



# Quarterly Financial Report

## First Quarter of FY 2015-16

City of Mission Viejo

### REPORT OVERVIEW

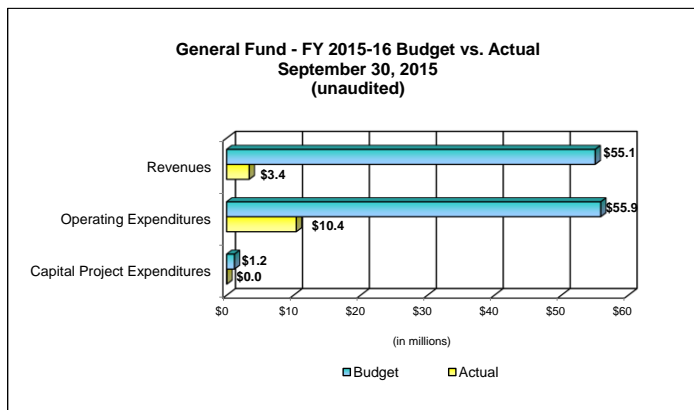
This report summarizes the City's financial performance for the three months ended September 30, 2015. Financial analysis for this report is provided for the General Fund, Capital Improvement Program and combined information for other City funds on a cash basis. Cash basis means that revenues are recognized at the time revenues are received and expenditures are recognized at the time payment is processed.

The revenue projections and expenditure budgets include adjustments for encumbrances, carryovers and any supplemental appropriations made by the City Council as of September 30, 2015.

### GENERAL FUND

The General Fund is the general operating fund for the City and includes multiple programs within seven program areas that provide direct programs, activities and services to the citizens of Mission Viejo.

With 25% of the year complete, General Fund revenues are at 6% of projections and expenditures are at 19%.



The FY 2015-16 adopted budget for revenues and operating expenditures is \$55.1 million and \$53.7 million respectively. The operating expenditure budget has been increased by \$2.2 million due to encumbrances, carryover appropriations and current year amendments. The capital project expenditure budget of \$1.2 million is comprised of a restroom project in the amount of \$650,000, a safety lighting LED conversion project in the amount of \$50,000 and from encumbrances and carryover appropriations from open projects from the prior year in the amount of \$473,000.

### GENERAL FUND REVENUE

General Fund Revenues by Source			
Source	Budget	YTD Actual	%
Property Taxes	\$ 27,243,500	\$ 483,859	2%
Sales & Use Tax	17,431,157	881,133	5%
Other Taxes	4,100,000	118,491	3%
Licenses & Permits	1,874,250	525,076	28%
Intergovernmental	201,500	156,554	78%
Charges for Services	2,025,775	549,434	27%
Fines & Forfeitures	641,000	166,535	26%
Use of Money and Property	915,708	262,702	29%
Other	638,930	234,234	37%
<b>Total</b>	<b>\$ 55,071,820</b>	<b>\$ 3,378,018</b>	<b>6%</b>

- Property Taxes:** The first major apportionment distribution to the city for 2015-16 will occur in December 2015. The FY 2015-16 budget estimate projected growth at 3.7% from the amended FY 2014-15 budget. The actual growth rate for secured and unsecured property is 4.93% for Mission Viejo, as reported by the Orange County Assessor on June 29, 2015. Included in the property taxes line item is Property Taxes in Lieu of VLF (in-lieu) in the amount of \$8.0 million, which will be received in two installments. The first distribution for in-lieu will be in January 2016. Also included in this budget line item is \$200,000 for residual payments from the dissolution of the former redevelopment agency. The first residual distribution is anticipated on January 6, 2016. Due to a higher growth rate for FY 2015-16, it is anticipated that property taxes for FY 2015-16 should come in approximately \$200,000 higher than estimated.

- Sales and Use Tax:** The City received the first monthly allocation for sales tax in September 2015. This allocation represents approximately 30% of the total sales tax allocation for the first quarter. The City will continue to receive monthly allocations with the final first quarter allocation distributed by the State in December. Included in the sales tax line item is Property Taxes in Lieu of Sales Tax (commonly referred to as the "Triple Flip") of \$3.5 million, anticipated to be received in three installments in January and May and a final installment to end the Triple Flip in August 2016.

- Other Taxes:** Includes Property Transfer Tax, Transient Occupancy Tax (TOT) and Franchise Fees, which comprise 68% of this category. Franchisees and Mission Viejo hotels remit fees and taxes to the City on a quarterly basis at the end of each quarter. Property Transfer Tax is generally remitted monthly by the County with a month delay. The actual revenue

received to date includes the July and August remittance for property transfer taxes.

- **Licenses & Permits:** Includes building and engineering permits, which comprise 99% of the budget, and other miscellaneous licenses and permits. After the end of the first quarter, actual revenue is at 28% of budget.
- **Intergovernmental:** Includes federal, state and local grant revenues, including Homeowner's Property Tax Relief (HOX) apportionment, Vehicle In-Lieu fees and State Mandated reimbursement revenue. This category is tracking at 78% of budget at September 30<sup>th</sup>. The City received a federal disaster assistance reimbursement in the amount of \$122,000 in September causing this category to trend high after the first quarter.
- **Charges for Services:** Includes various plan check and zoning related fees and recreation fees collected at the Community Center and recreation and tennis centers. Recreation fees represent the largest component (74%) of this category and are tracking at 25% of budget. All other fees are tracking at 32% of budget.
- **Fines & Forfeitures:** Includes vehicle and parking fines as well as deposit forfeitures. This category includes Vehicle Code Fines collected by the County of Orange and subsequently remitted to the City. Parking penalties are tracking at 35% and vehicle fines are tracking at 27% of budget after the first quarter.
- **Use of Money and Property:** Includes realized and unrealized investment income, rental fees on cell towers and rental and concession fees on recreational facilities. Total rental and concession fees represent 89% of this category and are tracking at 28% of budget.
- **Other revenue:** Includes reimbursements, donations and other miscellaneous revenue. Reimbursements represent 65% of this category and are at 31% of budget after the first quarter. Included in this category is a receipt from the City of Newport Beach for the sale of Rule 20A funds in the amount of \$55,526.

## GENERAL FUND OPERATING EXPENDITURES

General Fund Operating Expenditures by Program Area			
Program Area	Budget	YTD Actual	%
General Government - Legislative	\$ 1,321,584	\$ 220,575	17%
General Government - Mgmt and Support	9,393,392	2,217,660	24%
Public Safety	19,465,147	3,172,817	16%
Community Development	2,777,454	481,420	17%
Engineering and Transportation	2,449,313	346,405	14%
Infrastructure Maintenance	15,407,578	2,942,380	19%
Recreation/Community/Library Services	5,090,481	1,037,170	20%
<b>Total</b>	<b>\$ 55,904,949</b>	<b>\$ 10,418,427</b>	<b>19%</b>

As of September 30, 2015, \$10.4 million or 19% of the General Fund operating budget had been expended and all seven program areas in the General Fund were below the expected level of 25% expended.

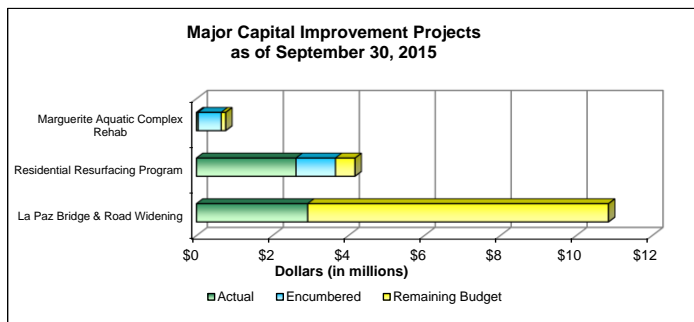
## CAPITAL IMPROVEMENT PROJECTS – ALL FUNDS

The Capital Improvement Program (CIP) budget is comprised of \$6,835,000 of appropriations approved in the FY 15/16 budget, carryover appropriations in the amount of \$10,065,688 approved by the Council on July 6, 2015, and total current year amendments of \$440,000 for total CIP appropriations of \$17,340,688. Approximately 16% of the CIP budget has been expended at the end of the first quarter.

Expenditures by project through September 30, 2015 are summarized in the following table:

Capital Improvement Program Expenditures				
CIP #	Project Description	Budget	YTD Actual	%
204	Ferrocarril Slope Repair	\$ 43,536	\$ -	0%
209	CVP Traffic Signal Synchronization	5,644	-	0%
210	Marguerite Traffic Signal Synchronization	10,353	-	0%
212	Los Alisos Corridor Signal Sync. Project	23,570	-	0%
213	Santa Marg. Pkwy. Signal Sync. Project	6,027	-	0%
214	Oso Parkway Corridor Signal Sync. Pjct.	9,734	73	1%
217	Muirlands Signal Sync. Project	40,534	95	0%
218	Jeronimo Signal Sync. Project	42,423	-	0%
219	Trabuco Signal Sync. Project	32,972	291	1%
221	Marguerite Pky Median Rehab Trab/Alicia	65,415	20,940	32%
222	Muirlands Street Light Improvement	34,847	9,175	26%
223	La Paz Road Signal Sync. Project	47,386	145	0%
224	Felipe/Oso Intersection Improvements	500,000	-	0%
225	Marguerite Pky Median Rehab Alicia to Alarcon	540,000	20,706	4%
226	Oso/I-5 Northbound On-Ramps Improvements	100,000	-	0%
227	Alicia Parkway Traffic Signal Sync. Project	170,000	-	0%
228	Safety Lighting LED Conversion	50,000	-	0%
304	Pavon Park Restroom	500,000	-	0%
305	El Dorado Playground Renovation	650,000	-	0%
317	Oso Creek Trail Signage	61,932	-	0%
324	Bocce Ball/Oso Viejo Park	182,950	7,045	4%
325	Marguerite Aquatic Rehab.	725,321	-	0%
500	Montanoso Locker Room Renovation	28,972	28,972	100%
756/761	La Paz Bridge & Road Widening	7,920,354	-	0%
791	Oso Parkway Widening	478,328	150,765	32%
797	Traffic Safety/Signal Coordination	9,700	-	0%
799	Marguerite Resurf/Median Rehab	190,934	-	0%
836	Sidewalk Repair Program	82,756	-	0%
837	Arterial Highway Resurfacing & Slurry	212,318	-	0%
838	Residential Resurfacing Program	4,574,682	2,622,661	57%
<b>Total</b>		<b>\$ 17,340,688</b>	<b>\$ 2,860,868</b>	<b>16%</b>

The chart below shows project-to-date (project inception) spending on the City's three largest open capital improvement projects for the fiscal year.



**Marguerite Aquatics Complex Renovation** – This project includes new pool decking, pool plumbing, activity and sports lighting, ADA and access compliance, shade structures, modifications and/or replacement of pool equipment and replacement of the 10 meter dive tower. The current project budget includes \$770,000 for an initial needs assessment study which was completed in February 2015 and funding for design development, engineering and project management. The current estimated cost for the entire project, including the dive tower is \$7.7 million. The final design is nearing completion and is expected to be presented to Community Services Commission and the Planning and Transportation Commission for discussion in November and December respectively. The final design is expected to be presented to the City Council for discussion

in January 2016. Construction on this project is not expected to start until after August 2016.

**Residential Resurfacing Program** – The 2015/16 program provided for the resurfacing of 108 streets with a new asphalt overlay and 95 streets with a slurry seal in the neighborhoods primarily bounded by Jeronimo Road, Alicia Parkway, Marguerite Parkway, La Paz Road and the freeway. The asphalt overlay work was substantially completed by the end of September. The slurry seal work was performed in September and October.

**La Paz Bridge & Road Widening** – This project will add a third lane in each direction of La Paz Road between Chrisanta Drive and Muirlands Boulevard. The roadway and the existing bridges over the railroad tracks will be widened. The plans have been approved by CalTrans, the Rail Authority, and the Public Utilities Commission. Rights of way acquisitions have been completed. Staff is currently working with the Rail Authority on the details of the Construction and Maintenance Agreement. Construction is expected to begin in the latter half of 2016.

## BUDGET AMENDMENTS – ALL FUNDS

On July 6, 2015, the City Council approved an appropriation of \$27,000 in the Police Services Crime Prevention program for the purchase of a Senior Community Activity Team replacement vehicle. This appropriation was funded by General Fund unappropriated reserves. (5-0 vote)

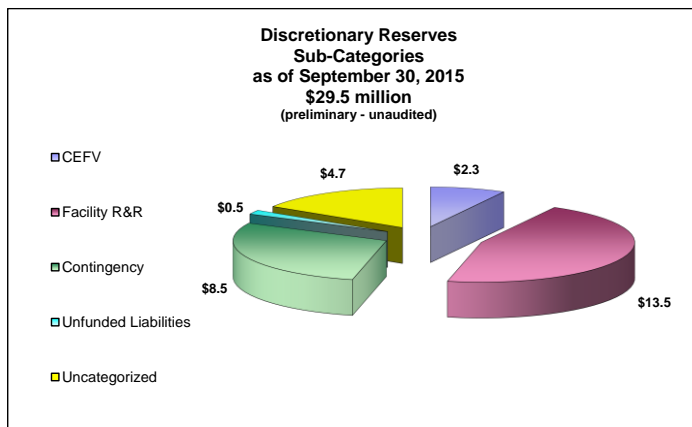
On August 25, 2015, the City Council approved an appropriation of \$5,200 in the Commission program to fund the increase in commission stipends to \$100 for regular meetings of all members appointed to the Planning and Transportation, Community Services and Investment Advisory Commissions. (3-2 vote)

On August 25, 2015, the City Council approved an additional appropriation of \$440,000 to the Residential Resurfacing program (CIP 838). This appropriation was funded with the recognition of water district reimbursement revenue. In addition, the City Council approved the re-appropriation of \$400,000 from the Arterial Highway Resurfacing and Slurry program (CIP 837) to CIP 838. (5-0 vote)

## DISCRETIONARY RESERVES

Discretionary reserves are those available fund balances over which the Council has complete discretion as to how they are used. The General Fund and the two asset replacement funds (the Computers, Equipment, Furnishings and Vehicles (CEFV) Replacement Fund and the Facility Rehabilitation and Replacement (FR&R) Fund) comprise the General Fund group, which represents the total discretionary reserves of the City. Other City funds are restricted for particular purposes by outside parties or by way of encumbrances and carryover appropriations.

Council policy calls for total discretionary reserves to be maintained at a minimum level of 40% of General Fund group revenues, with a target of 50% of revenues. At September 30, 2015 discretionary reserves totaled \$29.5 million and were 52.5% of total General Fund Group revenues.



As part of the discretionary reserve policy, the City Council has further allocated the reserves into sub-categories of discretionary reserves as follows:

- Computers, Equipment, Furnishings, & Vehicles Replacement Fund (\$2.3 million) - to fund replacements of existing office equipment, vehicles, computers and office furnishings.
- Facility Rehabilitation & Replacement Fund (\$13.5 million) - to pay for rehabilitation or replacement costs of existing City buildings and other facilities.
- Contingency Reserve (\$8.5 million) - to be maintained at a level of 15% of General Fund revenues, to address uncertainties related to local economic downturns, State and/or Federal actions affecting local revenues,

uninsured losses, errors in actuarial liability estimates and other financial risks outside the control of the City.

- Unfunded Liability Reserve (\$500,000) - to accumulate resources toward the City's unfunded liabilities for both pension and retiree health benefits.
- Uncategorized General Fund Balance (\$4.7 million) - resources not designated by the Council for a particular purpose.

## OTHER FUNDS

Budget versus actual comparisons for both revenue and expenditures for all funds, excluding the General Fund, is presented below. Expenditures include both operating and capital improvement program budgets.

Revenues by Fund			
Fund	Budget	YTD Actual	%
Library	\$ 3,413,046	\$ 146,780	4%
Law Enforcement	150,000	37,824	25%
State Gas Tax	2,130,960	334,286	16%
Air Quality Improvement Trust	119,400	4,637	4%
Measure M	7,257,402	224,356	3%
Grants	7,136,675	706,550	10%
Developer Fees	4,510,310	53	0%
Mall Parking Lease	1,574,533	17	0%
MV Television	591,000	11,042	2%
Animal Services	2,060,850	390,611	19%
<b>Total</b>	<b>\$ 28,944,176</b>	<b>\$ 1,856,156</b>	<b>6%</b>

Expenditures by Fund			
Fund	Budget	YTD Actual	%
Library	\$ 3,517,992	\$ 776,743	22%
Law Enforcement	150,000	25,000	17%
State Gas Tax	4,491,855	1,160,362	26%
Air Quality Improvement Trust	317,701	8,426	3%
Measure M	5,018,660	1,487,905	30%
Grants	6,380,375	25,131	0%
Developer Fees	2,330,487	12,549	1%
Mall Parking Lease	1,574,533	717,529	46%
MV Television	960,372	44,536	5%
Animal Services	2,124,948	337,485	16%
<b>Total</b>	<b>\$ 26,866,923</b>	<b>\$ 4,595,666</b>	<b>17%</b>

## **FOR MORE INFORMATION**

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This summary report is derived from detailed financial information generated by the City's Administrative Services Department. If you have questions or would like additional information on this report, please contact the Administrative Services Department via e-mail at [adminservices@cityofmissionviejo.org](mailto:adminservices@cityofmissionviejo.org) or by phone at (949) 470-3059.