



Quarterly Financial Report

Fiscal Year End June 30, 2016

City of Mission Viejo

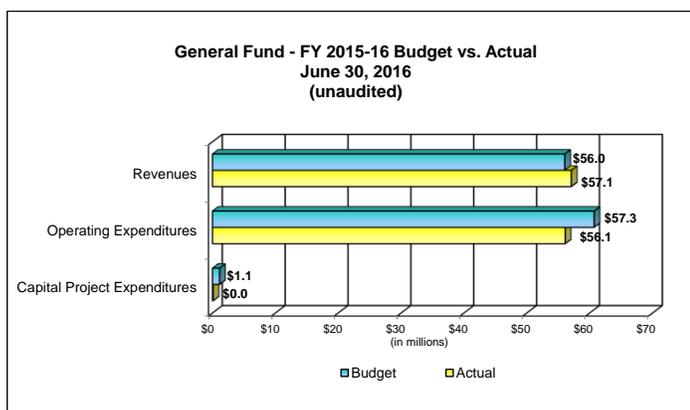
REPORT OVERVIEW

This report summarizes the City's financial performance for the twelve months ended June 30, 2016. Financial analysis for this report is provided for the General Fund, Capital Improvement Program and combined information for other City funds on a modified accrual basis. Modified accrual basis means that revenues are recognized when they become measurable and available as net current assets. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. Generally, the City uses an availability period of 60 days. Expenditures are recognized in the period in which the liability is incurred and expected to be paid with expendable available financial resources.

The revenue projections and expenditure budgets include adjustments for encumbrances, carryovers and any supplemental appropriations made by the City Council as of June 30, 2016.

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.



The FY 2015-16 amended budget for revenues and operating expenditures is \$56.0 million and \$60.7 million respectively. The total capital project expenditure budget of \$1.1 million includes a \$650,000 playground project at El Dorado Park.

For the year ended June 30, 2016, General Fund revenues totaled \$57.1 million, exceeding the budget estimate by \$1.1 million. The City received tax revenue in excess of \$700,000, including \$534,000 of property taxes in excess of budget estimates. The City also received a \$275,100 payment from the Mission Viejo Housing Authority against the Site C land sale note executed between the two entities last year. Actual General Fund operating expenditures were \$4.6 million less than budget; however, there is \$1.3 million in encumbrances (future commitments such as purchase orders and contracts) at year-end and another \$2.0 million of unencumbered appropriations that have been requested be approved by the City Council for carryover to fiscal year 2016/17 as part of the year-end close out report, resulting in a net operating budget savings of \$1.3 million. The excess revenue of \$1.1 million and the operating budget savings of \$1.3 million amount to a \$2.4 million General Fund operating surplus for fiscal year ended June 30, 2016. This surplus is available to flow into the General Fund discretionary reserves or be appropriated to further City Council priorities.

GENERAL FUND REVENUE

General Fund Revenues by Source			
Source	Budget	YTD Actual	%
Property Taxes	\$ 27,649,500	\$28,183,506	102%
Sales & Use Tax	17,081,157	16,996,016	100%
Other Taxes	4,100,000	4,353,777	106%
Licenses & Permits	2,010,350	1,899,432	94%
Intergovernmental	381,140	383,615	101%
Charges for Services	2,151,875	2,136,960	99%
Fines & Forfeitures	647,080	723,279	112%
Use of Money and Property	915,708	1,117,769	122%
Other	1,097,048	1,281,950	117%
Total	\$ 56,033,858	\$57,076,304	102%

(Unaudited)

- Property Taxes:** The FY 2015-16 amended revenue estimate utilized a growth rate for secured and unsecured property of 4.93% for Mission Viejo, as reported by the Orange County Assessor on June 29, 2015. Actual revenue exceeded the budget estimate by \$534,000. Included in the property taxes line item is Property Taxes in Lieu of VLF (in-lieu) in the amount of \$8.1 million and residual payments from the dissolution of the former redevelopment agency in the amount of \$256,000.

- Sales and Use Tax:** Total revenue for the fiscal year was \$18.5 million (\$17.0 million in the General Fund

and \$1.5 million in the Mall Parking Lease Fund). The amount reported in the Mall Parking Lease Fund was used to service principal and interest payments on the Mall Bonds. Actual General Fund revenue for the fiscal year fell short of the amended revenue estimate by \$85,000. Included in the sales tax line item is Property Taxes in Lieu of Sales Tax (“Triple Flip”) of \$3.5 million. This fiscal year is the final year of the Triple Flip and the City received a final Triple Flip payment of \$2.2 million in July 2016.

The chart below compares fiscal year 2015/16 sales and use tax revenue by major industry to fiscal year 2014/15 revenue and reflects that there was slight revenue growth over fiscal year 2014/15.

Major Industry	Fiscal Year 2014/15	Fiscal Year 2015/16	Percent Change
Autos and Transportation	\$ 3,787,416	\$ 3,954,150	4%
Building and Construction	623,485	659,917	6%
Business and Industry	698,308	902,970	29%
Food and Drugs	850,989	847,305	0%
Fuel and Service Stations	1,487,914	1,399,252	-6%
General Consumer Goods	6,228,171	5,938,576	-5%
Restaurants and Hotels	1,603,411	1,675,184	4%
Total	\$15,279,694	\$15,377,354	1%

(Unaudited)

Note: Excludes revenue from State and County Pools

The strongest industry results are reflected in the Business and Industry group with 29% growth. This group includes office supplies, equipment and furniture, non-auto repair shops, health and medical businesses, business services, textiles and furnishings, light industrial and printing business. The Auto and Transportation and Restaurants and Hotels industries continued to show consistent growth with another 4% increase in both categories this year after a 7% and 6% increase in the prior year. The Building and Construction industry grew 6% compared to an 8% decrease in the prior year. This increase is consistent with the current year increase in City building license and permit revenue. Revenue in Fuel and Service Stations industry group declined again this year after a 25% decline in the prior year. Last year saw greater declines in gas prices; however, the continual increase of fuel efficient vehicles entering the market is also causing fuel purchases to continue to decline. General Consumer Goods declined 5%. This category is comprised of apparel, sporting good, jewelry, music, specialty and department stores.

- Other Taxes:** Includes Property Transfer Tax, Transient Occupancy Tax (TOT) and Franchise Fees, which comprise 68% of this category. Actual revenue in all three revenue types exceeded their budget by a total of \$253,700.
- Licenses & Permits:** Includes building and engineering permits, which comprise 99% of the budget, and other miscellaneous licenses and permits. For the entire fiscal year, actual revenue came in below the amended budget estimates by \$111,000; however, revenue was \$124,000 higher than the prior fiscal year.
- 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. Actual revenue came in slightly above the amended budget estimate by \$2,500 and is about even with revenue in the prior year.
- 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 (70%) of this category. Actual revenue in this category came in slightly under budget by \$15,000 and is \$67,000 less than prior year revenue.
- 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. Actual revenue exceeded budget by \$76,200 and was \$218,000 less than the prior year.
- 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 account for \$897,000 of total revenue. Actual investment income for the fiscal year was \$220,000.
- Other revenue:** Includes reimbursements, donations and other miscellaneous revenue. Reimbursements account for \$834,000 of this revenue. Another \$275,100 represents the payment against the Site C note.

GENERAL FUND OPERATING EXPENDITURES

As previously stated, actual General Fund operating expenditures for all program areas were \$4.6 million less than budget.

General Fund Operating Expenditures by Program Area			
Program Area	Budget	YTD Actual	%
General Government - Legislative	\$ 1,463,939	\$ 1,370,527	94%
General Government - Mgmt and Support	11,157,581	9,043,095	81%
Public Safety	19,565,245	19,037,708	97%
Community Development	3,387,959	2,883,913	85%
Engineering and Transportation	2,909,498	2,599,638	89%
Infrastructure Maintenance	16,535,503	15,750,315	95%
Recreation/Community/Library Services	5,684,155	5,415,530	95%
Total	\$ 60,703,880	\$56,100,726	92%

(Unaudited)

After reducing this amount by the anticipated re-appropriation of both encumbered and unencumbered amounts of \$3.3 million to FY 2016/17 (action to carry over appropriations is included in the 2015/16 close out report on the October 12, 2016 agenda), there is an operating budget savings of \$1.3 million.

General Fund Operating Savings by Program Area			
Program Area	Positive Budget Variance	FY 16/17 Appropriation Carryover	FY 15/16 Operational Savings
General Government - Legislative	\$ 93,412	\$ -	\$ 93,412
General Government - Mgmt and Support	2,114,486	1,573,803	540,683
Public Safety	527,537	567,497	(39,960)
Community Development	504,046	470,646	33,400
Engineering and Transportation	309,860	228,061	81,799
Infrastructure Maintenance	785,188	446,128	339,060
Recreation/Community/Library Services	268,625	16,490	252,135
Total	\$4,603,154	\$ 3,302,625	\$1,300,529

(Unaudited)

The savings reflected in the General Government – Mgmt and Support program area is due to a variety of reasons, including: actual costs for County property tax administration and insurance deposits coming in less than budget by approximately \$61,000; savings in the Human Resources program in the amount of \$51,000 due to an hourly employee vacancy and lower than anticipated needs for contracted professional services for this function; unspent resources under the Integrated Waste Management program of \$68,000; unspent resources for personnel costs related to the accrual buy-back program and payouts due to termination in the amount of \$53,000; unspent resources for professional services related to the ADA update in the amount of \$72,000. Costs for the ADA update will be shifted to the CDBG fund; and \$214,000 of unspent resources under the Information Technology program.

For Infrastructure Maintenance, there was approximately \$339,000 in combined savings primarily in the Environmental Maintenance and Parks Maintenance programs. As part of the FY 2015/16 year end close out report, a recommendation will be made to re-appropriate unspent funds in these two programs to the Street Lighting program. The Street Lighting program experienced actual electricity costs of \$40,000 in excess of budget and is the cause of the deficit reflected in the Public Safety program.

The Recreation/Community Services/Library Services program area experienced a \$252,000 savings. Savings include: \$112,000 on the Saddleback Valley Unified School District Kid’s Factory contract and \$59,000 due to vacant positions throughout the fiscal year.

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 \$640,000 for total CIP appropriations of \$17,540,688. Approximately 37% of the CIP budget was expended at the end of the fiscal year.

Expenditures by project through June 30, 2016 are summarized in the following table:

Capital Improvement Program Expenditures				
CIP #	Project Description	Budget	YTD Actual	%
204	Ferrocarril Slope Repair	\$ 27,900	\$ -	0%
209	CVP Traffic Signal Synchronization	15,241	14,873	98%
210	Marguerite Traffic Signal Synchronization	10,353	6,717	65%
212	Los Alisos Corridor Signal Sync. Project	23,570	100	0%
213	Santa Marg. Pkwy. Signal Sync. Project	6,027	207	3%
214	Oso Parkway Corridor Signal Sync. Pjct.	9,734	1,338	14%
217	Muirlands Signal Sync. Project	41,795	10,273	25%
218	Jeronimo Signal Sync. Project	27,453	23,447	85%
219	Trabuco Signal Sync. Project	36,415	34,725	95%
221	Marguerite Pky Median Rehab Trab/Alicia	65,415	27,085	41%
222	Muirlands Street Light Improvement	34,847	17,692	51%
223	La Paz Road Signal Sync. Project	48,055	48,055	100%
224	Felipe/Oso Intersection Improvments	500,000	34,250	7%
225	Marguerite Pky Median Rehab Alicia to Alarcon	600,000	426,021	71%
226	Oso/I-5 Northbound On-Ramps Improvements	100,000	26,069	26%
227	Alicia Parkway Traffic Signal Sync. Project	170,000	-	0%
228	Safety Lighting LED Conversion	65,636	65,636	100%
304	Pavion Park Restroom	500,000	352,358	70%
305	El Dorado Playground Renovation	650,000	11,400	2%
317	Oso Creek Trail Signage	61,932	-	0%
324	Bocce Ball/Oso Viejo Park	182,950	182,467	100%
325	Marguerite Aquatic Rehab.	725,321	653,967	90%
500	Montanoso Locker Room Renovation	28,972	29,263	101%
756/761	La Paz Bridge & Road Widening	7,920,354	13,076	0%
791	Oso Parkway Widening	478,328	57,678	12%
797	Traffic Safety/Signal Coordination	9,700	-	0%
799	Marguerite Resurf/Median Rehab	190,934	(3,323)	-2%
836	Sidewalk Repair Program	94,417	44,417	47%
837	Arterial Highway Resurfacing & Slurry	213,954	69,536	33%
838	Residential Resurfacing Program	4,701,385	4,279,993	91%
Total		\$17,540,688	\$6,427,320	37%

(Unaudited)

It is the practice of the City to carry over all unspent appropriations for all active CIP's to the next fiscal year. Appropriations presented to the City Council on the October 12, 2016 2015/16 year-end close out report recommended for carry over to fiscal year 2016/17 is \$10.4 million.

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 July 6, 2015, the City Council approved an appropriation of \$195,000 in the Parks Maintenance program in the General fund for the purchase of Signature Irrigation SMART water controllers. This appropriation was partially funded by water rebates from the Metropolitan Water District of Southern California in the amount of \$102,685. The balance 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. This appropriation was funded by General Fund unappropriated reserves. (3-2 vote)

On August 25, 2015, the City Council approved an additional appropriation of \$440,000 to the Residential Resurfacing program (CIP 838) in the Measure M2 Fund. 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)

On October 13, 2015, the City Council approved an additional appropriation of \$60,000 to the Marguerite Parkway median rehabilitation project from Alicia Parkway to Alarcon (CIP 225) in the OC Muni Water District Grant Fund. This appropriation was funded with the recognition of water district reimbursement revenue. (5-0 vote)

On October 27, 2015, the City Council approved an additional appropriation of \$55,000 in the Signal Maintenance program in the General Fund to repair damages to traffic signal equipment at the intersections of Alicia and Via Burgos and Oso Parkway and Marguerite Parkway. This appropriation was funded with the recognition of reimbursements anticipated from vehicle drivers' respective insurance companies. (5-0 vote)

On October 27, 2015, the City Council approved an appropriation of \$300,000 in the Economic Development program in the General Fund to further economic development within the City. This appropriation was funded from General Fund unappropriated reserves. (5-0 vote)

On November 10, 2015, the City Council approved an appropriation of \$23,450 in the Recreation & Community Services Administration program in the General Fund to expand the Afterschool Enrichment Program to La Paz, Los Alisos and Carl Hankey Intermediate Schools. This appropriation was funded from General Fund unappropriated reserves. (4-1 vote)

On February 9, 2016, the City Council approved a \$347,000 payment toward the healthcare unfunded liability to be paid from the General Fund unfunded liabilities discretionary reserve. (4-0-1 vote)

On February 9, 2016, the City Council appropriated \$238,376 for the purchase and installation of irrigation controllers for various city facilities and parks. This appropriation was funded from Metropolitan Water District rebates in the amount of \$99,605, with the balance funded from General Fund unappropriated reserves. (4-0-1 vote)

On March 22, 2016, the City Council approved adjustments to the revenue and the operating and capital improvement program budgets as part of the FY 2015/16 mid-year budget review. General Fund revenues were increased \$639,500 and General Fund appropriations were increased \$339,500. Revenues for all other funds combined were increased by \$74,000 and appropriations for all other funds combined were decreased \$24,500. (5-0 vote)

On April 12, 2016, the City Council approved a \$1.0 million grant to the Santa Margarita Water District to provide financial assistance for the construction of the Lake Mission Viejo Advanced Purified Water Treatment Facility from General Fund unappropriated reserves. (5-0 vote)

On April 26, 2016, the City Council approved the appropriation of \$56,113 to the Median and Parkways Maintenance program to fund ongoing water conservation efforts. This appropriation was offset by grant funding received from the Metropolitan Water District of Orange County. (5-0 vote)

On May 24, 2016, the City Council approved the 115 Trust Agreement Governing the City of Mission Viejo Prefunding Pension Obligation Trust and the distribution of \$3.0 million from General Fund unappropriated reserves to the Trust. (4-0-1 vote)

On June 28, 2016, the City Council approved an appropriation of \$140,000 from CDBG fund reserves to project 838 – Residential Resurfacing Program. (4-0-1 vote)

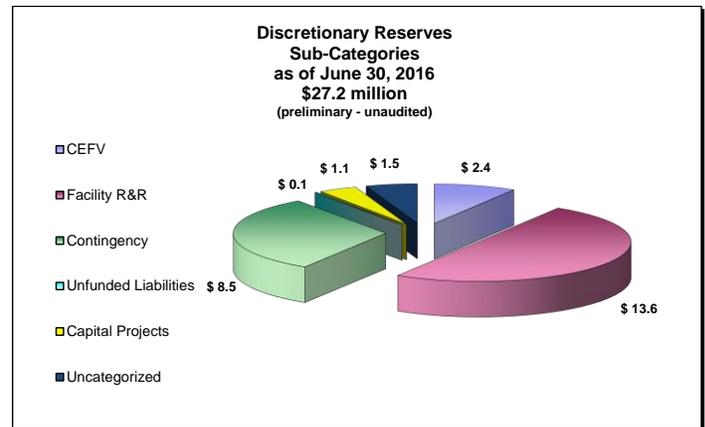
On June 28, 2016, the City Council approved the transfer of General Fund resources of \$13,335 from project 204 – Ferrocarril Slope Repair to project 228 – Safety Lighting LED Conversion. (4-0-1 vote)

The net result of all budget amendments documented above resulted in reducing General Fund discretionary reserves by \$4.6 million during fiscal year 2015/16.

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 June 30, 2016 discretionary reserves totaled \$27.2 million and were 47.9% of total General Fund Group revenues.



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

- Computers, Equipment, Furnishings, & Vehicles Replacement Fund (\$2.4 million) - to fund replacements of existing office equipment, vehicles, computers and office furnishings.
- Facility Rehabilitation & Replacement Fund (\$13.6 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 (\$153,000) - to accumulate resources toward the City’s unfunded liabilities for both pension and retiree health benefits.
- Capital Projects Reserve (\$1.1 million) – to accumulate resources toward the Marguerite Aquatics Complex Rehabilitation project.
- Uncategorized General Fund Balance (\$1.5 million) - resources not designated by the Council for a particular purpose.

As part of the 2015/16 year end close out report presented to the City Council on October 12, 2016, there are recommendations to move \$475,100 of the operating surplus to the Capital Projects Reserve for the Marguerite Aquatics Complex Rehabilitation project (\$275,100 from Site C note payment resources and \$200,000 from other General Fund operating surplus resources). If this recommendation is approved, the total Capital Projects Reserve will be \$1,575,100 and the uncategorized/undesignated reserve balance will drop to \$1.0 million.

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	\$ 3,930,621	\$ 4,069,684	104%
Law Enforcement	150,000	174,683	116%
State Gas Tax	2,149,662	2,023,490	94%
Air Quality Improvement Trust	119,400	123,425	103%
Measure M	7,649,659	4,739,687	62%
Grants	7,244,675	1,770,780	24%
Developer Fees	4,510,310	1,012,460	22%
Mall Parking Lease	1,574,533	1,546,950	98%
MV Television	609,563	598,995	98%
Animal Services	2,350,981	2,617,989	111%
Total	\$ 30,289,404	\$ 18,678,143	62%

(Unaudited)

Expenditures by Fund			
Fund	Budget	YTD Actual	%
Library	\$ 3,980,847	\$ 3,785,012	95%
Law Enforcement	150,000	147,138	98%
State Gas Tax	3,008,124	2,158,596	72%
Air Quality Improvement Trust	317,701	116,943	37%
Measure M	5,328,792	2,570,425	48%
Grants	6,603,648	907,699	14%
Developer Fees	2,131,272	1,312,709	62%
Mall Parking Lease	1,574,533	1,546,898	98%
MV Television	978,935	295,044	30%
Animal Services	2,415,079	2,061,121	85%
Total	\$ 26,488,931	\$ 14,901,585	56%

(Unaudited)

FOR MORE INFORMATION

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 or by phone at (949) 470-3059.