of growth. In light of this forecast for gradual economic growth, Chapman projects that interest rates will stay generally low with some pickup starting at year-end 2015.

Measurement Period	Annual CPI-U Rate United States	Annual CPI- U Rate LA Riverside - OC	Annual CPI-U Rate California
Average 2000-2014	**2.4%**	**2.6%**	**2.6%**
Average 2010-2014	**2.0%**	**1.7%**	**1.9%**
2014 Chapman Univ Forecast	**2.3%**	**2.4%**	**2.4%**

Most recent economic forecasts project that near-term inflation is to remain at low levels. The June, 2014 Chapman University forecast projects Orange County inflation to be 2.4% in 2015, this compares with a historical average (2000-2014) of 2.6% for the Los Angeles-Orange County-Riverside area (see table). The expenditure projections of the MFP will reflect this level of inflation projection for the major contract services such as the monthly landscaping, and street maintenance. The growth in other expenditures will be tightly controlled and is projected to grow at a slower 2% rate.

Mission Viejo and other South Orange County cities fared better than many other cities and areas of the State and nation during the economic downturn. The fact that we are still a relatively new community, that we operate as a contract city, and that our financial management policies and levels of reserves provide a greater degree of flexibility than older, non-contract cities to respond to changing conditions, provide a basis for optimism looking forward.

Methodology/Assumptions

The master financial plan projects revenues, expenditures and discretionary reserves in the General Fund, which finances the bulk of the City's major operations. The period of the revenue forecast and expenditure plan includes the two years of the 2015-17 adopted budget, and then five additional years through FY 2021/22. Each major individual area of revenue and expenditure is accompanied by seven years of historical data in order to provide context for the forecasts and related discussions.

Many of the revenue and expenditure forecasts in the plan are driven by key assumptions about inflation rates, projected changes to the City's population and interest rate forecasts. As stated in the previous section, the Chapman University forecast (as well as supporting data from the UCLA Anderson School) is that inflation rates will remain relatively low. The inflation rate forecast for 2015-2022 averages 2.0 - 2.3%. Historical Bureau of Labor Statistics "Los Angeles-Riverside-Orange County" consumer price index (CPI) data shows the average inflation rate was 2.6% from 2000-2014 and 1.7% from 2010-2014 (see table on previous page).

The City's population, which was 96,652 as of January 1, 2015 per the State Department of Finance, is projected to grow to 98,285 by 2022. The current city limits are essentially built-out, with only limited capability of increases in population. There are two housing projects underway, Watermarke and Skyridge. Skyridge required an annexation of unincorporated Orange County land in the northern part of the City. These are relatively small developments and should not require a significant increase in services.

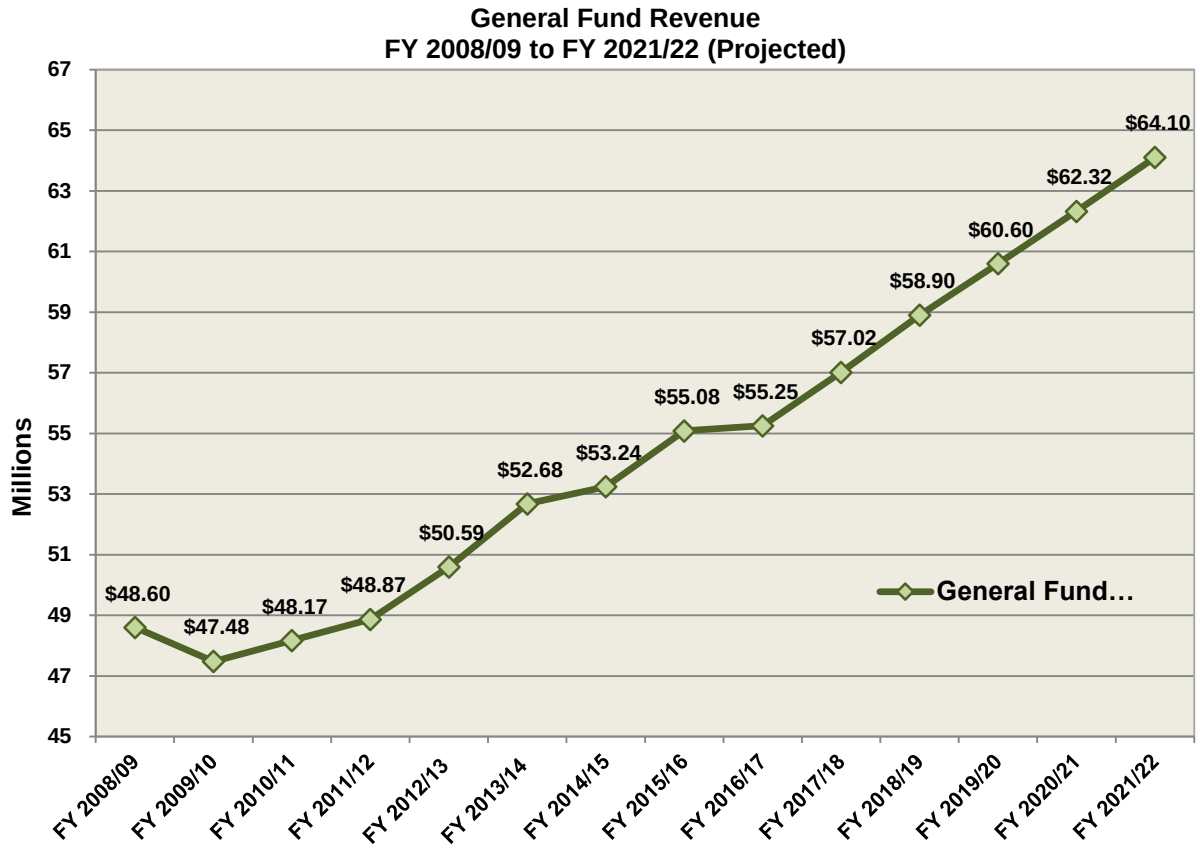
Interest rates are also projected to start rising over the course of the next seven years. The Federal Reserve has held its key interest rate near zero but loosening is expected over the next year and interest rates in general are expected to begin to grow over the seven years of this plan. The forecast is for gradual increases in the rate of return of the City's investment portfolio, topping out at approximately 5% in 2022.

Other assumptions in this forecast are based on historical trends of revenues and expenditures, and/or on information from other agencies or consulting groups, including the County of Orange (property tax estimates), the Public Employees Retirement System (retirement rates), and HdL Companies (sales and property tax data).

General Fund Revenue

2009-2015 Average Annual Growth Rate:	**0.71%**
2016-2022 Projected Average Annual Growth Rate:	**2.69%**

General Fund revenues are comprised of various individual revenue sources, the most significant being property tax and sales tax. Those two revenue sources combined account for 81% of all General Fund revenue in the 2015-17 proposed budget.



The City has been fortunate to have a very strong and diversified revenue base since incorporation. However, even this diversification was not enough to shield the city from the Great Recession. The FY 2010/11 budget saw General Fund revenues begin to recover.

As with the two-year budget, the General Fund revenue forecast forms the foundation of the Master Financial Plan. The 2015-17 proposed budget projects revenues to grow an average of 1.85%, when compared to the FY 2014/15 amended budget. For the out years of the MFP forecast (FY 2015/16 to FY 2021/22), annual revenue growth is projected to be approximately 2.69%.

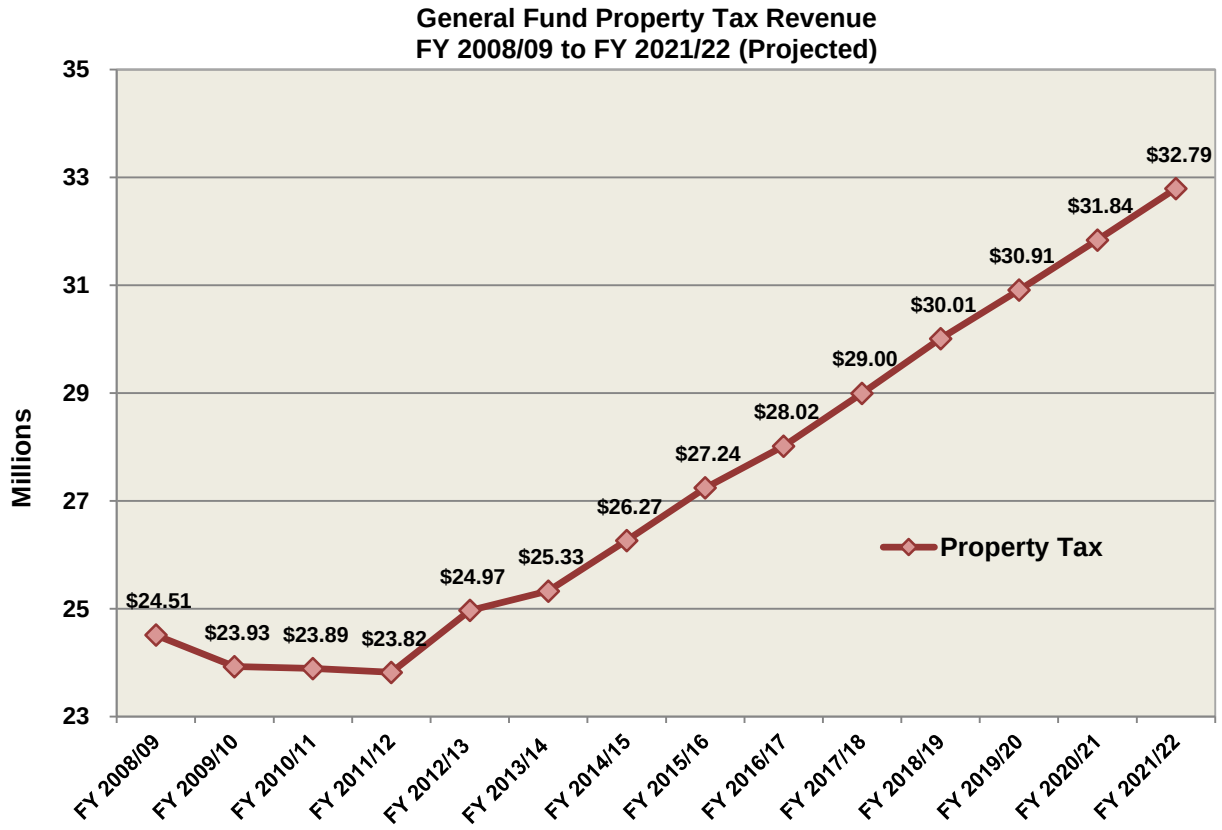
The seven-year forecast – which includes the 2015-17 proposed budget – presents a modest growth outlook. It should be noted that these projections are predicated on the assumption that the economy has recovered; will continue to grow at a slow to moderate pace; and another recession in the near-term is avoided.

Within total General Fund revenues, the five most significant individual revenue sources to watch during the next seven years are: (1) property tax revenue; (2) sales tax revenue; (3) franchise tax revenue; (4) development-related revenues, and (5) recreation revenues. These revenue streams will be discussed in greater detail in the following pages.

Property Tax Revenue

2009-2015 Average Annual Growth Rate:	**0.98%**
2016-2022 Projected Average Annual Growth Rate:	**3.22%**

Property tax revenue accounts for about 50% of total General Fund revenues, representing the City's largest single revenue source. The strength of the City's underlying property tax base has been a prime factor in the City's financial stability over the years. Assessed values in Orange County have been increasing since the end of the recession. The City's total assessed value of property (secured and unsecured) is approximately $13.6 billion (as recorded by the Orange County Auditor/Controller and updated for the 2014/15 fiscal year which began July 1, 2014).



This amount represents an increase of 2.3% over the prior fiscal year. The City's assessed value increased an average of 2.5% from FY 2011/12 to FY 2014/15. Included in the State budget deal with local governments in 2004-05 was a permanent redistribution of two of the City's revenue sources. Under this agreement, the Vehicle License Fee (VLF) rate for cities was permanently reduced from 2% to 0.65% and has since been shifted again such that the City no longer receives VLF revenue. In 2005-06 the City began receiving monthly payments at the lower rate while the remaining amount which is known as VLF in-lieu revenue, was added to the property tax base and is paid to the City in semi-annual installments. The rate of increase in the VLF in-lieu monies is tied to the growth rate of the City's property tax assessed valuation base. FY 2004/2005 was the last year the City received VLF revenue under the old formula and that amount was $4.5 million. In the FY 2015-17 two year budget cycle the City estimates VLF in-lieu revenue at $8 million and $8.1 million respectively.

Property tax revenue is projected to increase 3.72% in FY 2015/16 over the amended FY 2014/15 budget and increase 2.84% in FY 2016/17. The forecast revenue reflects anticipated growth in assessed valuation during this period.

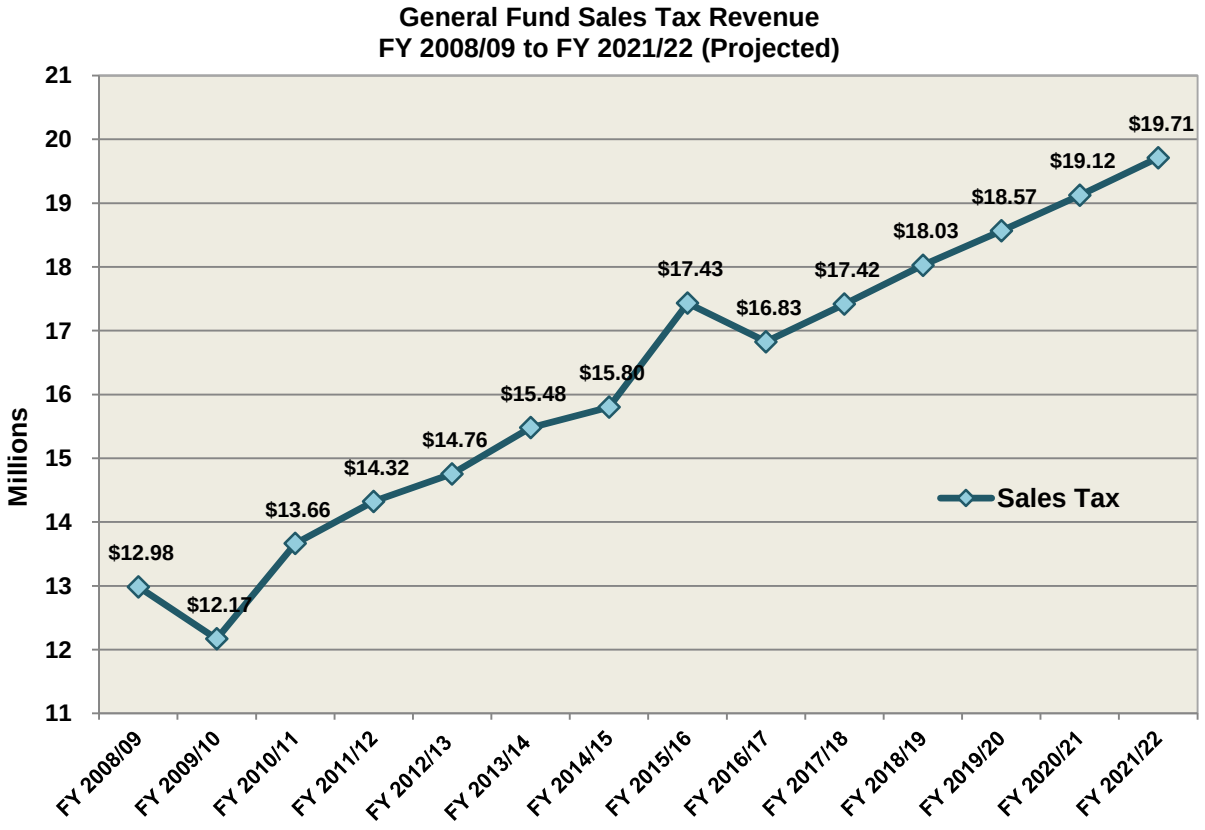
As the economy has improved, so has the real estate market. The 2015-22 MFP forecasts General Fund property tax revenue to increase an average of 3.22% annually.

Sales Tax Revenue

2009-2015 Average Annual Growth Rate:	**0.98%**
2016-2022 Projected Average Annual Growth Rate:	**3.27%**

Sales and use tax is the second largest revenue source for the City, behind property tax revenue. Sales tax represents about 32% of total General Fund revenue for FY 2015/16 and 30% for FY 2016/17. The sales tax recorded in the General Fund includes the sales tax generated by all retail and other sales tax producers in the City, except for the share of the sales tax generated at the Shops at Mission Viejo that is dedicated for the repayment of the bonds issued in 1999 to finance parking improvements. The FY 2015/16 projection is heavily impacted by the elimination of the "triple flip" sales tax exchange which will be coming to an end in this year and is expected to include a one-time reimbursement of approximately $1 million.

The past seven years (see graph below) show the effects of the economic downturn followed by gradually rising consumer spending. The average annual growth rate from 2009-2015 was 0.98%.



For the 2015-17 budget period, the expectation is modest growth levels in sales and use tax. The proposed 2015-17 budget projects a 3.4% average increase. These forecasts are based on the assumption that the local economy will continue to grow and consumers will continue to spend, visiting our retail establishments, purchasing vehicles within the city limits, etc. In addition, the end of the State sales tax in lieu transfer (triple flip) also includes a one-time catch up payment of previously diverted sales tax as discussed above.

Annual sales tax revenue growth rates from FY 2015/16 going forward are expected to average 3.27% per year. Again, it is important to stress that this latest master financial plan update assumes the economy will continue a slow to moderate growth and does not slip back into another recession.

It should be noted that sales taxes are usually generated on a "situs" basis (city or area where the sale takes place). There are a variety of retail transactions that are allocated on a "pool" basis because the State Board of Equalization believes that it would be too difficult to do otherwise. These are generally known as "use taxes." A portion of the City's sales tax revenue comes from the "pool" – about 10%. Allocations from the pool are made in proportion to a city's or county's share of situs revenues; as such, the City receives a little less than 3% of County pool revenues. Pool taxes are increasing due to online sales which are included in the pool and have been growing in recent years. As a result of this online sales factor, pool taxes are expected to continue to increase at a high level. While the level of pool taxes is certainly increasing, that growth has been commensurate with overall sales tax growth thus percentage shares have not changed.

Franchise Tax

2009-2015 Average Annual Growth Rate:	**0.08%**
2016-2022 Projected Average Annual Growth Rate:	**1.01%**

Franchise taxes are imposed by the City on gas, electric, cable television and refuse collection companies for the privilege of using City streets. Each company is assessed a rate of between one and five percent of their gross receipts. Franchise taxes account for about 5% of the City's General Fund revenues in the 2015-17 budget.

From FY 2008/09 to FY 2015/16, total franchise taxes decreased from $2.95 million to $2.8 million. The decrease represents a decline in utility franchise payments to the General Fund. Revenue from the cable television franchises meanwhile has been relatively flat but steady. Franchise tax revenue is expected to grow by 1.01% annually over the course of the next seven years.

Development-Related Revenues

2009-2015 Average Annual Growth Rate:	**7.15%**
2015-2022 Projected Average Annual Growth Rate:	**-0.11%**

For the purposes of this MFP forecast, development related revenue includes all License and Permit revenue and a large portion of revenue described as "Charges for Services." Specifically, the development related revenue includes the fees collected for building, mechanical and electrical permits, as well as plan check, plan review, conditional use permits and related planning and building activities. For the period from FY 2008/09 to FY 2014/15, this source of revenue averaged $2.1 million annually, or 4% of total General Fund revenue. It should be noted that much of the staff work associated with development activity is contracted out to a private firm (Charles Abbot and Associates), and the firm is compensated on a percentage-of-revenue basis. Accordingly, changes – whether positive or negative – in development-related revenue included in this forecast will be primarily reflected in changes to the

Community Development Department's expenditures, since an average of 60% of the revenues are paid to contract staff and inspectors.

For the 2015-17 budget, development related revenue is expected to be approximately $2.4 million each year representing a decrease of 5% due to one-time fees from residential development projects during FY 2014/15. Going forward, this source of revenue is projected to remain relatively stable, given the City's built-out nature.

Recreation Revenues

2009-2015 Average Annual Growth Rate:	**-0.86%**
2016-2022 Projected Average Annual Growth Rate:	**0.92%**

Recreation revenues are comprised of recreation and tennis center fees, senior activity fees, and selected special event revenue. Over the past six years, recreation revenues have been relatively stable at approximately $1.5 million annually or 2.7% of General Fund revenue. Over the years, the City has invested significant resources into the recreation centers. Staff anticipates an overall positive trend resulting from the upgrades.

For FY 2015/16 through FY 2021/22 it is anticipated that this source of revenue will continue to experience stable and modest growth, averaging approximately 1% annually. As with all fees, they will be studied regularly and a future cost recovery study may suggest changes. In addition, continued improvements to our recreational class offerings and recreational amenities should increase consumption of these resources by residents.

Operating Budget Expenditures

2009-2015 Average Annual Growth Rate:	**1.10%**
2016-2022 Projected Average Annual Growth Rate:	**1.45%**

For the purposes of budget planning and updating the master financial plan, certain expenditures are classified as "non-discretionary," or ongoing. That is, in order to maintain the levels of service Mission Viejo residents have come to enjoy as well as meet the City's contractual, State and Federal obligations, a set "menu" of set expenditures occurs every fiscal year. For this analysis, the "non-discretionary" expenditures (also referred to as General Fund operating expenditures) include ***personnel costs, services and supplies, debt service on the Library and City Hall bonds, and the subsidies to the animal services and library operations.*** Capital outlay (but not capital projects) and transfers to the asset replacement funds are not included in operating (i.e., ongoing) expenditures, but instead are listed on the MFP as "discretionary" or one-time expenditures. (Even though they may be considered discretionary, they are still included in all bottom-line analyses of ending fund balance.)

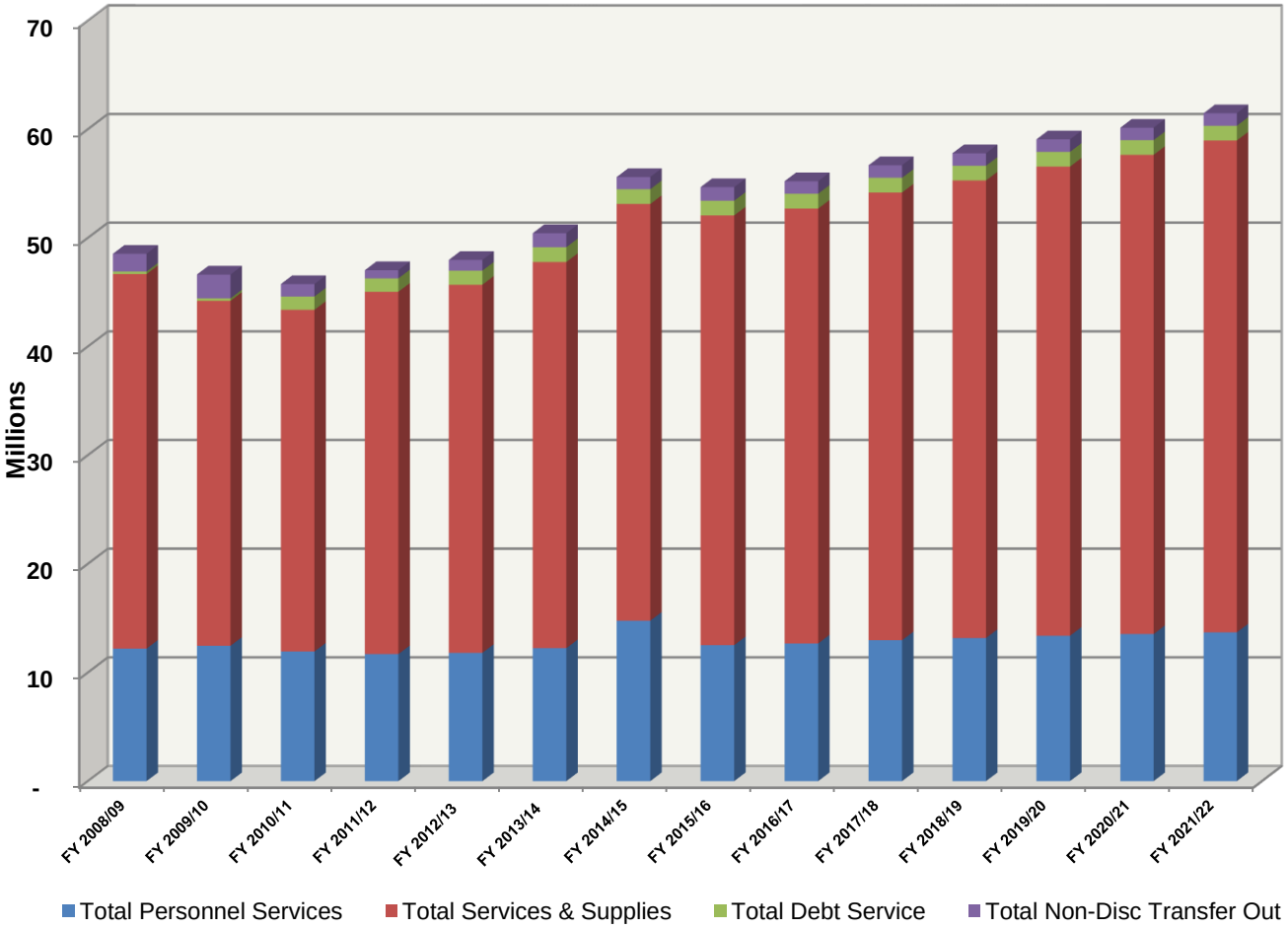
Since incorporation, the City has provided a very high level of service while providing a wide variety of services. Over these years there has been a major period of expansion in terms of City facilities, with the construction of City Hall, the expansion of the Library, the renovations of City recreation centers and parks, and the expansion of the Norman P. Murray Community Center. In addition, there has been an increased focus on facility maintenance, landscape maintenance, slope rehabilitation, park and playground renovations, and other infrastructure upgrades.

The expanded and improved facilities along with increased utility costs and our emphasis on increased levels of maintenance and rehabilitation have impacted operating costs. As a result, from FY 2008/09 through FY 2014/15, operating expenditures have increased at an annual average rate of 1.10%. With

recessionary effects being felt during FY 2008/09 through FY 2010/11, operating expenditures were reduced significantly to offset the decline in General Fund revenues and keep the budget balanced without any significant drawdown of reserves. Actual operating expenditures for FY 2008/09 were 6.7% less than the previous year. As the economy has improved operating expenditure budgets have increased to catch up on some deferred maintenance as well as other improvements.

In FY 2015/16 General Fund proposed ongoing appropriations when compared to FY 2014/15 amended operating budget reflect a decrease of 1.72% due to a large one-time payment made in 2014/15 to reduce the City's retiree medical unfunded liability.

The following graph shows the four components of the operating budget (e.g., personnel, services and supplies, debt service and non-discretionary transfers out) for the past seven years and then from FY 2015/16 through FY 2020/2022. The largest single component by far continues to be services and supplies (the red section of the bar graph), representing 72% of total adopted General Fund operating budget expenditures in FY 2015/16. Given the degree to which Mission Viejo relies on contract services, this high percentage is to be expected. Personnel costs account for 23% of total operating expenditures in FY 2015/16. The remainder goes toward debt service and non-discretionary transfers. A separate and more detailed discussion of personnel and services and supplies costs is presented on the next page.



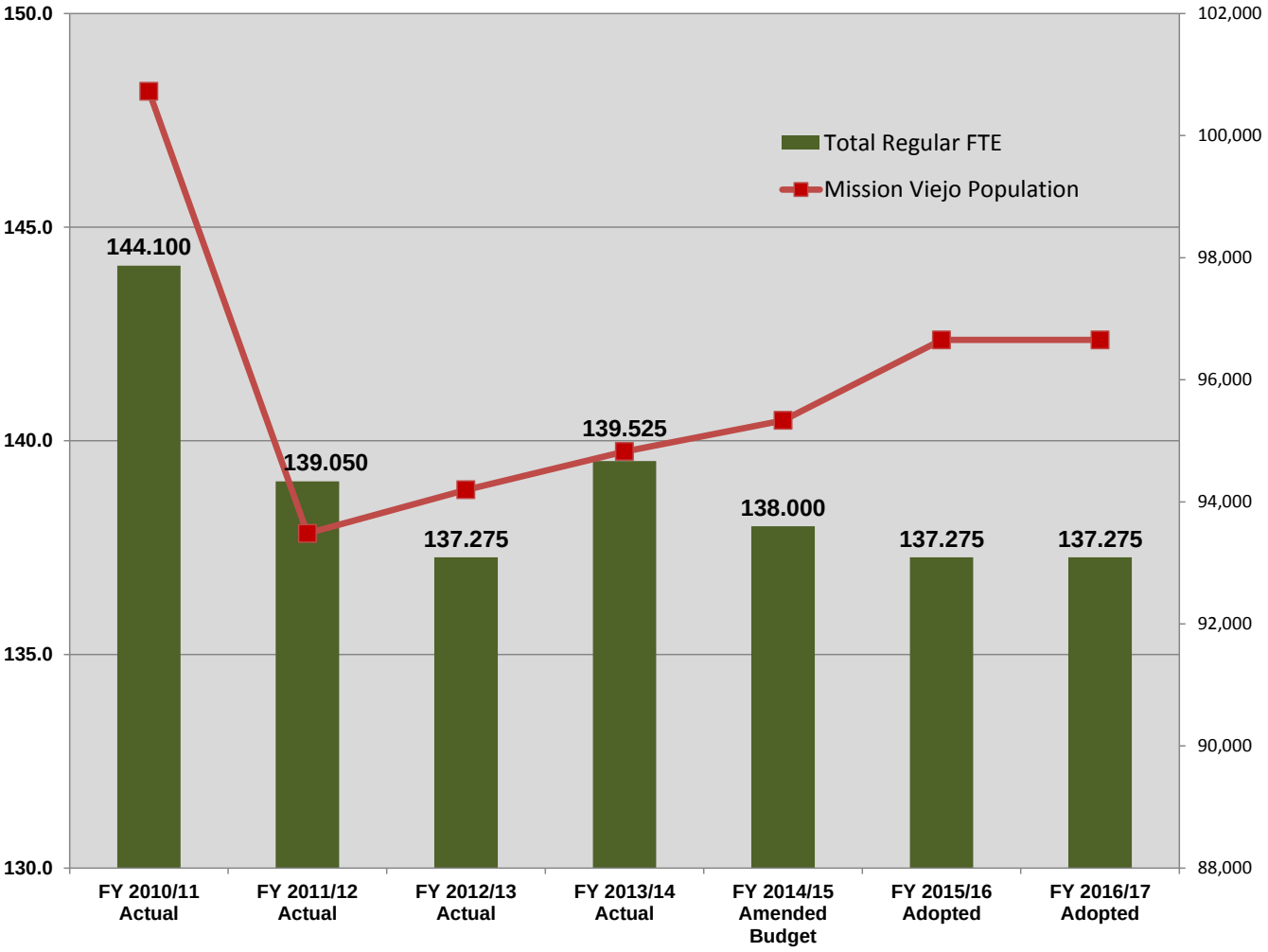
Personnel Costs

2009-2015 Average Annual Growth Rate:	**2.09%**
2016-2022 Projected Average Annual Growth Rate:	**-0.88%**

For most cities, personnel costs comprise the largest part of their operating budgets. But for "contract cities," those that rely significantly on contracts with private entities or other public agencies to provide municipal services, personnel costs make up a much smaller portion of the budget. Because personnel costs are often very difficult to control, contract cities are generally better positioned to respond to economic slowdowns than their "full-service" counterparts.

Personnel costs are driven by the number of authorized positions as well as the cost per position. The latter has increased over time due to the need to maintain a competitive compensation level for attracting and retaining employees, coupled with increasing benefit and retirement costs. The City Council's policy for many years had been to pay above average total compensation in order to attract and retain the best individuals. However, in response to the recent economic downturn, wages were frozen for several years and only recently beginning in FY 2013/14 have gradual increases been instituted.

In addition to the wage freeze, from FY 2008/09 to FY 2015/16, almost nineteen full-time equivalent (FTE) positions have been eliminated citywide (this includes positions funded by the Animal Services and Library Services funds). (The graph below shows total FTE counts for an eight-year period.)



In an ongoing effort to decrease the cost per position, the City Council approved a plan which has employees paying the full eight percent share of their retirement by the end of FY 2014/15. This will decrease the City's retirement costs by shifting a greater burden directly onto the employees. The City Council has also approved a second tier retirement program for all new employees hired after July 9, 2011. Another retirement tier was enacted by State action in 2013. This change will not provide immediate, near-term savings, but will decrease costs over the long-run, hence placing Mission Viejo on even stronger financial footing for several decades into the future. 20% of the City's workforce now falls under these second and third tier retirement programs.

For the 2009-2015 period, total General Fund personnel costs have grown on average at a rate of 2.09% per year. A large one-time payment of $2.1 million in FY 14-15 to pay down the retiree medical unfunded liability is the main reason for positive growth over that period of time. The same reasons previously mentioned to explain the overall growth of operating expenditures apply to the growth in personnel costs as well: new City facilities, existing facilities expanded, increased focus on facility and landscape maintenance, expansion of cultural arts and recreation programming, and addition of staff to the transportation and information technology areas. (It should be kept in mind however that this forecast just addresses personnel costs funded from the General Fund. A number of City staff positions are funded from other sources, most notably the Library Fund and the Animal Services Fund.)

General Fund personnel costs will decrease by 15% in FY 2015/16 compared to the FY 2014/15 amended budget due to that large one-time payment to pay down unfunded liabilities.

Between FY 2016/17 and FY 2021/22 personnel costs will decrease by an average of 0.88%. This negative average is the result of a one-time payment of $2.1 million to eliminate the unfunded liability in the retiree medical program made in FY 2014/15. Excluding that payment results in average growth of 1.59% over that seven year period. To remain competitive in the Orange County job market and in an effort to maintain our workforce and remunerate employees fairly for the increased workloads they had taken on in recent years, modest cost of living increases and restoration of merit increases are included representing average annual increases in salaries of approximately 1.5%. There are no plans to further reduce staffing levels. However, management is always looking at ways to increase efficiency throughout the organization and future reductions in staffing could occur.

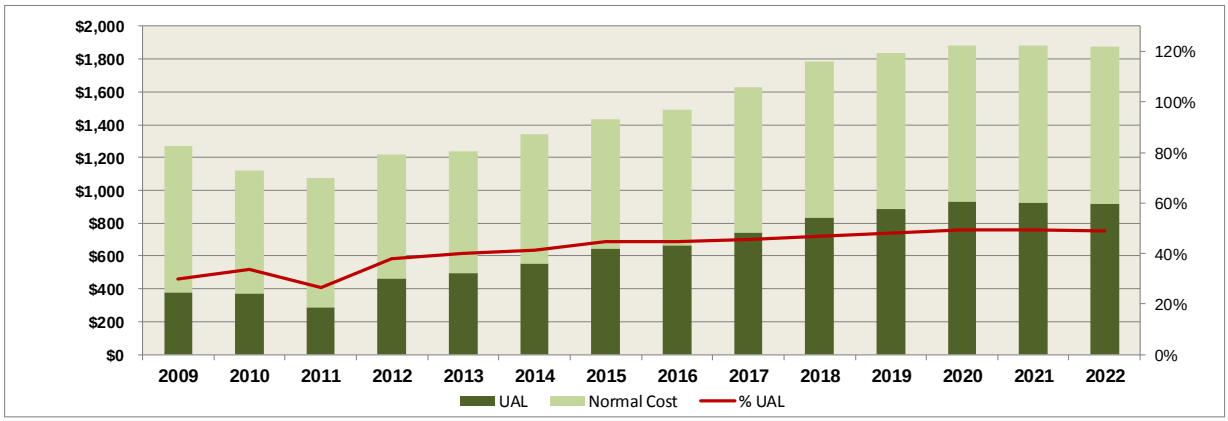
The City's retirement plan is with the California Public Employee Retirement Systems (CalPERS). FY 2015/16 represents the starting point of CalPERS' new funding formula designed to have all member agencies pay down their unfunded liabilities within 30 years. The new funding formula includes a "ramp up" phase in which payments to the unfunded liability are planned to escalate over a five year period. The City Council authorized a one-time payment in the amount of $1.5 million against the City's unfunded liability in June before the end of FY 2014/15. This payment will help achieve an 85% funding level by the end of this two-year budget cycle and reach 100% funding status four years earlier based on the most current actuarial valuation. The impact of this anticipated one-time payment is reflected in this MFP in FY 2014/15 Discretionary Reserves amount.

Each year CalPERS provides member agencies with actuarial valuation reports that provide the basis for the PERS cost estimates included in the fiscal forecast. The latest valuation report was received in October and reflects information for the fiscal year ending June 30, 2013. The amounts to be paid towards the unfunded retirement liability are subject to change each year based on the latest actuarial valuations.

FY 2015/16 CalPERS costs are projected to increase by 3.69% or about $53,000 over the FY 2014/15 budgeted amount. By FY 2019/20 these costs are projected to grow by $447,000 or 31% over the FY

2014/15 budget. Current CalPERS rate projections indicate the rate reduces in the last two years. The change in PERS retirement formulas and the emphasis on reducing the unfunded liability contribute to this increase. Normal costs represent the value of the benefits earned by current employees. The table below estimates the portion of annual required retirement contributions that have been and will be directed toward normal costs compared to the unfunded accrued liability (UAL). This table provides a clear indication that the growth in cost is attributable to the unfunded liability. This chart includes a payment of $1.5 million towards the unfunded liability at the end of FY 2014/15.

Ratio of Normal Costs to UAL Payments
(Amounts in 000's)



Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
UAL	377	375	285	461	498	557	642	666	742	836	883	931	926	919
Normal Cost	890	743	791	754	740	786	793	822	888	948	950	952	954	955
% UAL	30%	34%	26%	38%	40%	41%	45%	45%	46%	47%	48%	49%	49%	49%

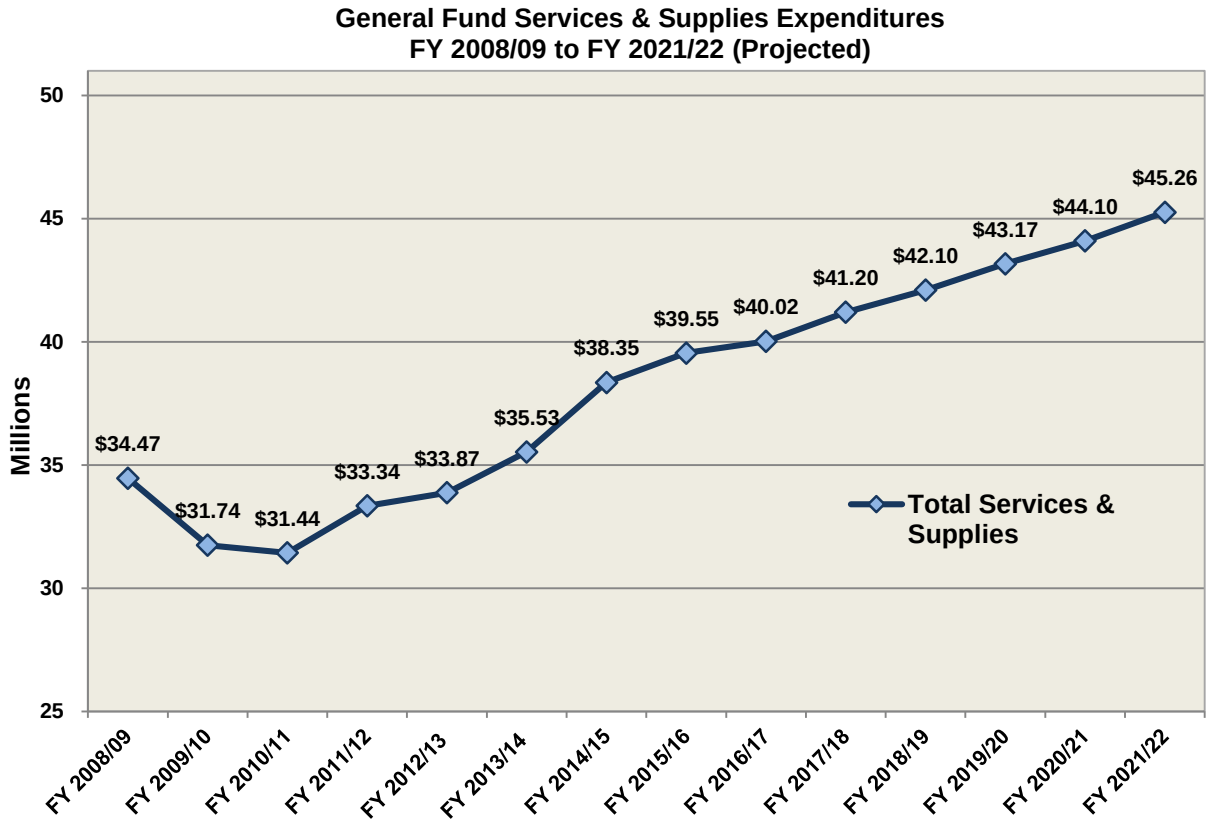
The City maintains a retiree health benefit program in accordance with the requirements of the CalPERS Health Benefit Program. The City pays a fixed amount for each eligible retired employee to purchase health coverage through the City's program with CalPERS Health Benefit Program. This program provides retirees who qualify with a fixed monthly benefit toward the cost of their health insurance premiums. As of the City's June 30, 2013 actuarial valuation, the Plan Assets have a value of $5,086,000 at June 30, 2015. The Unfunded Liability amount is $2,932,000. The City made a payment of $2.1 million in FY 2014/15. This payment along with the FY 2015/16 annual required contribution is expected to eliminate the unfunded liability by the end of FY 2015/16.

While Cal-PERS employer contribution rates will increase in coming years, Mission Viejo should not be impacted as severely given its continued commitment to right-sizing its workforce.

Services & Supplies

2009-2015 Average Annual Growth Rate:	**0.87%**
2016-2022 Projected Average Annual Growth Rate:	**2.40%**

Services and supplies make up the single largest component of total General Fund operating expenditures (74% in FY 2015/16) and include all of the non-personnel, non debt service, and non-capital costs of providing City services. Some examples of services and supplies are: landscape and road maintenance contracts, consulting services, utilities (i.e., water and electricity) office supplies, travel, training, software licensing, and small furniture and equipment items.



As the graph above indicates, from FY 2008/09 through FY 2014/15 (amended budget), the cost of all services and supplies grew from $34.5 million, or 76% of total operating expenditures, to $38.4 million, or 72% of operating expenditures, an average of 0.87% annually. For the upcoming two-year budget period, services and supplies will increase 3.06% to $39.5 million in FY 2015/16 and increase by 1.2% to $40 million in FY 2016/17. The out years of the forecast assumes for the most part that large contractual services will grow at close to the forecasted rate of inflation, an annual average of 2.4% every other year to coincide with the contract renewal process from FY 2015/16 to FY 2021/22.

Certain spending categories within services and supplies have been broken out individually and are highlighted in the following sections since they represent the largest portions of the total General Fund operating budget.

The two largest areas of spending within services and supplies are the police services contract with the Orange County Sheriff's Department and the Infrastructure Maintenance program area. The General Fund portion of the Sheriff's contract for FY 2014/15 was $16.4 million, which represented 43% of the services and supplies adopted budget, or 31% of total adopted General Fund operating appropriations. Infrastructure maintenance programs, which include the street, landscape, building, and fleet maintenance programs, totaled $13.2 million in FY 2014/15, and represented 33% of the amended budget for services and supplies, or 24% of the General Fund operating amended budget in FY 2014/15.

Police Services Contract

2009-2015 Average Annual Growth Rate:	**2.77%**
2016-2022 Projected Average Annual Growth Rate:	**3.39%**

The average annual growth rate of 2.77% for police services contract costs for the period of FY 2008/09 to FY 2014/15 for the most part represents the impact of labor contract renewals and the resulting higher costs for salaries and benefits. There were also steady increases resulting from higher costs for services and supplies, transportation and overhead. This plan does not contemplate adding any sworn or non-sworn personnel through FY 2021/22. From FY 2015/16 through FY 2021/22, it assumed that the police services contract will grow at the rate of 3.39%. This rate reflects additional costs beginning in FY 2015/16 related to the addition of a second South Orange County substation and the establishment of the Field Training Bureau, a Sheriff program to develop patrol ready field personnel.

Infrastructure Maintenance

2009-2015 Average Annual Growth Rate:	**-1.23%**
2016-2022 Projected Average Annual Growth Rate:	**2.12%**

As noted earlier, infrastructure maintenance consists of street, landscape, building, environmental and fleet maintenance programs. Landscape maintenance, which includes the street, environmental, parks, medians and parkways and urban forestry maintenance programs, represents the largest cost component within the infrastructure maintenance program area. Landscape maintenance has averaged $7.4 million annually during FY 2008/09 through FY 2014/15.

In response to the economic downturn, total infrastructure maintenance program area expenditures were reduced beginning in FY 2008/09. For a three year period, the average annual growth rate for this program area was a negative 12.75%. However despite the reductions, this program area still averaged 32% of total services and supplies expenditures.

Overall, this program area will see an increase of 6.75% in FY 2015/16 when compared to the FY 2014/15 amended budget, and a slight increase of 0.05% in FY 2015/16. The primary reason for the increase in FY 2015/16 was that landscape contract renewal costs jumped an average of 19%. For the planning period of FY 2015/16 through FY 2021/22, it is expected that infrastructure maintenance appropriations will grow at the rate of 2.12%.

All Other Program Areas

2009-2015 Average Annual Growth Rate:	**-0.31%**
2016-2022 Projected Average Annual Growth Rate:	**0.58%**

The “All Other Program Areas” total for services and supplies reflects the non-personnel and non-capital outlay costs for the operations of General Government (City Council, City Attorney, City Clerk, City Manager, Administrative Services and Information Technology), Community Development, Public Works, the non-Sheriff contract portion of Police Services, and Recreation and Community Services program areas (for FY 2009/10 and later, the General Fund portion of the Library and Cultural Services Department’s Cultural Services program is included).

This category of costs experienced a negative average annual growth rate of 0.31% from FY 2008/09 through FY 2014/15. Appropriations in FY 2015/16 and FY 2016/17 decline an average of 2.51% from the amended budget. The average annual growth from FY 2015/16 through FY 2021/2022 is 0.58% reflecting cost containment efforts.

Operating Transfers

General Fund subsidies represent annual transfers to the Animal Services and Library and Cultural Services functions. These two operations record their revenue and expenditure appropriations in separate funds. However, given the high priority of these functions, and their importance to the residents of Mission Viejo, additional support is needed from the General Fund.

Animal Services Subsidy

The Animal Services program, part of the public safety program area and organizationally a division within the Public Services department, operates as an enterprise function. That is, all revenue and expenditure appropriations are recorded in a fund separate from the General Fund. The City of Mission Viejo currently provides animal services support to the cities of Aliso Viejo and Laguna Niguel. These contract cities in turn provide pro-rata support based on the ratio of their populations to the total population of the three cities combined.

Even with this support, as well as revenue from animal licensing, impound and adoption fees, it is still necessary for the General Fund to subsidize animal services operations. For each two-year budget cycle, the General Fund subsidy is calculated as the net difference between revenue (which includes the support from the two contract cities) and expenditures.

From FY 2008/09 to FY 2014/15, the General Fund transfer to the Animal Services fund averaged $492,279. The 2015-17 budget has the General Fund subsidy at an average of approximately $581,795. The future years in the master financial plan keep the subsidy at the $578,940 level through FY 2021/22. It is felt that, given recent cost recovery changes to various animal services fees, as well as a stable staffing level, the General Fund will not have to increase its subsidy to this program.

Library Services Subsidy

The subsidy to the Library and Cultural Services department represents the amount of General Fund support provided to the Mission Viejo Library. Most library related costs are paid from the Library Fund (Fund 201), in which revenue from property tax earmarked for library services, State subventions for library services and the various library fees and charges are recorded.

The Library and Cultural Services Department provides one of most popular services to residents and usage remains high. While the Library and Cultural Services Department receives revenue from various sources (passport processing, passport photos, late fees, etc.), property tax remains the largest, single source of revenue. For the 2015-17 budget, property tax accounts for 85% of total Library Services fund revenue. For the 2015/16 fiscal year, the General Fund transfer to the Library Services fund is $666,246. In FY 2016/17 that amount is $572,145, a decline of 16.45%. The subsidy remains at $572,145 over the FY 2015/16 through FY 2021/22 period.

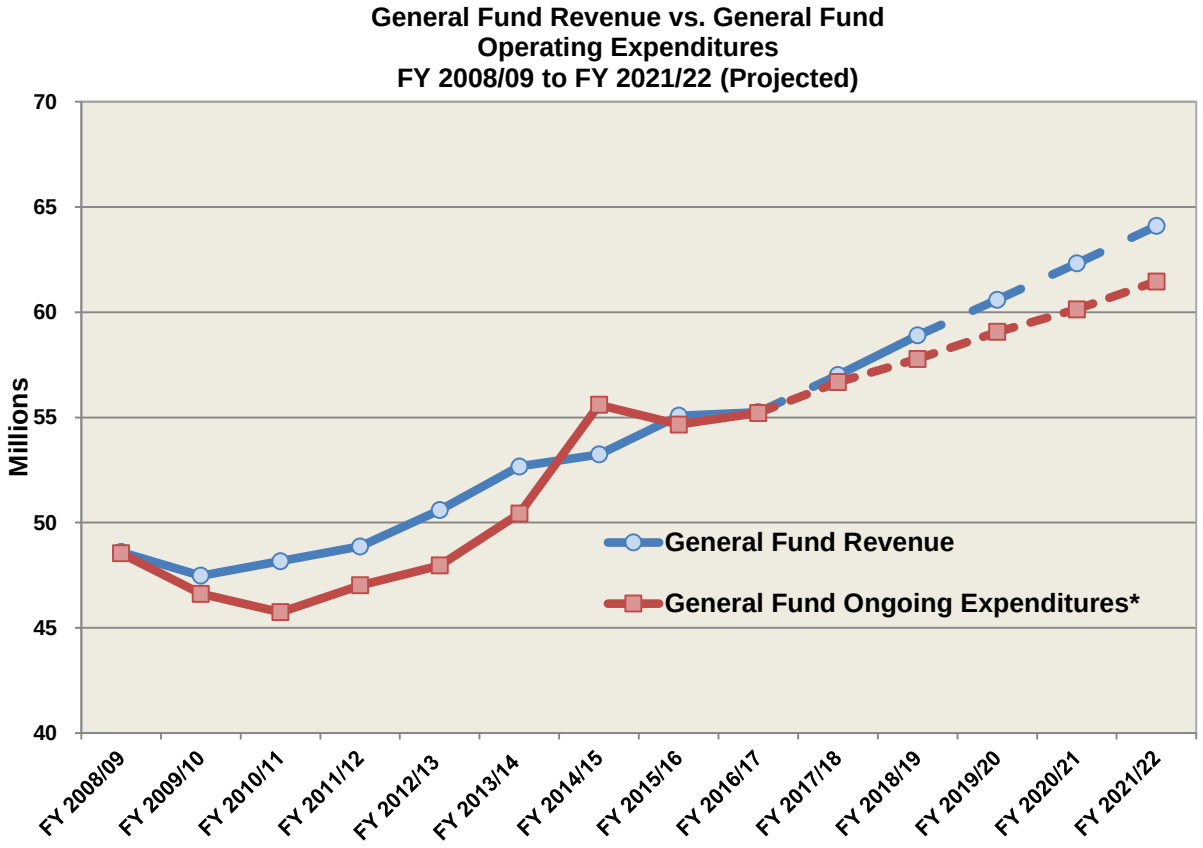
City Hall Bond Debt Service

Lease Revenue Bonds were issued to fund construction of City Hall and expansion of the library. Debt service on the 2009 Series A bonds is $1,355,000 in FY 2015/16, and $1,363,000 in FY 2016/17. These payments comprise approximately 2.5% of General Fund revenue in each fiscal year. From FY 2015/16 until the loan is paid off in FY 2030/31, debt service payments are approximately $1.35 million annually (these are fixed amounts per the amortization schedule).

Revenue Less Ongoing Expenditures and Non-Discretionary Transfers

The difference between General Fund revenues and the sum of General Fund personnel, services and supplies, debt service and non-discretionary transfer expenditures is an important figure. This amount represents the difference (surplus or deficit) between ongoing revenue and ongoing (non-discretionary) expenditures. In other words, this variance presents a good indication of whether the City's day to day operations are costing more than the ongoing, expected revenue.

One indication of how severely the recession affected revenues of Mission Viejo is to look at the "net operating funds" amount for fiscal year 2008/09. In that year, the General Fund had operating budget expenditures and operating transfers that were greater than revenues by $448,737. In FY 2014/15 the City Council used available funds to make a one-time payment reduce the City's unfunded liabilities resulting in negative net operating funds in the amount of $2,358,884. In FY 2016/17 negative net operating funds total $102,911. The graph below illustrates revenue less mandatory expenditures.



**Ongoing, or operating, expenditures include Personnel (salary and benefits), Services and Supplies, Debt Service and Non-discretionary transfers out (e.g., Animal Services and Library Fund subsidies).*

Given the revenue and expenditure projections included in this MFP update, the General Fund will start generating "net operating funds" again in FY 2017/18 and the amounts are forecast to increase each year through FY 2021/22. In fact, the average net operating funds amount for the five final fiscal years is approximately $1.1 million. These amounts are sufficient positive "net operating funds" to fund capital outlay. As the previous graph indicates, the positive variance between ongoing revenues and expenditures continues to grow through FY 2021/22.

Other Transfer: Mall Bond Rolling Reserve Release

The Mall Bond Rolling Reserve Release represents the portion of sales tax revenue generated by "The Shops at Mission Viejo" mall not needed to pay the debt service on the mall's Series A bonds. These funds are held for a year to provide extra security for payment of annual debt service. After the year holding period, the excess funds are released and used either to pay the Series B mall bond debt service or to be returned to the City's General Fund.

The City is entitled to retain these funds to first make up any shortfall in the City's guaranteed portion of mall sales tax revenue up to a total of two million dollars for the year. In addition, the City may retain funds representing the interest rate savings of variable rate bonds vs. fixed rate bonds and to cover the City's share of the foregone sales tax revenue resulting from the delay in the previously planned expansion of the mall. Then, remaining funds are used to extinguish Series B bond debt service and are retained by the City, under prior agreement with the mall owner who holds all the Series B bonds, to cover administrative costs related to the Series A bonds (such as letter of credit fees).

Accordingly, the size of the rolling reserve release that is kept by the City each year and the amount of funds repaid to the City by the mall owner are dependent on the level of sales tax generated by "The Shops at Mission Viejo," interest rates and the amount of administrative fees incurred in the current and prior years. All of these variables makes the amounts "released" in any given year subject to wide fluctuations and are an unpredictable source of General Fund revenue.

That is why this source of revenue is not included as part of "ongoing revenue." In an effort to get a better grasp of one-time vs. ongoing revenue, this update of the MFP places a greater focus on identifying items such as the rolling reserve release revenue that can fluctuate widely and which should not be part of the baseline MFP forecast.

Because of the unpredictability of this revenue source, it is most appropriate to consider it useful for funding only one-time expenditures, such as capital items or transfers to other reserve funds. For FY 2015/16 through FY 2021/22, an annual average of $828,327 in rolling reserve release revenue is included as discretionary/one-time revenue. This amount was decided upon by analyzing prior year rolling reserve releases plus current activity and finding a reasonable, average minimum dollar amount.

Contributions to Asset Replacement Funds

The City maintains two asset replacement funds: the Computers/Equipment/Furnishings/Vehicles (CEFV) Fund, and the Facility Rehabilitation and Repair (FR&R) Fund. This master financial plan update projects available balances to be used at City Council's discretion.

Capital Improvement Projects

Capital improvement project spending from the General Fund has varied greatly over the past seven years. Over four million dollars of the FY 2011/12 expenditures were related to the Marguerite Tennis Center renovations. For the two-year budget of 2015-17, there is $1,900,000 in General Fund funding for capital projects. This forecast includes $650,000 annual in General Fund funding for park playground renovations.

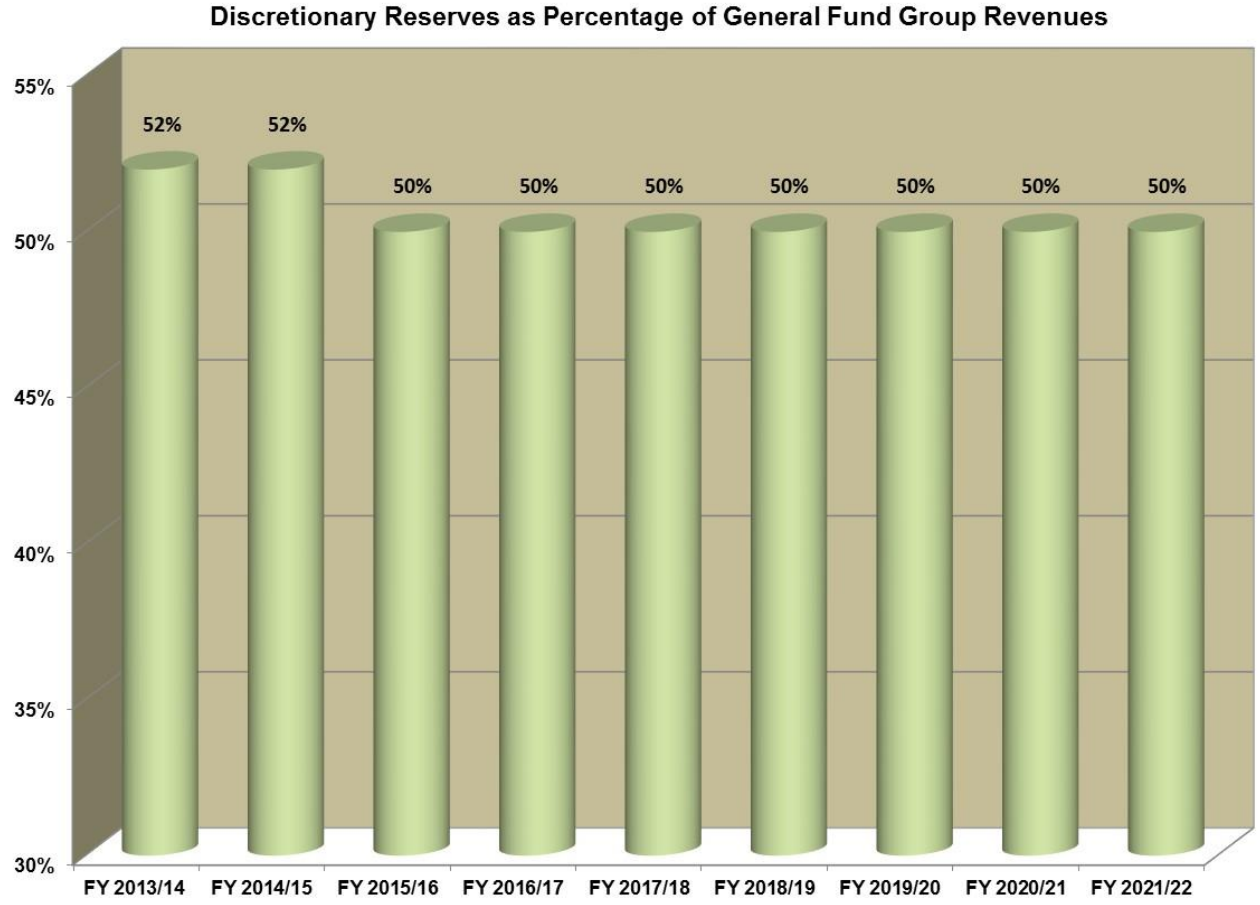
A Discussion of Reserves

A policy update in FY 2012/13 established a minimum level and a target level at which to maintain *discretionary reserves*. Discretionary reserves are comprised of the fund balances and reserve accounts set aside in the General Fund and the City's two asset replacement funds. We include the asset replacement fund balances as part of "total discretionary reserves" because, even though the fund balances of the two asset replacement funds have been identified by the City Council for a specific use, these funds can be re-designated and are available for any other purpose that the City Council deems appropriate.

The minimum target level for General Fund group fund balance has been established by City Council action to be 40% of General Fund group revenues, with an ideal target level of 50% of General Fund group revenues.

Ending Fund Balances and Reserves

As noted earlier, one of the reasons for developing and regularly updating a master financial plan is to have an analytic tool that assists management in making decisions aimed at maintaining reserves at City Council established levels. In this update of the MFP, the focus has been to maintain "total discretionary reserves" at or above the City Council adopted 50% of General Fund group revenue target level. For the 2015-17 proposed budget, the levels are actually 50% and 50%, respectively. The following years, beginning with FY 2017/18, General Fund group fund balance is projected to be at least 50% each year. It is at the discretion of the City Council how best to use projected excess available funding. As noted earlier, the City Council authorized a one-time payment in the amount of $1.5 million to reduce the City's



CalPERS unfunded liability in June 2015. The impact of that payment is reflected in FY 2014/15 Discretionary Reserves balance.

Closing Observations and Recommendations

As with any forecast, many of the projections are outdated the moment they are printed. While this MFP update does not deem itself perfect, it is useful in plotting out future budget decisions based on a "big picture" view of the City's projected income and expenses. The dynamic nature of this master financial plan allows management to make near-term and long-term decisions and immediately see their projected impact on expenditures, revenue, and ultimately fund balances.

Whether it is increasing equipment replacement or facility repairs, shifting funds from one program area to another, further pension funding issues, or contemplating changes to staffing levels, this MFP can forecast the ripple effects on the bottom line. Keeping the City Council target reserve level amount in sight is much easier when a useful analytic tool such as this MFP is available. Furthermore, depending on what might happen to the economy during the two year budget cycle, any changes related to revenue the City receives (property and sales tax for example) can immediately be placed in the MFP and the effects on future fiscal years analyzed in detail.

Change in the economy is the biggest variable weighing on the accuracy of the baseline MFP projections. Should the nation slip back into another recession, or if growth slows, then the revenue projections contained in this updated MFP will need to be re-evaluated. Staff will continue to work diligently to monitor ongoing revenue and expenditures and make whatever budgetary changes are necessary in order to maintain a balanced budget while keeping General Fund group fund balances at or above the City Council determined target levels.

MASTER FINANCIAL PLAN - GENERAL FUND

GENERAL FUND	Actual 2008-09	Actual 2009-10	Actual 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14	FY 2014-15 AmdBudget	FY 2015-16 Budget	FY 2016-17 Budget	FY 2017-18 Projection	FY 2018-19 Projection	FY 2019-20 Projection	FY 2020-21 Projection	FY 2021-22 Projection
REVENUES:														
Taxes:														
Property Tax	24,511,907	23,927,664	23,890,732	23,821,350	24,970,301	25,327,083	26,265,200	27,243,500	28,015,940	28,996,498	30,011,375	30,911,717	31,839,068	32,794,240
Sales Tax	7,395,262	7,569,033	7,972,854	8,449,128	8,530,586	9,208,300	9,324,515	11,763,806	14,650,086	15,162,839	15,693,538	16,164,345	16,649,275	17,148,753
Sales Tax in Lieu	3,863,059	2,718,259	3,731,802	3,834,165	3,937,682	4,316,288	4,280,665	3,530,260	-					
Sales Tax - Mall	1,725,022	1,880,795	1,960,043	2,039,371	2,287,792	1,955,391	2,197,225	2,137,091	2,176,974	2,253,168	2,332,029	2,401,990	2,474,050	2,563,115
Franchise Tax	2,953,524	2,851,736	2,753,821	2,793,042	2,794,389	2,908,188	2,890,000	2,785,000	2,808,000	2,872,584	2,938,653	3,006,242	3,051,336	3,097,106
Transient Occupancy Tax	475,577	520,095	594,299	608,311	630,117	749,316	750,000	775,000	800,000	825,000	850,000	869,550	890,000	910,000
Real Property Transfer Tax	311,863	448,100	357,313	357,240	511,596	522,332	520,000	540,000	540,000	545,400	550,900	561,900	573,100	584,600
Subtotal, Taxes	**41,236,214**	**39,915,682**	**41,260,864**	**41,902,607**	**43,662,463**	**44,986,899**	**46,227,605**	**48,774,657**	**48,991,000**	**50,655,489**	**52,376,496**	**53,915,743**	**55,476,829**	**57,097,815**
Licenses & Permits:														
Private Prop Development	860,915	948,771	931,363	862,633	1,382,031	1,464,878	1,565,200	1,460,000	1,460,000	1,493,600	1,528,000	1,563,100	1,599,100	1,631,100
Public Prop Encroach/Other CD & PW	404,624	295,924	309,646	329,859	397,053	658,348	477,000	414,250	414,250	418,000	422,000	426,000	430,000	432,000
Subtotal, Licenses & Permits	**1,265,539**	**1,244,695**	**1,241,009**	**1,192,492**	**1,779,084**	**2,123,226**	**2,042,200**	**1,874,250**	**1,874,250**	**1,911,600**	**1,950,000**	**1,989,100**	**2,029,100**	**2,063,100**
Intergovernmental Revenues:														
Motor Vehicle In Lieu	337,213	294,366	459,061	49,831	51,634	42,733	41,278	0	0					
Homeowner's Property Tax Relief	142,234	140,373	140,047	137,532	133,536	128,043	130,000	130,000	130,000	131,300	133,000	134,000	135,000	136,000
Other State/County/Fed	133,383	1,158,583	280,198	202,402	79,771	61,919	254,730	71,500	71,500					
Subtotal, Intergovernmental	**612,830**	**1,593,322**	**879,306**	**389,765**	**264,940**	**232,695**	**426,008**	**201,500**	**201,500**	**131,300**	**133,000**	**134,000**	**135,000**	**136,000**
Charges for Services:														
Rec, Tennis & Comm Center Revenues	1,686,438	1,577,602	1,499,824	1,425,280	1,448,446	1,471,069	1,487,000	1,504,905	1,508,405	1,523,000	1,538,000	1,553,000	1,569,000	1,585,000
Development Related Fees	319,748	342,455	503,278	474,374	500,853	872,032	659,320	520,170	534,070	546,000	559,000	572,000	585,000	597,000
Other Fees & Charges	1,709	2,822	2,298	1,310	1,504	48,638	76,000	9,835	0	0	0	0	0	0
Subtotal, Charges for Services	**2,007,895**	**1,922,879**	**2,005,400**	**1,900,963**	**1,950,803**	**2,391,739**	**2,222,320**	**2,034,910**	**2,042,475**	**2,069,000**	**2,097,000**	**2,125,000**	**2,154,000**	**2,182,000**
Fines & Forfeitures:														
Court Fines (Vehicle Code)	496,820	556,263	581,107	521,735	454,296	465,552	450,000	450,000	450,000	460,350	470,938	482,000	493,000	503,000
Parking Penalties/Forfeit Bonds/All Other	155,142	171,468	256,360	267,724	268,811	373,030	480,655	191,000	191,000	194,800	198,700	202,700	206,800	210,900
Subtotal, Fines & Forfeitures	**651,962**	**727,731**	**837,467**	**789,459**	**723,107**	**838,582**	**930,655**	**641,000**	**641,000**	**655,150**	**669,638**	**684,700**	**699,800**	**713,900**
Use of Money & Property:														
Interest Earnings	633,534	705,041	424,902	436,115	149,102	194,416	100,000	100,000	150,000	200,000	250,000	300,000	350,000	400,000
Rents and Concessions	761,498	705,607	741,595	803,242	822,183	847,099	806,427	815,708	830,508	847,100	864,000	881,300	898,900	916,900
Subtotal, Use of Money & Property	**1,395,032**	**1,410,648**	**1,166,497**	**1,239,357**	**971,285**	**1,041,515**	**906,427**	**915,708**	**980,508**	**1,047,100**	**1,114,000**	**1,181,300**	**1,248,900**	**1,316,900**
Miscellaneous Revenues:														
Total All Other Reimbursements	1,344,708	630,183	738,323	1,270,085	1,213,336	833,318	370,441	454,630	417,330	425,700	434,200	442,900	451,800	460,800
Other Miscellaneous	87,487	34,493	40,049	182,221	28,589	227,993	115,483	184,300	103,300	120,000	122,400	124,800	127,300	129,800
Subtotal, Miscellaneous	**1,432,195**	**664,676**	**778,372**	**1,452,306**	**1,241,925**	**1,061,311**	**485,924**	**638,930**	**520,630**	**545,700**	**556,600**	**567,700**	**579,100**	**590,600**
TOTAL REVENUES	**48,601,667**	**47,479,633**	**48,168,915**	**48,866,949**	**50,593,607**	**52,675,967**	**53,241,139**	**55,080,955**	**55,251,363**	**57,015,339**	**58,896,734**	**60,597,543**	**62,322,729**	**64,100,315**
OPERATING BUDGET EXPENDITURES:														
PERSONNEL														
Current Personnel:														
Salaries	6,752,063	7,067,730	6,912,127	6,656,332	6,649,979	6,742,415	7,940,574	7,959,053	8,213,953	8,337,162	8,462,220	8,589,153	8,717,990	8,848,760
Temporary Wages	302,260	464,670	471,320	394,625	478,473	578,000	522,355	549,630	575,728	584,364	593,129	602,026	611,057	620,223
Overtime	130,460	106,895	141,081	162,646	136,067	134,431	109,675	127,090	124,440	125,000	125,000	125,000	125,000	125,000
Leave Payouts/Compensated Absences	955,644	1,086,021	945,453	904,207	932,047	996,370	158,638	225,300	225,727	225,000	225,000	225,000	225,000	225,000
Benefits: PERS/Employer (6250) Normal Cost	890,367	743,191	791,193	754,797	740,475	786,063	793,382	822,046	887,565	947,555	949,725	951,747	953,615	955,231
Benefits: PERS/Employer (6250) Unfunded Liability	376,518	375,062	284,675	461,245	497,571	557,404	641,825	666,090	741,891	836,304	883,440	931,250	926,281	918,870

MASTER FINANCIAL PLAN - GENERAL FUND

GENERAL FUND	Actual 2008-09	Actual 2009-10	Actual 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14	FY 2014-15 AmdBudget	FY 2015-16 Budget	FY 2016-17 Budget	FY 2017-18 Projection	FY 2018-19 Projection	FY 2019-20 Projection	FY 2020-21 Projection	FY 2021-22 Projection
Benefits: PERS/Employee (6251)	569,266	473,793	362,696	317,250	241,225	175,243	90,571	5,555	5,721	0	0	0	0	0
Benefits: Cafeteria Plan	1,126,445	1,054,592	999,269	921,725	980,347	1,117,561	1,306,077	1,103,804	1,103,048	1,103,048	1,103,048	1,103,048	1,103,048	1,103,048
Benefits: All Other (401A, Medicare, Life/LTD)	697,049	674,904	591,717	549,276	567,409	550,732	502,036	454,667	581,454	594,827	608,508	622,504	636,822	649,558
Workers Comp (6495)													0	0
Benefits: RIP Employee Cost (6395)	390,639	389,864	413,843	549,187	558,183	574,416	2,663,000	563,000	176,250	180,304	184,451	188,693	193,033	197,473
Benefits: Post Retirement Medical (Includes SHARE)	10,921	21,572	22,479	23,553	27,583	27,844	34,178	36,642	38,442	40,364	42,382	44,501	46,726	49,063
TOTAL, PERSONNEL	**12,201,634**	**12,458,283**	**11,935,853**	**11,694,843**	**11,809,359**	**12,240,479**	**14,762,311**	**12,512,877**	**12,674,219**	**12,973,929**	**13,176,903**	**13,382,923**	**13,538,573**	**13,692,226**
SERVICES & SUPPLIES														
Gen Govt/Admin Svcs:														
Administrative Services	307,665	198,794	285,545	303,587	243,433	260,207	341,072	343,325	278,352	283,919	289,597	295,389	301,297	307,323
Interdepartmental/Debt Service	1,439,907	1,442,086	1,497,175	1,390,211	1,403,379	1,157,907	1,146,843	948,376	1,023,157	1,046,690	1,070,763	1,095,391	1,120,585	1,146,358
City Council	452,800	68,599	56,451	69,428	70,586	61815	69,685	78,661	76,093	77,615	79,167	80,751	82,366	84,013
City Manager	362,188	132,915	178,051	105,491	110,885	107181	109,617	106,994	101,994	104,034	106,115	108,237	110,402	112,610
City Attorney	774,481	581,124	322,683	312,816	310,003	354051	335,000	384,000	384,000	384,000	384,000	384,000	384,000	384,000
City Clerk	132,750	686,177	194,164	204,664	247,879	157713	246,320	170,630	227,105	231,647	236,280	241,006	241,006	245,826
Information Technology	1,033,238	803,058	866,884	894,791	798,738	873846	1,403,896	1,205,090	1,139,630	1,162,423	1,185,671	1,209,384	1,233,572	1,258,244
Subtotal Gen Govt	**4,503,029**	**3,912,753**	**3,400,953**	**3,280,988**	**3,184,903**	**2,972,720**	**3,652,433**	**3,237,076**	**3,230,331**	**3,290,327**	**3,351,594**	**3,414,158**	**3,473,227**	**3,538,373**
Police Contract: OC Sheriff	14,126,908	14,742,633	14,952,291	14,769,635	14,815,619	14,979,608	16,403,486	17,065,000	17,584,000	18,199,440	18,836,420	19,495,695	20,178,044	20,884,276
Police: Support Services/All Other	168,700	144,503	150,131	247,206	335,337	329,964	289,870	247,680	246,580	250,000	250,000	250,000	250,000	250,000
Subtotal Police Services	**14,295,608**	**14,887,136**	**15,102,422**	**15,016,841**	**15,150,956**	**15,309,572**	**16,693,356**	**17,312,680**	**17,830,580**	**18,449,440**	**19,086,420**	**19,745,695**	**20,428,044**	**21,134,276**
Public Services:														
Administration/Emergency Preparedness	50,821	24,413	35,064	58,446	56,107	68,153	40,119	27,650	30,650	31,263	31,888	32,526	33,177	33,840
Park Maintenance/Monthly Contract	3,046,232	2,551,109	2,574,547	2,618,319	2,681,128	2,536,505	2,629,025	3,136,503	3,136,503	3,285,204	3,285,204	3,334,482	3,335,018	3,384,499
Parks Maintenance / All Other	2,618,919	2,162,629	2,189,969	2,438,020	2,445,381	2,612,515	2,718,276	2,956,858	2,955,358	3,014,465	3,074,754	3,136,250	3,198,975	3,262,954
Medians & Parkways/Monthly Contract	1,749,857	1,139,164	743,840	1,151,214	945,670	1,323,524	1,135,350	1,433,210	1,433,210	1,513,212	1,513,501	1,535,910	1,536,203	1,558,949
Medians & Parkways / All Other	1,496,179	862,147	867,096	1,287,550	1,210,121	1,030,480	1,180,766	1,083,100	1,083,100	1,104,762	1,126,857	1,149,394	1,172,382	1,195,830
Urban Forestry / Tree Maint Contract	654,420	632,539	679,107	611,212	646,754	609,330	611,675	611,675	611,675	623,909	623,909	636,387	636,387	649,114
Street Maintenance	100,679	130,682	162,837	523,155	795,180	1,809,088	1,848,516	1,792,375	1,796,808	1,838,135	1,838,135	1,880,412	1,880,412	1,923,661
Fleet Maintenance	148,696	158,216	167,437	102,699	123,813	108,182	113,300	124,212	124,212	126,696	126,696	129,230	129,230	131,815
Environmental Maintenance	649,041	686,348	488,352	461,214	579,999	649,760	597,275	614,650	619,650	632,043	632,043	644,684	644,684	657,578
Facilities Maintenance	366,392	339,369	322,175	322,682	338,162	338,868	356,973	366,000	373,125	380,588	388,199	395,963	403,882	411,960
Facilities Maintenance-Rec Centers	370,662	318,621	342,370	296,928	382,853	317,817	398,829	388,448	377,578	385,130	392,832	400,689	408,703	416,877
Facilities Maint-Aquatics/NPM/Potki/Melinda	606,343	557,556	545,374	570,026	566,706	531,937	642,577	676,674	664,044	677,325	690,871	704,689	718,783	733,158
Street Lighting		112,646	512,453	501,095	499,653	914,246	902,500	930,000	930,000	930,000	951,390	951,390	951,390	973,272
Subtotal Public Services	**11,858,241**	**9,675,439**	**9,630,621**	**10,942,560**	**11,271,527**	**12,850,403**	**13,175,182**	**14,141,355**	**14,135,913**	**14,542,730**	**14,676,280**	**14,932,005**	**15,049,225**	**15,333,507**
Public Works:														
Public Works Admin	50,003	20,158	45,072	24,079	22,506	19,588	36,124	22,700	22,175	22,619	23,071	25,000	26,000	26,520
Engineering/Inspection	148,388	91,311	137,429	120,394	50,722	245,765	127,874	73,400	73,000	74,460	75,949	77,468	79,018	80,598
Water Quality-PW	262,990	239,869	246,101	245,881	266,247	242,797	363,259	399,880	399,880	407,878	416,035	424,356	432,843	441,500
Crossing Guards	374,597	350,830	353,245	360,657	354,653	272,345	300,000	305,000	315,000	321,300	327,726	334,281	340,966	347,785
Integrated Waste Management	74,907	145,491	28,020	70,044	89,103	81,404	162,674	121,700	119,200	121,584	121,584	121,584	124,016	126,496
Transportation Planning/Safety/Ops	77,043	88,234	58,396	48,258	8,723	21,407	40,050	26,250	26,250	26,775	27,311	27,857	28,414	28,982
Traffic Signal Maintenance	36,251			478,655	440,250	281,499	435,139	408,000	408,000	408,000	417,384	417,384	417,384	426,984
Subtotal Public Works	**1,024,179**	**935,893**	**868,263**	**1,347,968**	**1,232,203**	**1,164,805**	**1,465,120**	**1,356,930**	**1,363,505**	**1,382,615**	**1,409,060**	**1,427,929**	**1,448,640**	**1,478,865**
Community Development:														
		-												
CD Administration	5,698	6,081	3,834	6,683	5,662	4,662	8,355	6,804	6,954	7,093	7,235	7,380	7,527	7,678
Advanced Planning	84,553	35,303	30,216	144,824	111,578	10,352	71,885	43,495	23,495	23,965	24,444	24,933	25,432	25,940
Current Planning	106,420	12,481	69,475	26,720	30,438	26,043	50,000	40,690	40,690	41,504	42,334	43,181	44,044	44,925

MASTER FINANCIAL PLAN - GENERAL FUND

GENERAL FUND	Actual 2008-09	Actual 2009-10	Actual 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14	FY 2014-15 AmdBudget	FY 2015-16 Budget	FY 2016-17 Budget	FY 2017-18 Projection	FY 2018-19 Projection	FY 2019-20 Projection	FY 2020-21 Projection	FY 2021-22 Projection
Economic Development				8,481	4,336	10,009	12,980	15,120	15,120	15,422	15,731	16,045	16,366	16,694
Building	617,388	652,046	727,065	906,444	1,051,324	1,186,206	1,215,984	1,330,800	1,330,800	1,361,408	1,361,408	1,392,721	1,392,721	1,424,753
Code Enforcement	3,158	1,409	1,663	883	1,847	44,984	6,300	5,825	5,825	5,942	6,060	6,182	6,305	6,431
Subtotal Community Development	**817,217**	**707,320**	**832,253**	**1,094,035**	**1,205,185**	**1,282,256**	**1,365,504**	**1,442,734**	**1,422,884**	**1,455,334**	**1,457,213**	**1,490,441**	**1,492,395**	**1,526,422**
Recreation and Community Services:														
Rec Admin	56,065	32,355	42,770	69,972	71,406	63,837	74,750	78,825	78,825	80,402	82,010	83,650	85,323	87,029
Recreation (SVUSD Contract)	686,259	688,004	710,830	714,786	759,747	725,804	742,500	742,000	764,000	779,280	794,866	810,763	826,978	843,518
Community Services	271,223	210,892	148,218	194,167	224,364	209,673	206,125	266,550	216,850	221,187	225,611	230,123	234,725	239,420
Recreation & Tennis Centers	615,579	555,200	493,482	448,460	575,270	758,618	720,290	708,090	705,390	719,498	733,888	748,566	763,537	778,808
Norman P. Murray Sr. Center	120,398	100,384	91,358	111,349	107,224	115,616	121,837	172,322	172,322	175,768	179,284	182,869	186,527	190,257
Subtotal Recreation and Community Svcs	**1,749,524**	**1,586,835**	**1,486,658**	**1,538,734**	**1,738,010**	**1,873,548**	**1,865,502**	**1,967,787**	**1,937,387**	**1,976,135**	**2,015,657**	**2,055,971**	**2,097,090**	**2,139,032**
Library Services:														
Library Services	218,053		1,341											
Cultural Services		37,615	114,257	122,449	91,538	81,001	137,570	101,870	101,870	103,907	105,986	108,105	110,267	112,473
Subtotal Library	**218,053**	**37,615**	**115,598**	**122,449**	**91,538**	**81,001**	**137,570**	**101,870**	**101,870**	**103,907**	**105,986**	**108,105**	**110,267**	**112,473**
TOTAL, SERVICES & SUPPLIES	**34,465,851**	**31,742,991**	**31,436,768**	**33,343,575**	**33,874,322**	**35,534,305**	**38,354,666**	**39,560,432**	**40,022,470**	**41,200,489**	**42,102,209**	**43,174,304**	**44,098,889**	**45,262,947**
TOTAL, CAPITAL OUTLAY	**510,199**	**428,383**	**220,727**	**253,184**	**49,126**	**452,594**	**0**	**279,000**	**143,500**	**300,000**	**400,000**	**400,000**	**600,000**	**700,000**
EXISTING DEBT SERVICE:														
2009 Bond Refinance Debt Service		-	1,230,346	1,235,731	1,298,542	1,358,886	1,357,000	1,355,000	1,363,000	1,357,062	1,355,313	1,356,812	1,351,313	1,358,569
1996 Library COPs	233,350	238,577							-					
TOTAL, DEBT SERVICE COSTS	**233,350**	**238,577**	**1,230,346**	**1,235,731**	**1,298,542**	**1,358,886**	**1,357,000**	**1,355,000**	**1,363,000**	**1,357,062**	**1,355,313**	**1,356,812**	**1,351,313**	**1,358,569**
TOTAL OPERATING BUDGET EXPENDITURES **	**47,411,034**	**44,868,234**	**44,823,694**	**46,527,333**	**47,031,349**	**49,586,264**	**54,473,977**	**53,707,309**	**54,203,189**	**55,831,479**	**57,034,426**	**58,314,039**	**59,588,775**	**61,013,742**
REVENUES LESS OPERATING EXPENDITURES:	**1,190,633**	**2,611,399**	**3,345,221**	**2,339,616**	**3,562,258**	**3,089,702**	**(1,232,838)**	**1,373,646**	**1,048,174**	**1,183,860**	**1,862,309**	**2,283,504**	**2,733,954**	**3,086,573**
NON-DISCRETIONARY TRANSFERS OUT:														
Animal Services	(521,260)	(482,831)	(476,611)	(410,450)	(475,000)	(530,389)	(549,409)	(584,650)	(578,940)	(578,940)	(578,940)	(578,940)	(578,940)	(578,940)
City Hall Debt Service	(1,118,112)	(1,053,251)							-					
Library Services Subsidy		(647,138)	(667,417)	(340,450)	(511,450)	(767,476)	(576,637)	(666,246)	(572,145)	(572,145)	(572,145)	(572,145)	(572,145)	(572,145)
TOTAL, TRANSFERS OUT	**(1,639,372)**	**(2,183,220)**	**(1,144,028)**	**(750,900)**	**(986,450)**	**(1,297,865)**	**(1,126,046)**	**(1,250,896)**	**(1,151,085)**	**(1,151,085)**	**(1,151,085)**	**(1,151,085)**	**(1,151,085)**	**(1,151,085)**
REVENUES LESS MANDATORY EXPENDITURES	**(448,739)**	**428,179**	**2,201,193**	**1,588,716**	**2,575,808**	**1,791,838**	**(2,358,884)**	**122,750**	**(102,911)**	**32,775**	**711,224**	**1,132,419**	**1,582,869**	**1,935,488**
TRANSFERS IN:														
Mall Bond Rolling Reserve Release	664,347	668,613	978,483	681,351	486,605	603,061	794,573	565,900	1,335,800	780,000	830,000	870,000	1,010,000	1,020,000
2009 Bond Refinancing Impact		-							-					
Appropriated Reserves Transfer In		552,772	1,192,548						-					
TOTAL, TRANSFERS IN	**664,347**	**1,221,385**	**2,171,031**	**681,351**	**486,605**	**603,061**	**794,573**	**565,900**	**1,335,800**	**780,000**	**830,000**	**870,000**	**1,010,000**	**1,020,000**
TRANSFERS OUT:														
Reserve Contribs and One-Time Transfers to Replc Funds:														
Mission Viejo Foundation Transfer						102,249								
CEFV Fund	(127,749)			500,000	-	-	-							
Fac Rehab/Repl Fund	(2,830,987)			202,000										
TOTAL, TRANSFERS OUT	**(2,958,736)**	**0**	**0**	**702,000**	**0**	**102,249**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL, TRANSFERS	**(3,933,761)**	**(961,835)**	**1,027,003**	**632,451**	**(499,845)**	**(592,555)**	**(331,473)**	**(684,996)**	**184,715**	**(371,085)**	**(321,085)**	**(281,085)**	**(141,085)**	**(131,085)**

MASTER FINANCIAL PLAN - GENERAL FUND

GENERAL FUND	Actual 2008-09	Actual 2009-10	Actual 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14	FY 2014-15 AmdBudget	FY 2015-16 Budget	FY 2016-17 Budget	FY 2017-18 Projection	FY 2018-19 Projection	FY 2019-20 Projection	FY 2020-21 Projection	FY 2021-22 Projection
CAPITAL PROJECTS														
Cash-Financed Capital Projects:														
Public Works/Streets	179,581	32,305	1,123,612	25,992	30,435				-					
Parks & Playgrounds	135,246	37,331	2,135					650,000	650,000	500,000	500,000	500,000	500,000	500,000
Medians/Slopes/Open Spaces	-	-		-	13,935				-					
Recreation, Tennis & Aquatics Centers	198,842	32,518	127,045	5,769	494	-	30,000		-					
All Other Facilities	7,349	37,808	(27,010)	9,215	(7,169)	-	395,877	50,000	50,000					
Melinda Park Restroom														
Bleacher Shade Covers		64,781	41,396	21,669	86,239	-								
Dog Park		43,652	103,866	49,258	34,540	200,763	14,902		-					
Marguerite Tennis Center	45,867	200,681	61,689	4,167,446	346,199									
Norman P. Murray Center Expansion	158,040			-					-					
Park Restroom				-					500,000					
MV Lib Comm Room Remodel					25,225									
Marguerite Resurfacing Gen Fund					36,991									
Arterial hwy Slurry Seal Gen Fund					1,790									
TOTAL CAPITAL PROJECTS	**724,925**	**449,076**	**1,432,733**	**4,279,349**	**568,679**	**200,763**	**440,779**	**700,000**	**1,200,000**	**500,000**	**500,000**	**500,000**	**500,000**	**500,000**
Available Balance	**(3,468,053)**	**1,200,488**	**2,939,491**	**(1,307,282)**	**2,493,733**	**2,296,385**	**(2,005,090)**	**(11,350)**	**32,889**	**312,775**	**1,041,224**	**1,502,419**	**2,092,869**	**2,455,488**
Discretionary Reserves ($ millions)	**26.6**	**25.9**	**26.7**	**26.2**	**25.7**	**27.4**	**27.8**	**27.5**	**27.5**	**26.0**	**26.6**	**27.3**	**28.0**	**28.8**
Target Level = 50%	**54%**	**55%**	**55%**	**54%**	**51%**	**52%**	**52%**	**50%**	**50%**	**50%**	**50%**	**50%**	**50%**	**50%**