The City of Mission Viejo has prepared 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 2017-2019 budget process and focuses on General Fund revenue and expenditures for 2017-19 plus an additional five years of projections, out to FY 2023/24.

The MFP is not only used to help develop a balanced budget, it provides essential information on projected General Fund 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 2017-2024 Revenue Forecast Tells Us

The 2017-24 revenue forecast included in this MFP update indicates that the U.S. economic outlook is generally healthy according to the key economic indicators. However, these improving economic trends are still under the shadow of the seven-year tepid recovery: slow growth, low labor market participation, and high cost of living. Tax receipts have risen gradually following the decline during FY 2008 through FY 2010. Property tax and sales tax receipts represent about 80% of General Fund revenue. This MFP anticipates continued, gradual growth. Overall, the 2017-2024 revenue forecast is positive with total General Fund revenue projected to grow an average of 2.19% over the seven-year forecasting period (FY 2017/18 through FY 2023/24). The average rate of change for the prior seven year period is 2.92% buoyed by post-recession catch up growth in assessed property values and the one-time "triple flip" clean up sales tax payment. In addition, the City is receiving proceeds from the Mission Viejo Housing Authority for the sale of Site C ($4,655,100 through fiscal year 2016-17), transfers from the Mission Viejo Community Development Financing Authority representing proceeds from the Rolling Reserve of the

Mission Viejo Mall bonds ($2.8 million projected over the two-year budget cycle), and a partial repayment from the Successor Agency of the former redevelopment agency administrative loan ($466,441 in FY 2017/18). These are considered Inter-agency transfers.

What the 2017-2024 Expenditure Plan Will Accomplish

Staff has developed a seven-year expenditure plan that allows the City to successfully navigate the challenging economic times which lie ahead. The MFP compares ongoing expenditures versus revenue that is one-time in nature or of a limited duration. This metric would indicate that the City is relying on short-term revenue to balance the budget. It is important to remember that through 2028 part of City sales tax revenue generated at the Shops of Mission Viejo is diverted to partially pay debt service on the Mission Viejo Mall bonds. After 2028, those funds will revert back to the General Fund.

The first two years of the plan (the current FY 2017-19 adopted budget) presents a budget balanced using transfers and continued cost containment in personnel and operating costs. That effort maintains General Fund reserves at 49% in FY 2017/18 and 48% in FY 2018/19. All the while maintaining support for a wide array of high quality services and facilities. However, beginning in FY 2019/20 and every year of the plan thereafter until FY 2023/24, there is a projected draw on reserves to balance the budget. MFP projections do not include any capital improvement spending from the General Fund in the out years of FYs 2020-2024.

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 are tightly managed and, beyond the FY 2017-19 budget, there is no increase to current staffing levels.

The City Council has taken steps to address the rapidly escalating cost of retirement and insurance programs by making large one-time payments to reduce unfunded liabilities in both programs. 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 36% of the City's workforce is now covered by the second and third tier benefits program. Despite these efforts, retirement rates are scheduled to increase significantly over this MFP cycle. The City's reserves are intended to provide a substantial cushion for absorbing unforeseen events. These reserves are an essential first line of defense against unexpected economic emergencies or natural disaster. This is an opportune time to review the City Council reserve policy and other financial policies.

General Fund Revenue Forecast and Expenditure Plan – 2017-2024

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, California State University Fullerton (CSUF), and UCLA's local economic forecast presentations and publications.

Given the timing of the 2017-2024 MFP update, and its use in developing the 2017-2019 budget, the December 2016 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. It should be noted that CSUF and UCLA inflation projections are more aggressive than Chapman's. While Chapman's 2017 Consumer Price Index (CPI) projection for the U.S. is 1.8%, CSUF projects 2.3% and UCLA projects 2.5% for the same period. Staff took into consideration this variance while developing this MFP.

Measurement Period	Annual CPI-U Rate United States	Annual CPI-U Rate LA Riverside – OC	Annual CPI-U Rate California
Average 2000-2016	2.20%	2.40%	2.50%
Average 2010-2016	1.60%	1.60%	1.90%
2017 Chapman Univ Forecast	1.80%	1.60%	2.10%

The economy is close to full employment, consumer confidence is strong, manufacturing trends have improved, and housing trends remain favorable. While the consumer confidence index remains robust, this has not translated into consistent retail sales activity. There continues to be a disconnect between consumers' attitudes and consumers' spending behavior. Global economic conditions as well as sluggish U.S. productivity growth all point to caution until there is more clarity around the timing and magnitude of fiscal stimulus and tax reform.

Much has been said about the slow, gradual growth in what is now the longest and weakest national recovery on record. Between 2010 and 2016, the U.S. CPI grew an average of 1.60%. During this same period California CPI grew an average of 1.90%, and the CPI for the Los Angeles-Riverside-Orange County area grew an average of 1.60%. Despite the weak nature of the recovery, a pick-up in economic activity is expected in 2017. Sustained job growth along with wage gains are expected to push consumer spending higher. The Chapman forecast anticipates higher interest rates as the Federal Reserve Board is likely to continue to raise the federal funds rate as the economy improves.

Historically low mortgage rates have propped up housing demand, although tempered by rapid housing appreciation. Housing affordability continues to be an issue in Orange County. The California Association of Realtors Housing Affordability Index measures the percentage of households that can afford to purchase the median priced home in Orange County. As of the 4th quarter/2016, 22% of Orange County households can afford a median price home in the County. The only affordable way for many lower-income families to find housing in the county is through rental housing resulting in strength in apartment construction. Median home prices are projected to increase by 5.7% in 2017.

Orange County employment has grown faster than in the rest of the nation. The construction sector has been a significant driver of employment growth. Orange County employment growth was 3.2% in 2015. The Chapman forecast projects Orange County job growth of 2.8% and 2.5% in 2016 and 2017, respectively. A gradual decline in the unemployment rate will continue. Projected job growth, higher home valuation, and better prospects for income and wages will have a positive impact on consumer spending. Chapman projects taxable sales in Orange County to increase by 4.8% in 2017. This forecast is far more favorable than the projections from sales tax consultant HdL Companies who has a forecast of 1.9% statewide growth in 2017 and growth of 2.7% in 2018. For Mission Viejo, HdL projects 1% growth in each of the next two fiscal years. Historically, HdL projections for Mission Viejo have been closer to the mark.

Methodology/Assumptions

The MFP 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 2017-19 adopted budget, and then five additional years through FY 2023/24. 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, while the Chapman University forecast is that the California CPI will be 2.10%, the UCLA forecast is 3.0%. The inflation rate forecast for 2017-2024 averages 2.0% - 2.3%. Historical Bureau of Labor Statistics "Los Angeles-Riverside-Orange County" CPI data shows the average inflation rate was 2.4% from 2000-2016 and 1.6% from 2010-2016 (see table on previous page).

The City's population, which was 96,718 as of January 1, 2017 per the State Department of Finance, is projected to grow to 100,687 by 2024. The current city limits are essentially built-out, with only limited capability of increases in population. These population projected increases are based on recent apartment developments, the Skyridge project, and future Site A development. These developments are not expected to require a significant increase in services.

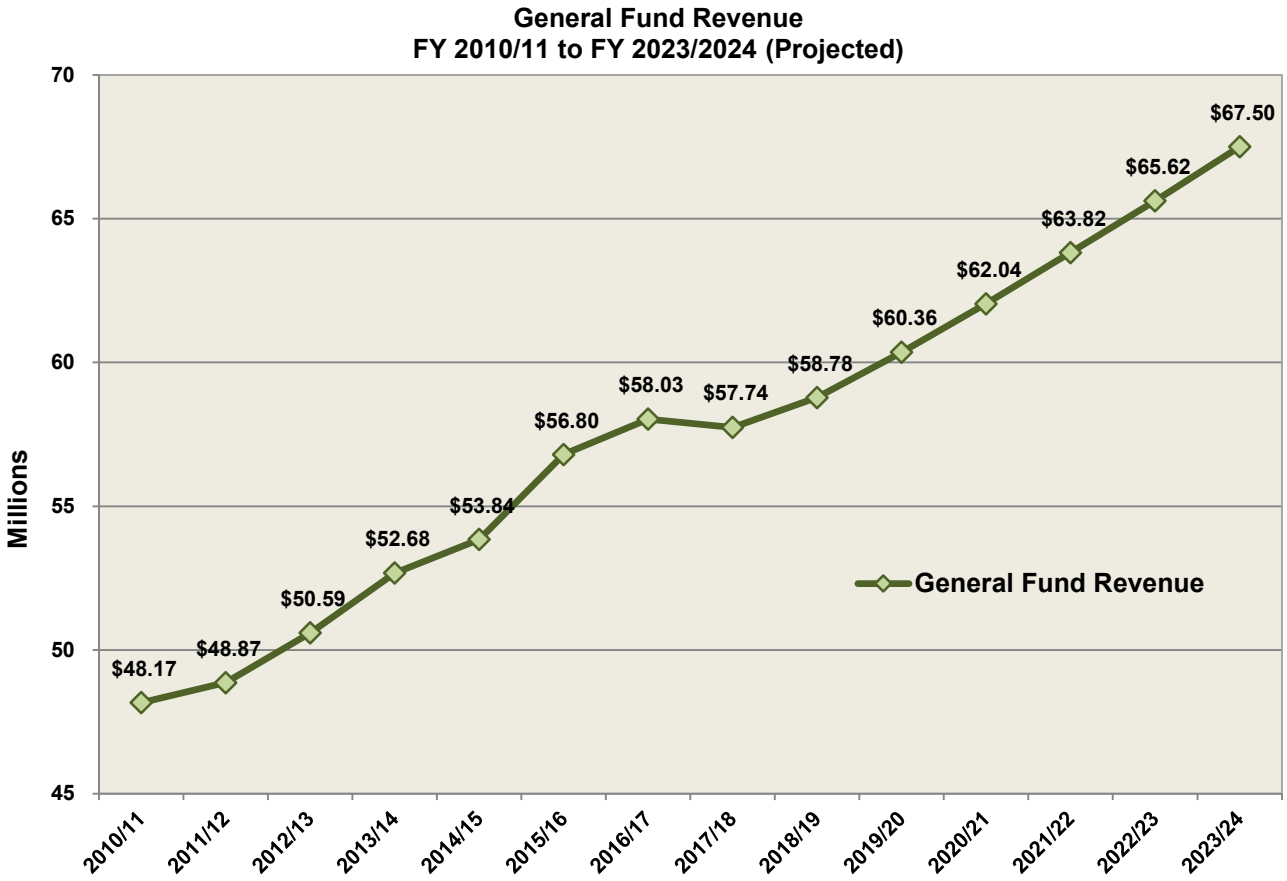
Interest rates are also projected to start rising over the course of the next seven years. The Federal Reserve appears committed to a path of steady hikes and will probably lift short-term rates two more times in 2017. If the economy grows as expected by the Fed, the federal funds rate will reach 3% by 2019 and the staff forecast is for continued gradual increases topping out at approximately 5% in 2024.

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

2011-2017 Average Annual Growth Rate:	**2.92%**
2018-2024 Projected Average Annual Growth Rate:	**2.19%**

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 approximately 80% of all General Fund revenue in the 2017-19 adopted 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. In FY 2016-17, the City expects to receive a $1.4 million contribution to the Aquatics Center renovation project from the Nadadores Aquatics Foundation which results in an overall decline in revenue in FY 2017/18

As with the two-year budget, the General Fund revenue forecast forms the foundation of the MFP. The 2017-19 adopted budget projects revenues to grow an average of 0.65%, when compared to the FY 2016/17 amended budget. For the five years of the MFP forecast beyond the two-year budget cycle (FY 2019/20 to FY 2023/24), average annual revenue growth is projected to be approximately 2.8%.

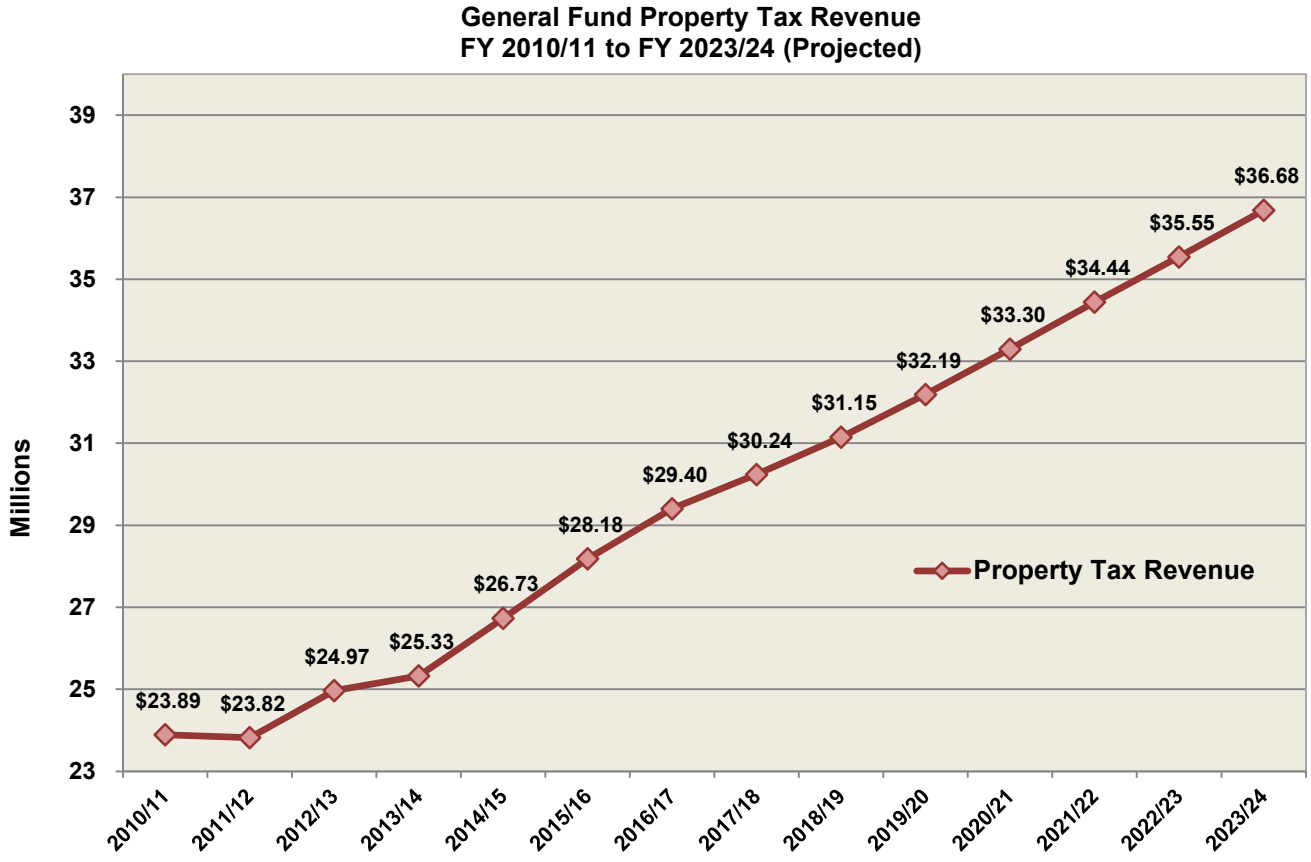
The seven-year forecast – which includes the 2017-19 adopted budget – presents a conservative growth outlook. It should be noted that these projections are predicated on the assumption that the economy has recovered; will continue to grow at a slow to moderate pace; and another recession in the near-term 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

2011-2017 Average Annual Growth Rate:	**3.02%**
2018-2024 Projected Average Annual Growth Rate:	**3.21%**

Property tax revenue accounts for about 52% 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 $15.8 billion (as recorded by the Orange County Auditor/Controller and updated for FY 2016/17, which began July 1, 2016). This amount represents an increase of 3.88% over the prior fiscal year. The City's assessed value increased an average of 2.9% from FY 2011/12 to FY 2016/17.



Included in the State budget deal with local governments in FY 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 FY 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 2004/05 was the last

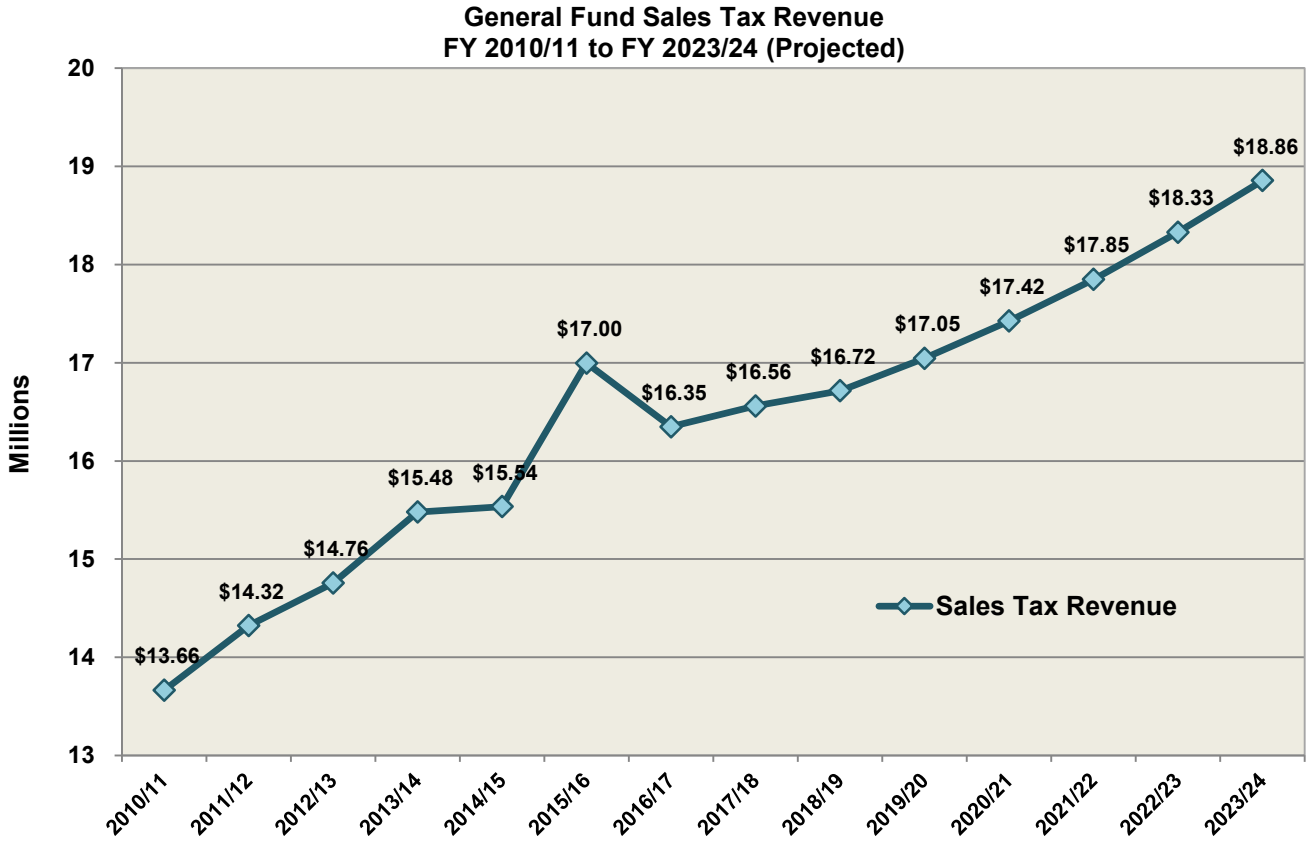
year the City received VLF revenue under the old formula and that amount was $4.5 million. In the 2017-19 two-year budget cycle the City estimates VLF in-lieu revenue at $8.7 million and $9.0 million respectively.

Property tax revenue is projected to increase 2.84% in FY 2017/18 over the amended FY 2016/17 budget and increase 3.01% in FY 2018/19. The forecast revenue reflects anticipated growth in assessed valuation during this period. As the economy has improved, so has the real estate market. The 2017-24 MFP forecasts General Fund property tax revenue to increase an average of 3.21% annually.

Sales Tax Revenue

2011-2017 Average Annual Growth Rate:	**4.43%**
2018-2024 Projected Average Annual Growth Rate:	**2.06%**

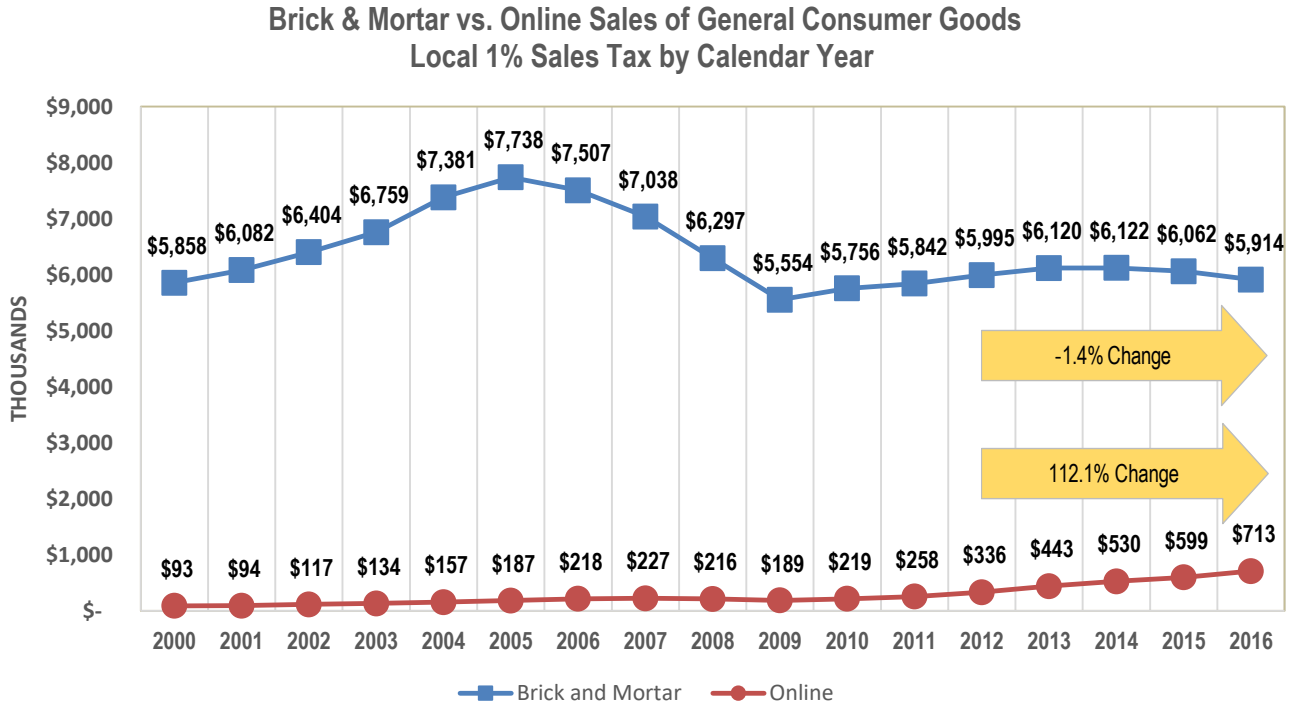
Sales and use tax is the second largest revenue source for the City, behind property tax revenue. Sales tax represents about 28% of total General Fund revenue in the two-year 2017-19 budget cycle. The sales tax recorded in the General Fund includes the sales tax generated by all retail and other sales 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. FY 2015/16 receipts were heavily impacted by the elimination of the "triple flip" sales tax exchange resulting in a one-time reimbursement of approximately $1.1 million.



The past seven years (see graph on previous page) show gradual growth with the one-time spike in FY 2015/16 followed by more tempered growth reflecting mixed messages on consumer spending. While consumer confidence is up, it has not translated into consistently rising retail activity. The average annual growth rate from 2011-2017 was a robust 4.43%. For the 2017-19 budget period, the expectation is modest growth levels in sales and use tax. The adopted 2017-19 budget projects a 1.12% average increase.

Average annual sales tax revenue growth rates from FY 2019/20 going forward are expected to average 2.44% 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" – now about 13% and growing. 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. The graph below captures point of sale sales tax receipts for general consumer goods by retailers with a physical location in town (brick and mortar locations) versus online sales for the calendar years 2000 through 2016. This graph shows brick and mortar sales declining from a high in 2005 to a low in 2009 due to the effects of the Great Recession. Sales rose in the years immediately following the recession, but have been trending down over the past few years. Since 2012, while brick and mortar sales have declined 1.4%, online activity has grown 112.1% in that same time period.



Source: Hdl Companies

Franchise Tax

2011-2017 Average Annual Growth Rate:	**0.03%**
2018-2024 Projected Average Annual Growth Rate:	**0.44%**

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 a little less than 5% of the City's General Fund revenues in the 2017-19 budget.

This revenue source has been experiencing stagnant growth. Beginning in FY 2015/16 ten percent of Cable franchise revenue was diverted to fund Mission Viejo Television Fund activity. In addition, consumers throughout the United States are now "cord-cutting" which refers to the pattern of viewers canceling their cable subscriptions and switching to media available over the internet such as Netflix, Hulu, and YouTube which is not taxed. The surge in "cord-cutting" has set off a race among media companies to be included in streaming bundles, a clear indication of the reshaping of the American television landscape. Franchise tax revenue is expected to grow by 0.44% annually over the course of the next seven years.

Development-Related Revenues

2011-2017 Average Annual Growth Rate:	**7.97%**
2018-2024 Projected Average Annual Growth Rate:	**2.06%**

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. This revenue source has averaged about $2.1 million annually over the past four fiscal years, or a little under 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 2017-19 budget, development related revenue is expected to be approximately $2 million each year representing a slight increase over the two year budget cycle of 0.63%. Going forward, this source of revenue is projected to grow at a pace slightly ahead of inflation based on a steady stream of development activity and a couple of anticipated major projects.

Recreation Revenues

2011-2017 Average Annual Growth Rate:	**0.18%**
2018-2024 Projected Average Annual Growth Rate:	**1.20%**

Recreation revenues are comprised of recreation and tennis center fees, senior activity fees, room rentals, and selected special event revenue. Over the past seven years, recreation revenues have been relatively stable at approximately $1.8 million annually or about 3% 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 2017/18 through FY 2023/24 it is anticipated that this source of revenue will continue to experience stable and modest growth, averaging approximately 1.2% 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 gradually increase consumption of these resources by residents.

Operating Budget Expenditures

2011-2017 Average Annual Growth Rate:	**3.33%**
2018-2024 Projected Average Annual Growth Rate:	**2.23%**

For the purposes of budget planning and updating the MFP, 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 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.)

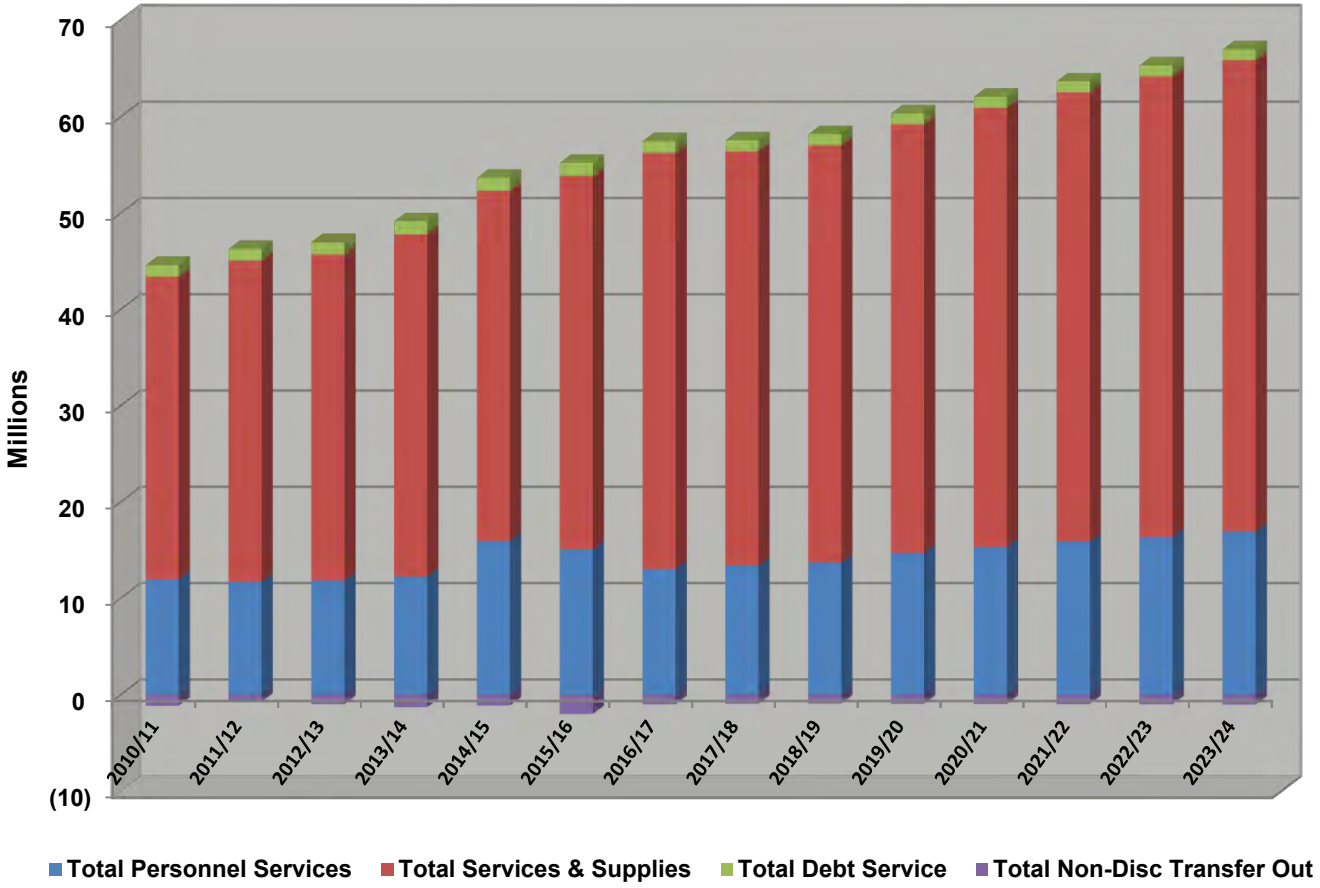
Since incorporation, the City has provided a very high level of service while providing a wide variety of services. Over these years there has been a major renovation of the Marguerite Tennis Center, neighborhood park and restroom improvements, construction of a new dog park, and now the renovation of Marguerite Aquatics Center. In addition, there has been an increased focus on facility maintenance, landscape maintenance, slope rehabilitation, park and playground renovations, and other infrastructure upgrades. In addition, the City has made a significant investment in Information Technology and will continue to do so in order to provide its residents with ease of access to City programs and transparency of government.

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 2010/11 through FY 2016/17, operating expenditures have increased at an annual average rate of 3.33%. As the economy has improved operating expenditure budgets have increased to catch up on some deferred maintenance as well as other improvements.

In FY 2017/18 General Fund adopted ongoing appropriations when compared to FY 2016/17 amended operating budget reflect a decrease of 1.0% due to a one-time payment made in 2016/17 to reduce the City's retiree medical unfunded liability, the transfer of certain signal maintenance costs to the Gas Tax Fund, economic development programming, extraordinary legal fees, and a one-time grant to the Santa Margarita Water District. FY 2018/19 growth is budgeted at 1.07%. The growth rate picks up, averaging 2.90%, in the five out years as the City pays significantly higher annual PERS rates.

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 2017/18 through FY 2023/24. The largest single component by far continues to be services and supplies

(the red section of the bar graph), representing about 74% of total adopted General Fund operating budget expenditures in the 2017-19 two-year budget cycle. 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 2017-19. 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.



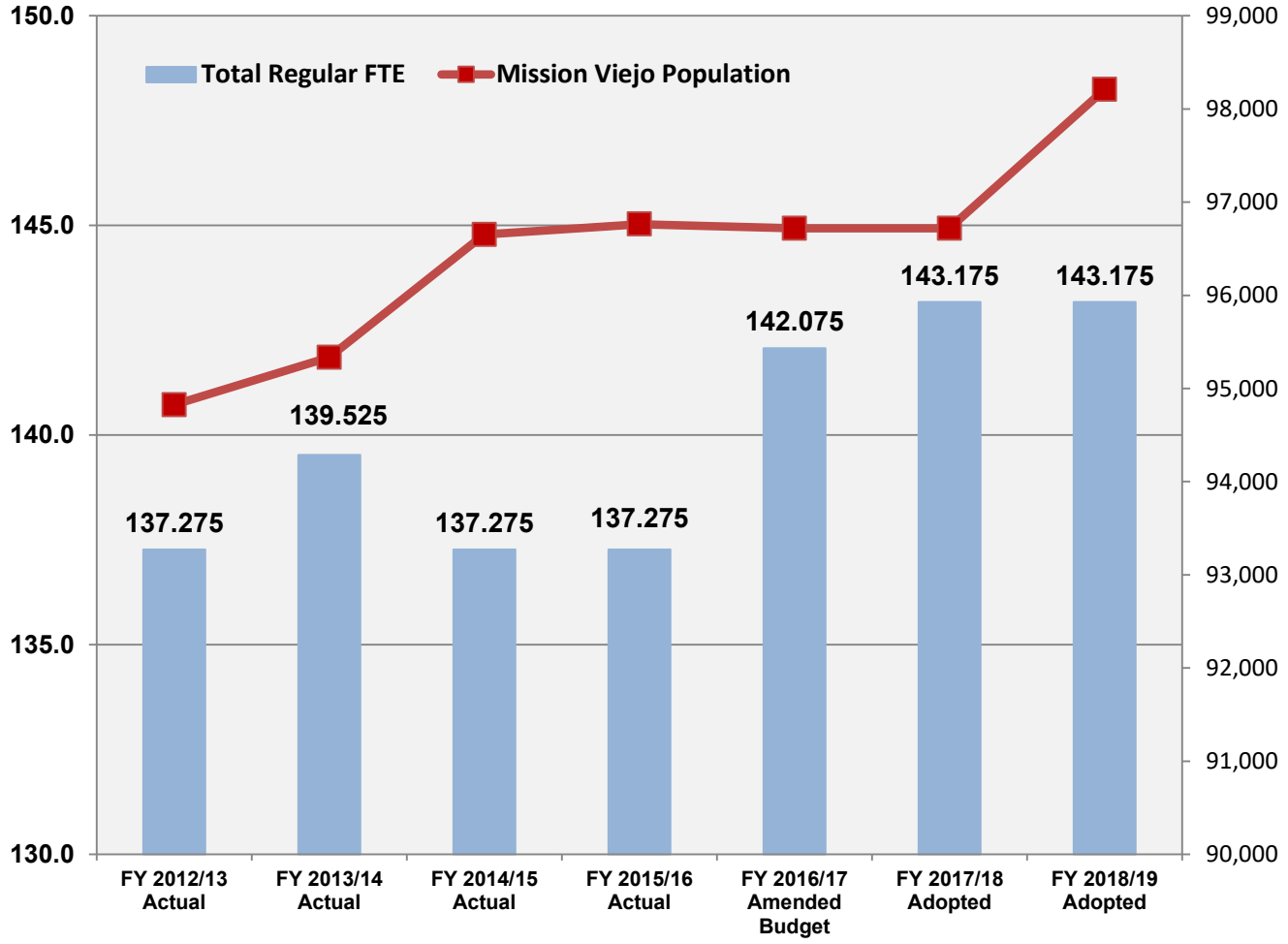
Personnel Costs

2011-2017 Average Annual Growth Rate:	**1.34%**
2018-2024 Projected Average Annual Growth Rate:	**3.84%**

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. The 2017 Compensation Survey findings show the City is 1.82% below median salary, 3.03% below median total compensation and 8.28% below City Compensation Policy of Median Total Compensation plus 5%. The 2017-19 adopted budget includes increases to bring employees to median salary and median total compensation through a combination of increases to salary ranges and monthly City contribution toward benefits.



In addition to controlling wage increases, from FY 2008/09 to FY 2015/16, almost nineteen full-time equivalent (FTE) positions were eliminated citywide (this includes positions funded by the Animal Services and Library Services funds). (The graph above shows total FTE counts from FY 2012/13 through FY 2018/19 projections.) The FTE increase in FY 2016/17 reflects new Animal Services staffing related to the approval of agreements with the cities of Rancho Santa Margarita and Laguna Hills to provide Animal Control and Shelter Services. Mission Viejo also provides these services to the cities of Laguna Niguel and Aliso Viejo. The 2017-19 adopted budget includes the addition on 1.1 FTE.

In an ongoing effort to decrease the cost per position, the City Council implemented a plan in which employees pay the full 8% share of their retirement by the end of FY 2014/15. This decreased the City's retirement costs by shifting a greater burden directly onto the employees. The City Council has also implemented a second tier retirement program for all new employees hired after July 9, 2011. Another

retirement tier was enacted by State action in 2013. The 2017-19 adopted budget plan includes a shift of 1.5% of the City's PERS employer rate cost to employees. These changes will decrease costs over the long-run, hence placing Mission Viejo on even stronger financial footing for several decades into the future. 36% of the City's workforce now falls under these second and third tier retirement programs.

For the 2011-2017 period, total General Fund personnel costs have grown on average at a rate of 1.34% per year. Several large one-time payments toward reducing the unfunded liability of the retiree medical and retirement programs have been made during this period. Almost $2.5 million has been paid toward achieving 100% funded status of the retiree healthcare program and $4.5 million has been paid toward the goal of achieving 80% funded status in the retirement program. That effort accounts for most of the 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 during this period: 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 Public Works 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.)

Between FY 2017/18 and FY 2023/24 personnel costs will increase by an average of 3.84%. 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 2.0%. 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.

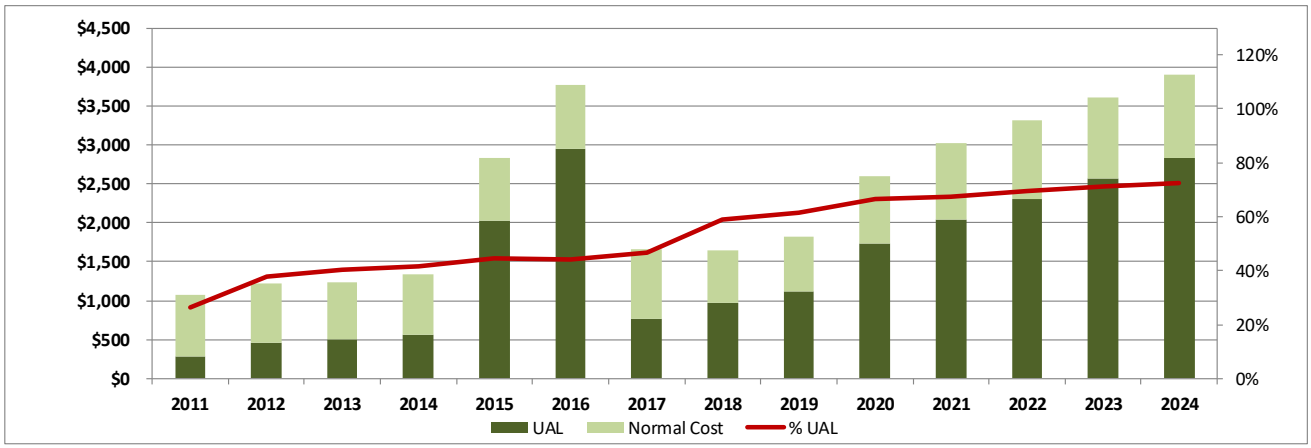
The City's retirement plan is with the California Public Employee Retirement Systems (PERS). The City Council authorized a one-time payment in the amount of $1.5 million against the City's unfunded liability in June 2015. In FY 2016, the Council approved a $3.0 million payment to a Section 115 Pension Trust to reduce the pension unfunded liability by that same amount. PERS has not recovered from huge losses ($100 billion) during the recession. PERS currently has an investment fund valued at $306 billion and about 64 percent of the projected assets needed to pay future pensions. PERS relies on investment fund earnings to pay roughly two-thirds of future pension costs. The rest of the money comes from state and local governments with a smaller amount from employees. Since 2013, PERS has taken several important steps to reduce risks to the retirement fund and ensure long-term stability including: changing amortization and smoothing policies that spread rate increases or decreases over a five-year period; adopting new demographic assumptions that show retirees are living longer; and approving a new funding risk mitigation policy to incrementally lower the discount rate during good economic times. Facing market realities, in December 2016 PERS lowered the investment return estimate to 7% from 7.5%, a mark that still may be unattainable. According to PERS, the lower discount rate will increase the average "normal cost" (current year pension cost) employer rate for most miscellaneous plans about 1% to 3% of pay. The "unfunded liability" (cost from previous years) is expected to increase 30% to 40%. This rate increase will be phased in over the next eight years.

FY 2017/18 PERS costs are projected to decrease by 0.39% or about $6,500 over the FY 2016/17 amended budgeted amount. In FY 2018/19, this cost will increase by 9.9%, about $163,000. Over the next five fiscal years, the PERS cost is projected to increase 115%, reaching $3.9 million by FY 2023/24, a $2.1 million increase from FY 2018/19. 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. The spikes in fiscal years 2015 and 2016 reflect one-time payments discussed previously. The positive impact of the Section 115 Trust Fund is not factored in this chart.

Ratio of Normal Costs to UAL Payments

(Amounts in 000's)



Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
UAL	285	461	498	557	2,025	2,956	771	969	1,113	1,737	2,036	2,302	2,566	2,831
Normal Cost	791	754	740	786	801	816	886	682	701	864	980	1,009	1,040	1,071
% UAL	26%	38%	40%	41%	45%	44%	47%	59%	61%	67%	67%	70%	71%	73%

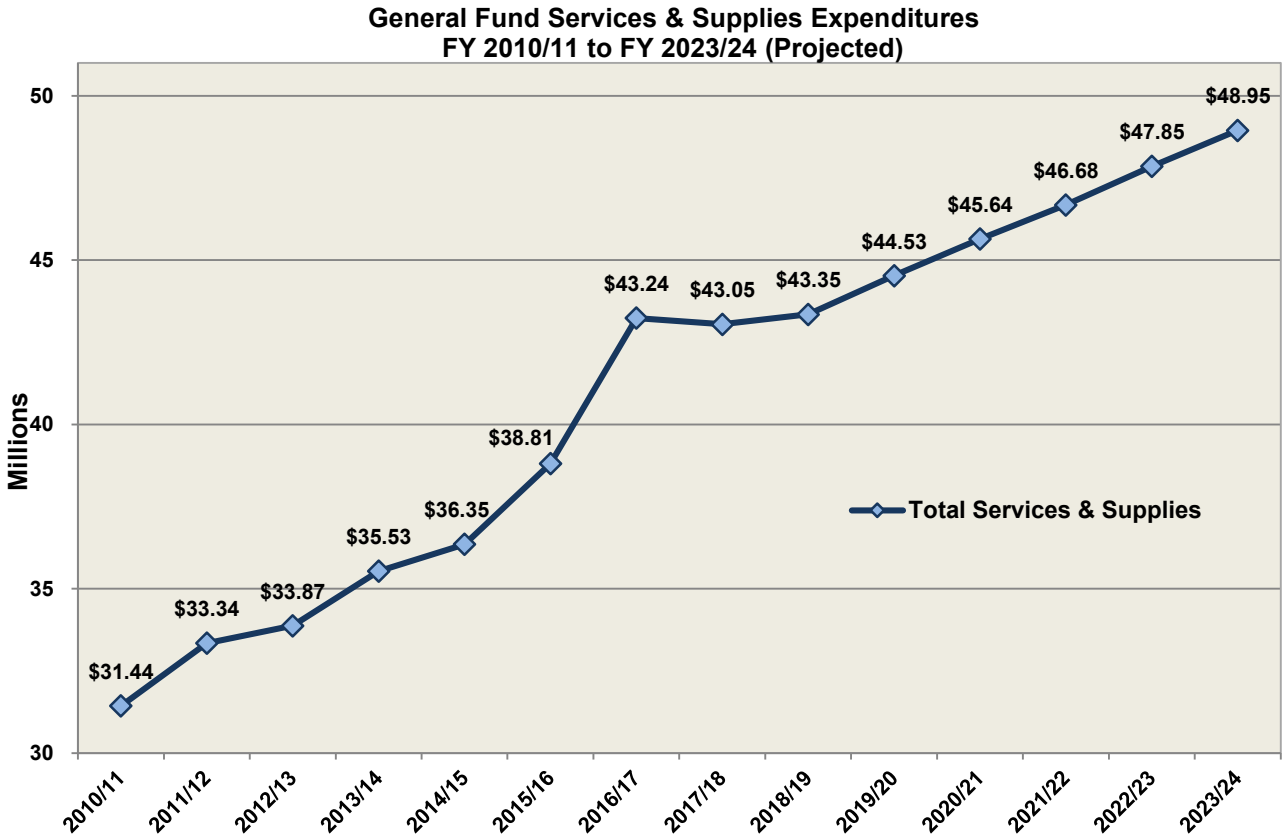
The City maintains a retiree health benefit program in accordance with the requirements of the PERS Health Benefit Program. The City pays a fixed amount for each eligible retired employee to purchase health coverage through the City's program with PERS Health Benefit Program. This program provides retirees who qualify with a fixed monthly benefit toward the cost of their health insurance premiums. As of the City's June 30, 2015 actuarial valuation, the Plan Assets have a value of $8,141,000. The Unfunded Liability amount is $2,694,000. The City made payments of $2.1 million in FY 2014/15, and $347,000 in 2016 which brought this plan to fully funded status as of June 30, 2016.

While 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

2011-2017 Average Annual Growth Rate:	**4.58%**
2018-2024 Projected Average Annual Growth Rate:	**1.80%**

Services and supplies make up the single largest component of total General Fund operating expenditures (74% in FY 2017/18) 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 2010/11 through FY 2016/17 (amended budget), the cost of all services and supplies grew from $31.44 million, or 69% of total operating expenditures, to $43.24 million, or 74% of operating expenditures, an average of 4.58% annually. For the upcoming two-year budget period, services and supplies will decrease 0.43% down to $43.05 million in FY 2017/18 and increase by 0.70% to $43.35 million in FY 2018/19. This spending plan includes increases in FY 2019/20 related to contract renewals including 4% in monthly contracts for Park, Median & Parkway maintenance, 3% increases in Parks, Median & Parkway all other contracts, and a 10% increase in Urban Forestry. In the out years this forecast assumes for the most part an average annual growth of 2% for all other areas. The bulk of Traffic Signal maintenance costs have been transferred to the Gas Tax fund leaving $180,000 in each of the two budget years. $200,000 is available annually for Economic Development. These assumptions result in an average annual increase of 1.80% in this category over the period FY 2017/18 through FY 2023/24.

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 2017/18 is $18.5 million, which represents 43% of the services and supplies adopted budget, or 32% of total adopted General Fund operating appropriations.

Infrastructure maintenance programs, which include the street, landscape, building, and fleet maintenance programs, totals $15.4 million in FY 2017/18, and represents 36% of the adopted budget for services and supplies, or 26% of the General Fund operating budget.

Police Services Contract

2011-2017 Average Annual Growth Rate:	**2.85%**
2018-2024 Projected Average Annual Growth Rate:	**3.15%**

The average annual growth rate of 2.85% for police services contract costs for the period of FY 2010/11 to FY 2016/17 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 2023/24. From FY 2017/18 through FY 2023/24, it assumed that the police services contract will grow at the rate of 3.15%.

Infrastructure Maintenance

2011-2017 Average Annual Growth Rate:	**6.68%**
2018-2024 Projected Average Annual Growth Rate:	**1.58%**

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 $8.4 million annually during FY 2010/11 through FY 2017/18. This average increases to $10.6 million in FY 2017/18 through FY 2023/24.

Overall, this program area will see an increase of 2.21% in FY 2017/18 when compared to the FY 2016/17 amended budget, and a decrease of 2.39% in FY 2018/19. The primary reason for the decrease in FY 2018/19 is scheduled extra work such as re-sod and patch work at Oso Park and World Cup Soccer and clean-up work at Oso Creek. An increase of almost 3.48% is projected in FY 2019-2020 due to a jump in certain landscape contract renewal costs. Thereafter, growth is projected at the rate of inflation. For the planning period of FY 2017/18 through FY 2023/24, it is expected that infrastructure maintenance appropriations will grow at the average annual rate of 1.58%.

All Other Program Areas

2011-2017 Average Annual Growth Rate:	**5.44%**
2018-2024 Projected Average Annual Growth Rate:	**-0.40%**

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, Recreation and Community Services program areas, and the General Fund portion of the Library and Cultural Services Department’s Cultural Services program.

This category of costs experienced an average annual growth rate of 5.44% from FY 2010/11 through FY 2016/17. Appropriations in FY 2017/18 decline by 11.04%, and increase slightly by 0.04% in FY

2018/19. The average annual growth decreases from FY 2017/18 through FY 2023/2024 by 0.40% reflecting cost containment efforts.

Operating Transfers

General Fund subsidies represent annual transfers to the Animal Services and Library 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, Laguna Hills, Laguna Niguel, and Rancho Santa Margarita. The agreements with the cities of Laguna Hills and Rancho Santa Margarita became effective January 2017. These contract cities in turn provide pro-rata support based on the ratio of their populations to the total population of the five 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 four contract cities) and expenditures.

From FY 2010/11 to FY 2016/17, the General Fund transfer to the Animal Services fund averaged $548,000 including a payment to PERS related to retirement costs in FY 2015/16. The 2017-19 adopted budget has the General Fund subsidy at an average of approximately $600,000. The future years in the master financial plan grows by 2% annually and averages $647,000 annually.

Library Services Subsidy

The subsidy to the Library 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 Services Department provides one of most popular services to residents and usage remains high. While the Library Services Department receives revenue from various sources (passport processing, passport photos, library fees & fines, etc.), property tax remains the largest, single source of revenue. For the 2017-19 budget, property tax accounts for 75% of total Library Fund revenue. From FY 2010/11 through FY 2016/17, the General Fund transfer to the Library fund averaged $640,000 including a payment to PERS related to retirement costs in FY 2015/16. For the FY 2017/18, the General Fund transfer to the Library Fund is $351,300. In FY 2018/19 that amount decreases 10% to $316,300. The subsidy grows by 2% annually and averages $336,000 annually.

City Hall Bond Debt Service

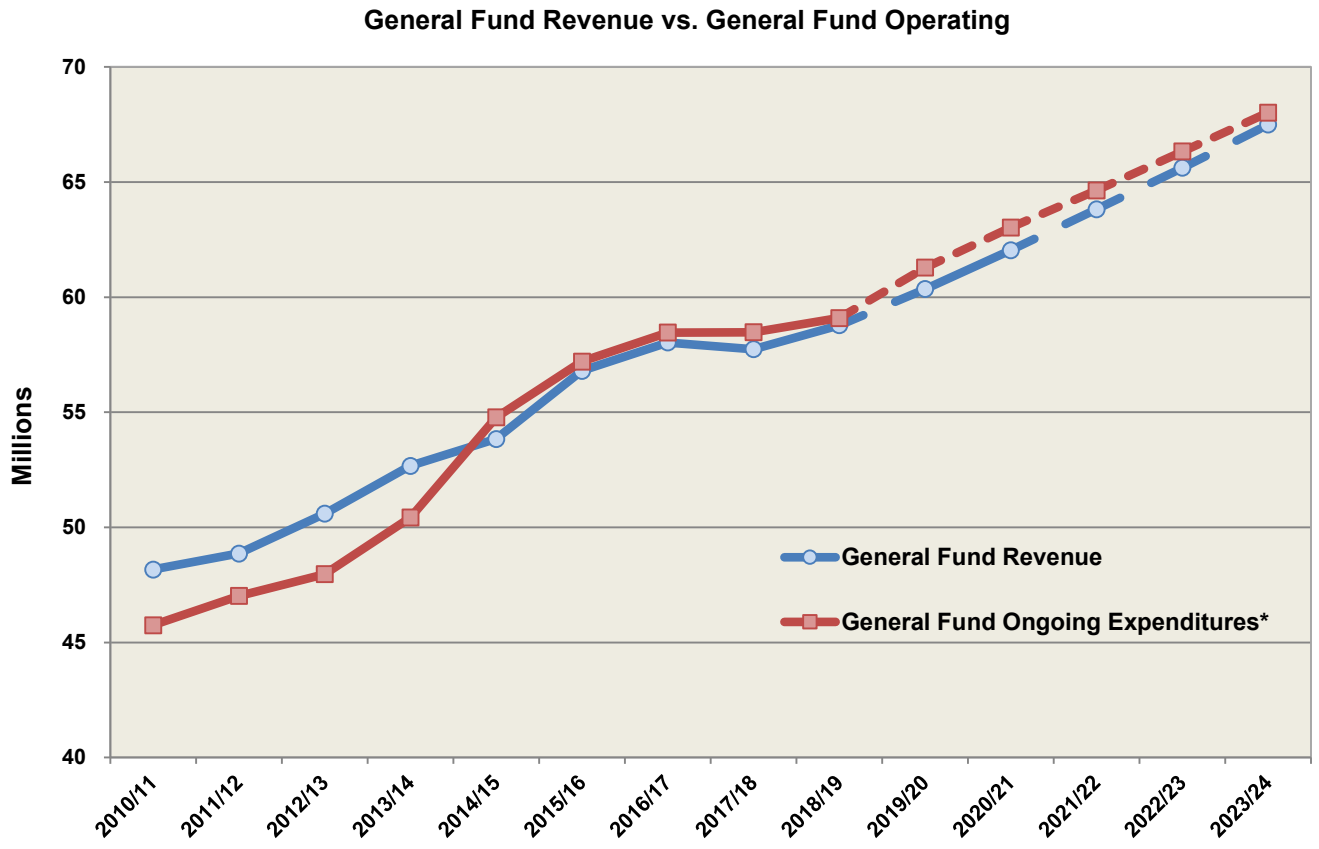
Lease Revenue Bonds were issued to fund construction of City Hall and expansion of the library. These bonds were refunded in 2016 to take advantage of low interest rates in order to reduce debt service costs. Debt service on the 2016 bonds is $1,140,000 in FY 2017/18, and $1,135,000 in FY 2018/19. These

payments comprise approximately 2% of General Fund revenue in each fiscal year. From FY 2019/20 until the loan is paid off in FY 2030/31, debt service payments are approximately $1.14 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.

Beginning in FY 2014/15 this metric shows ongoing expenditures and non-discretionary transfers exceeding ongoing revenue, primarily due to large payments to reduced unfunded liabilities. The graph below illustrates revenue (not including the Mall Bond Rolling Reserve Release) 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 generate "net operating funds" over the two year budget cycle FY 2017-2019. Thereafter commence

annual draws against reserves.

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.

The Mall bonds mature in 2028 after which all sales tax generated at the Shops of Mission Viejo will flow to the General Fund. Through 2028, 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 2017/18 through FY 2023/24, an annual average of $1.1 million 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. It should be noted that the amount available in the rolling reserve release is known one year before it is released. This advance notice provides an opportunity to adjust plans if necessary.

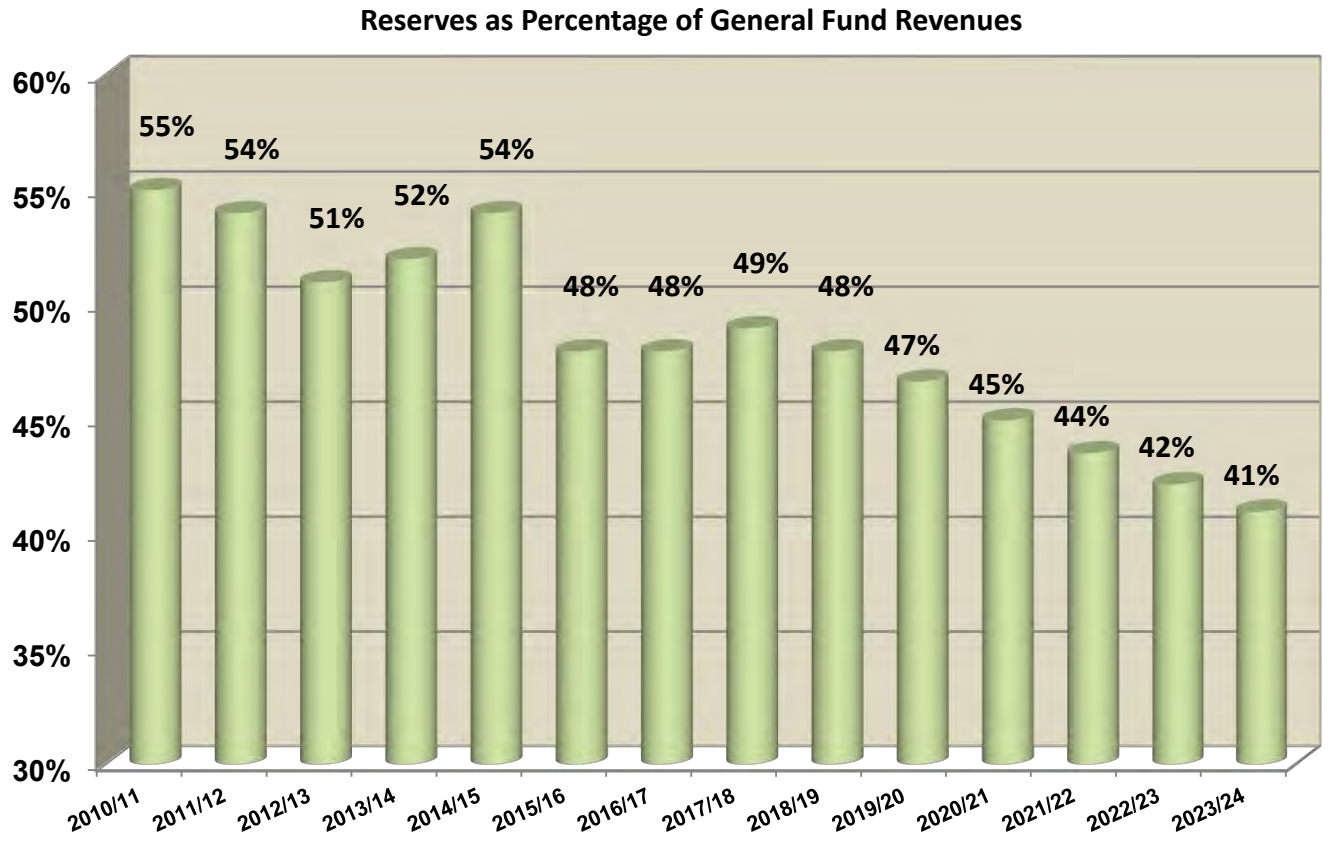
Capital Improvement Projects

Capital improvement project spending from the General Fund has varied greatly over the past seven years. Over $4.0 million dollars of FY 2011/12 expenditures were related to the Marguerite Tennis Center renovations. The amended FY 2016/17 budget includes over $5.0 million for Marguerite Aquatics Center renovations. The FY 2017/18 budget includes $547,000 for Cordova lighting renovation, Felipe restroom augmentation, and Lakeside Park/Oso Creek Trail improvements. FY 2018/19 includes $632,200 for Christopher Park playground renovations. This forecast does not include General Fund funding for capital improvements in the out years.

A Discussion of Reserves

Reserves are comprised of the fund balances set aside in the General Fund.

As noted earlier, one of the reasons for developing and regularly updating a MFP is to have an analytic tool that assists management in making decisions aimed at maintaining reserves at City Council established levels. Prior to FY 2016/17, the minimum target level for General Fund reserves established by City Council action was 40% of General Fund revenues, with an ideal target level of 50% of General Fund revenues. Based on the 2017 risk analysis, the General Fund reserve target level is 49%, with a minimum reserve level set at 44%. For the 2017-19 adopted budget, the levels are projected to be 49% and 48%, respectively. The following years, beginning with FY 2019/20, General Fund reserves are projected to decline each year as the MFP reflects that reserves will be needed to fund on-going operations of the City at current program service levels. It is at the discretion of the City Council how best to use any projected excess available funding and General Fund reserves.



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 MFP 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 including disruptions to known revenue sources such as the increasing impact of “cord-cutting” and online retail activity, 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 reserves at or above the City Council determined target level.

MASTER FINANCIAL PLAN - GENERAL FUND

GENERAL FUND	Actual 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14	Actual 2014-15	Actual 2015-16	FY 2016-17 Amd Budget	FY 2017-18 Budget	FY 2018-19 Budget	FY 2019-20 Projection	FY 2020-21 Projection	FY 2021-22 Projection	FY 2022-23 Projection	FY 2023-24 Projection
REVENUES:														
Taxes:														
Property Tax	23,890,732	23,821,350	24,970,301	25,327,083	26,731,700	28,183,506	29,404,500	30,240,300	31,150,530	32,191,650	33,298,300	34,443,974	35,546,500	36,684,500
Sales Tax	7,972,854	8,449,128	8,530,586	9,208,300	9,010,017	11,700,146	14,167,274	14,308,900	14,452,000	14,704,900	15,035,760	15,411,654	15,843,181	16,318,476
Sales Tax in Lieu	3,731,802	3,834,165	3,937,682	4,316,288	4,211,353	3,324,689	-	-	-					
Sales Tax - Mall	1,960,043	2,039,371	2,287,792	1,955,391	2,314,230	1,971,181	2,180,624	2,250,937	2,263,660	2,341,147	2,388,943	2,437,734	2,487,543	2,538,390
Franchise Tax	2,753,821	2,793,042	2,794,389	2,908,188	3,045,717	2,877,953	2,845,000	2,800,000	2,860,000	2,874,300	2,888,672	2,903,115	2,917,630	2,932,219
Transient Occupancy Tax	594,299	608,311	630,117	749,316	826,242	882,409	890,000	980,000	1,000,000	1,132,000	1,161,400	1,192,800	1,225,000	1,258,100
Real Property Transfer Tax	357,313	357,240	511,596	522,332	615,641	593,415	600,000	600,000	600,000	615,000	631,000	648,000	665,500	683,500
Subtotal, Taxes	**41,260,864**	**41,902,607**	**43,662,463**	**44,986,899**	**46,754,900**	**49,533,299**	**50,087,398**	**51,180,137**	**52,326,190**	**53,858,997**	**55,404,075**	**57,037,277**	**58,685,354**	**60,415,185**
Licenses & Permits:														
Private Prop Development	931,363	862,633	1,382,031	1,464,878	1,312,751	1,504,436	1,420,000	1,387,500	1,387,500	1,422,200	1,459,200	1,498,600	1,539,100	1,580,700
Public Prop Encroach/Other CD & PW	309,646	329,859	397,053	658,348	462,522	394,997	444,250	413,830	413,830	418,000	422,000	424,000	426,000	428,000
Subtotal, Licenses & Permits	**1,241,009**	**1,192,492**	**1,779,084**	**2,123,226**	**1,775,273**	**1,899,433**	**1,864,250**	**1,801,330**	**1,801,330**	**1,840,200**	**1,881,200**	**1,922,600**	**1,965,100**	**2,008,700**
Intergovernmental Revenues:														
Motor Vehicle In Lieu	459,061	49,831	51,634	42,733	41,278	38,997	0							
Homeowner's Property Tax Relief	140,047	137,532	133,536	128,043	127,809	126,272	130,000	130,000	130,000	131,000	132,000	133,000	134,000	135,000
Other State/County/Fed	280,198	202,402	79,771	61,919	208,149	218,345	346,500	316,500	201,500	201,500	201,500	201,500	201,500	201,500
Subtotal, Intergovernmental	**879,306**	**389,765**	**264,940**	**232,695**	**377,236**	**383,614**	**476,500**	**446,500**	**331,500**	**332,500**	**333,500**	**334,500**	**335,500**	**336,500**
Charges for Services:														
Rec, Tennis & Comm Center Revenues	1,499,824	1,425,280	1,448,446	1,471,069	1,471,359	1,476,589	1,476,097	1,639,212	1,520,087	1,535,000	1,550,000	1,566,000	1,582,000	1,598,000
Development Related Fees	503,278	474,374	500,853	872,032	658,073	636,675	583,550	641,300	641,300	657,000	674,000	692,000	711,000	730,000
Other Fees & Charges	2,298	1,310	1,504	48,638	74,713	23,697	48,520	65,276	65,276	66,900	68,600	70,500	72,400	74,400
Subtotal, Charges for Services	**2,005,400**	**1,900,963**	**1,950,803**	**2,391,739**	**2,204,146**	**2,136,960**	**2,108,167**	**2,345,788**	**2,226,663**	**2,258,900**	**2,292,600**	**2,328,500**	**2,365,400**	**2,402,400**
Fines & Forfeitures:														
Court Fines (Vehicle Code)	581,107	521,735	454,296	465,552	447,581	406,865	300,000	300,000	300,000	320,000	340,000	360,000	380,000	400,000
Parking Penalties/Forfeit Bonds/All Other	256,360	267,724	268,811	373,030	494,060	316,414	191,001	176,000	176,000	180,400	185,100	190,100	195,200	200,500
Subtotal, Fines & Forfeitures	**837,467**	**789,459**	**723,107**	**838,582**	**941,640**	**723,280**	**491,001**	**476,000**	**476,000**	**500,400**	**525,100**	**550,100**	**575,200**	**600,500**
Use of Money & Property:														
Interest Earnings	424,902	436,115	149,102	194,416	135,203	220,328	200,000	269,000	321,000	350,000	375,000	400,000	425,000	450,000
Rents and Concessions	741,595	803,242	822,183	847,099	927,327	897,441	875,500	866,800	866,800	884,100	901,800	919,800	938,200	957,000
Subtotal, Use of Money & Property	**1,166,497**	**1,239,357**	**971,285**	**1,041,515**	**1,062,529**	**1,117,769**	**1,075,500**	**1,135,800**	**1,187,800**	**1,234,100**	**1,276,800**	**1,319,800**	**1,363,200**	**1,407,000**
Miscellaneous Revenues:														
Total All Other Reimbursements	738,323	1,270,085	1,213,336	833,318	566,657	834,293	357,322	272,033	348,033	247,500	247,500	247,500	247,500	247,500
Other Miscellaneous	40,049	182,221	28,589	227,993	161,618	172,557	1,569,223	84,700	84,700	84,000	84,000	84,000	84,000	84,000
Subtotal, Miscellaneous	**778,372**	**1,452,306**	**1,241,925**	**1,061,311**	**728,275**	**1,006,850**	**1,926,545**	**356,733**	**432,733**	**331,500**	**331,500**	**331,500**	**331,500**	**331,500**
TOTAL REVENUES	**48,168,915**	**48,866,949**	**50,593,607**	**52,675,967**	**53,844,000**	**56,801,204**	**58,029,360**	**57,742,288**	**58,782,216**	**60,356,597**	**62,044,775**	**63,824,277**	**65,621,254**	**67,501,785**

MASTER FINANCIAL PLAN - GENERAL FUND

GENERAL FUND	Actual 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14	Actual 2014-15	Actual 2015-16	FY 2016-17 Amd Budget	FY 2017-18 Budget	FY 2018-19 Budget	FY 2019-20 Projection	FY 2020-21 Projection	FY 2021-22 Projection	FY 2022-23 Projection	FY 2023-24 Projection
OPERATING BUDGET EXPENDITURES:														
PERSONNEL														
Current Personnel:														
Salaries	6,912,127	6,656,332	6,649,979	6,742,415	7,040,934	7,076,442	8,228,911	8,282,250	8,484,556	8,653,000	8,824,900	9,000,300	9,179,100	9,361,500
Temporary Wages	471,320	394,625	478,473	578,000	497,322	551,144	672,648	686,009	686,009	699,700	713,700	728,000	742,600	757,500
Overtime	141,081	162,646	136,067	134,431	147,424	141,324	140,258	148,681	148,681	151,700	154,700	157,800	161,000	164,200
Leave Payouts/Compensated Absences	945,453	904,207	932,047	996,370	1,023,239	1,085,636	225,169	228,543	228,543	230,000	230,000	230,000	230,000	230,000
Benefits: PERS/Employer (6250) Normal Cost	791,193	754,797	740,475	786,063	800,493	815,916	886,162	681,754	701,264	864,000	980,000	1,009,000	1,040,000	1,071,000
Benefits: PERS/Employer (6250) Unfunded Liability	284,675	461,245	497,571	557,404	2,024,576	2,956,293	771,454	969,383	1,113,133	1,737,000	2,036,000	2,302,000	2,566,000	2,831,000
Benefits: PERS/Employee (6251)	362,696	317,250	241,225	175,243	82,349	2	0	0	0	0	0	0	0	0
Benefits: Cafeteria Plan	999,269	921,725	980,347	1,117,561	1,125,918	1,093,494	1,104,580	1,396,079	1,378,802	1,378,802	1,414,651	1,414,651	1,452,846	1,452,846
Benefits: All Other (401A, Medicare, Life/LTD)	591,717	549,276	567,409	550,732	517,558	463,108	742,138	731,918	724,307	737,547	707,400	764,642	735,100	793,042
Workers Comp (6495)											0	0		
Benefits: RIP Employee Cost (6395)	413,843	549,187	558,183	574,416	2,663,000	829,244	176,250	169,858	165,377	168,700	172,100	175,500	179,000	182,600
Benefits: Post Retirement Medical (Includes SHARE) (6410)	22,479	23,553	27,583	27,844	29,430	36,564	44,395	48,922	54,925	56,000	57,100	58,200	59,400	60,600
TOTAL, PERSONNEL	**11,935,853**	**11,694,843**	**11,809,359**	**12,240,479**	**15,952,243**	**15,049,168**	**12,991,965**	**13,343,397**	**13,685,597**	**14,676,449**	**15,290,551**	**15,840,093**	**16,345,046**	**16,904,288**
SERVICES & SUPPLIES														
Gen Govt/Admin Svcs:														
Administrative Services	285,545	303,587	243,433	260,207	261,811	292,625	362,257	308,408	290,536	296,347	302,274	308,319	314,486	320,775
Interdepartmental/Debt Service	1,497,175	1,390,211	1,403,379	1,157,907	859,168	1,385,630	1,546,907	1,340,860	1,350,963	1,377,982	1,405,542	1,433,653	1,462,326	1,491,572
City Council	56,451	69,428	70,586	61815	62,574	70,588	96,293	88,293	88,293	90,059	91,860	93,697	95,571	97,483
City Manager	178,051	105,491	110,885	107181	109,336	106,063	130,155	101,759	100,999	103,019	105,079	107,181	109,325	111,511
City Attorney	322,683	312,816	310,003	354051	416,350	369,785	620,000	384,000	384,000	384,000	385,000	390,000	390,000	400,000
City Clerk	194,164	204,664	247,879	157713	206,982	97,431	187,605	162,800	217,980	166,056	222,340	169,377	226,786	172,765
Information Technology	866,884	894,791	798,738	873846	877,681	946,024	1,441,912	1,501,680	1,502,580	1,532,632	1,563,284	1,594,550	1,626,441	1,658,970
Subtotal Gen Govt	**3,400,953**	**3,280,988**	**3,184,903**	**2,972,720**	**2,793,901**	**3,268,146**	**4,385,129**	**3,887,800**	**3,935,351**	**3,950,094**	**4,075,379**	**4,096,777**	**4,224,934**	**4,253,076**
Police Contract: OC Sheriff	14,952,291	14,769,635	14,815,619	14,979,608	16,028,641	16,579,276	17,886,720	18,500,381	19,167,700	19,742,731	20,335,013	20,945,063	21,573,415	22,220,618
Police: Support Services/All Other	150,131	247,206	335,337	329,964	347,980	207,286	242,594	263,570	263,570	250,000	250,000	250,000	250,000	250,000
Subtotal Police Services	**15,102,422**	**15,016,841**	**15,150,956**	**15,309,572**	**16,376,621**	**16,786,562**	**18,129,314**	**18,763,951**	**19,431,270**	**19,992,731**	**20,585,013**	**21,195,063**	**21,823,415**	**22,470,618**
Public Services:														
Administration/Emergency Preparedness	35,064	58,446	56,107	68,153	38,636	52,085	62,648	35,250	35,250	35,955	36,674	37,408	38,156	38,919
Park Maintenance/Monthly Contract	2,574,547	2,618,319	2,681,128	2,536,505	2,573,863	2,928,794	3,136,621	3,372,429	3,252,429	3,382,526	3,450,177	3,519,180	3,589,564	3,661,355
Parks Maintenance / All Other	2,189,969	2,438,020	2,445,381	2,612,515	2,782,571	3,014,560	3,224,752	3,365,028	3,194,647	3,290,486	3,356,296	3,423,422	3,491,891	3,561,728
Medians & Parkways/Monthly Contract	743,840	1,151,214	945,670	1,323,524	1,272,803	1,444,388	1,533,210	1,649,256	1,649,256	1,715,226	1,749,531	1,784,521	1,820,212	1,856,616
Medians & Parkways / All Other	867,096	1,287,550	1,210,121	1,030,480	981,916	1,217,663	1,349,672	1,088,700	1,043,900	1,075,217	1,096,721	1,118,656	1,141,029	1,163,849
Urban Forestry / Tree Maint Contract	679,107	611,212	646,754	609,330	591,490	591,275	621,675	781,775	781,775	859,953	877,152	894,695	912,588	930,840
Street Maintenance	162,837	523,155	795,180	1,809,088	1,815,518	1,787,568	1,796,808	1,827,608	1,826,808	1,881,494	1,919,124	1,957,507	1,996,657	2,036,590
Fleet Maintenance	167,437	102,699	123,813	108,182	102,058	86,658	124,212	124,212	124,212	126,696	129,230	131,815	134,451	137,140
Environmental Maintenance	488,352	461,214	579,999	649,760	513,284	563,224	751,075	714,650	639,650	652,443	665,492	678,802	692,378	706,225
Facilities Maintenance	322,175	322,682	338,162	338,868	351,969	337,028	373,948	432,124	411,125	419,348	427,734	436,289	445,015	453,915
Facilities Maintenance-Rec Centers	342,370	296,928	382,853	317,817	374,904	409,334	574,224	481,078	461,258	475,096	484,598	494,290	504,175	514,259
Facilities Maint-Aquatics/NPM/Potki/Melinda	545,374	570,026	566,706	531,937	590,912	626,986	605,694	616,344	700,144	721,148	735,571	750,283	765,288	780,594
Street Lighting	512,453	501,095	499,653	914,246	996,642	969,968	930,000	930,000	930,000	939,300	948,693	958,180	967,762	977,439
Subtotal Public Services	**9,630,621**	**10,942,560**	**11,271,527**	**12,850,403**	**12,986,568**	**14,029,530**	**15,084,539**	**15,418,454**	**15,050,454**	**15,574,888**	**15,876,993**	**16,185,046**	**16,499,165**	**16,819,471**
Public Works:														
Public Works Admin	45,072	24,079	22,506	19,588	28,983	21,868	23,486	22,100	21,700	22,134	22,577	23,028	23,489	23,959

MASTER FINANCIAL PLAN - GENERAL FUND

GENERAL FUND	Actual 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14	Actual 2014-15	Actual 2015-16	FY 2016-17 Amd Budget	FY 2017-18 Budget	FY 2018-19 Budget	FY 2019-20 Projection	FY 2020-21 Projection	FY 2021-22 Projection	FY 2022-23 Projection	FY 2023-24 Projection
Engineering/Inspection	137,429	120,394	50,722	245,765	50,077	89,504	118,371	130,800	130,400	133,008	135,668	138,382	141,149	143,972
Water Quality-PW	246,101	245,881	266,247	242,797	201,999	298,860	412,036	346,330	344,930	351,829	358,865	366,042	373,363	380,831
Crossing Guards	353,245	360,657	354,653	272,345	280,083	298,480	330,000	340,000	365,000	372,300	379,746	387,341	395,088	402,989
Integrated Waste Management	28,020	70,044	89,103	81,404	126,401	94,025	139,604	95,000	95,000	95,000	96,900	98,838	100,815	102,831
Transportation Planning/Safety/Ops	58,396	48,258	8,723	21,407	13,187	17,920	36,452	26,250	26,250	26,775	27,311	27,857	28,414	28,982
Traffic Signal Maintenance		478,655	440,250	281,499	415,474	458,359	435,022	180,000	180,000	183,600	187,272	191,017	194,838	198,735
Subtotal Public Works	**868,263**	**1,347,968**	**1,232,203**	**1,164,805**	**1,116,203**	**1,279,016**	**1,494,971**	**1,140,480**	**1,163,280**	**1,184,646**	**1,208,339**	**1,232,505**	**1,257,155**	**1,282,298**
Community Development:														
Water Quality - CD							400							
CD Administration	3,834	6,683	5,662	4,662	3,412	3,487	6,554	6,554	6,554	6,685	6,819	6,955	7,094	7,236
Advanced Planning	30,216	144,824	111,578	10,352	39,473	981	66,379	48,495	48,495	49,465	50,454	51,463	52,493	53,542
Current Planning	69,475	26,720	30,438	26,043	45,696	34,480	40,690	57,340	57,340	58,487	59,657	60,850	62,067	63,308
Economic Development		8,481	4,336	10,009	10,348	86,039	576,110	217,120	217,120	200,000	200,000	200,000	200,000	200,000
Building	727,065	906,444	1,051,324	1,186,206	1,102,462	1,347,540	1,356,772	1,295,000	1,295,000	1,320,900	1,347,318	1,374,264	1,401,750	1,429,785
Code Enforcement	1,663	883	1,847	44,984	2,018	2,160	5,825	4,907	5,107	5,209	5,313	5,420	5,528	5,639
Subtotal Community Development	**832,253**	**1,094,035**	**1,205,185**	**1,282,256**	**1,203,409**	**1,474,688**	**2,052,730**	**1,629,416**	**1,629,616**	**1,640,746**	**1,669,561**	**1,698,952**	**1,728,931**	**1,759,510**
Recreation and Community Services:														
Rec Admin	42,770	69,972	71,406	63,837	54,914	70,915	93,760	98,895	87,795	89,551	91,342	93,169	95,032	96,933
Recreation (SVUSD Contract)	710,830	714,786	759,747	725,804	710,571	632,666	770,500	790,240	847,850	864,807	882,103	899,745	917,740	936,095
Community Services	148,218	194,167	224,364	209,673	206,032	241,904	228,541	245,540	248,590	253,562	258,633	263,806	269,082	274,463
Recreation & Tennis Centers	493,482	448,460	575,270	758,618	707,412	723,453	735,790	807,058	690,181	703,985	718,064	732,426	747,074	762,016
Norman P. Murray Sr. Center	91,358	111,349	107,224	115,616	81,188	153,872	152,422	148,380	148,380	151,348	154,375	157,462	160,611	163,824
Subtotal Recreation and Community Svcs	**1,486,658**	**1,538,734**	**1,738,010**	**1,873,548**	**1,760,118**	**1,822,811**	**1,981,013**	**2,090,113**	**2,022,796**	**2,063,252**	**2,104,517**	**2,146,607**	**2,189,539**	**2,233,330**
Library Services:														
Library Services	1,341													
Cultural Services	114,257	122,449	91,538	81,001	114,026	145,123	107,870	119,450	119,450	121,839	124,276	126,761	129,297	131,882
Subtotal Library	**115,598**	**122,449**	**91,538**	**81,001**	**114,026**	**145,123**	**107,870**	**119,450**	**119,450**	**121,839**	**124,276**	**126,761**	**129,297**	**131,882**
TOTAL, SERVICES & SUPPLIES	**31,436,768**	**33,343,575**	**33,874,322**	**35,534,305**	**36,350,846**	**38,805,876**	**43,235,567**	**43,049,664**	**43,352,217**	**44,528,196**	**45,644,077**	**46,681,712**	**47,852,437**	**48,950,185**
TOTAL, CAPITAL OUTLAY	**220,727**	**253,184**	**49,126**	**452,594**	**677,202**	**896,324**	**952,253**	**310,576**	**192,500**	**200,000**	**250,000**	**300,000**	**350,000**	**400,000**
EXISTING DEBT SERVICE:														
2009 Bond Refinance Debt Service	1,230,346	1,235,731	1,298,542	1,358,886	1,352,872	1,349,345	1,230,800	1,140,000	1,135,000	1,136,061	1,131,913	1,137,163	1,131,513	1,144,013
1996 Library COPs							-							
TOTAL, DEBT SERVICE COSTS	**1,230,346**	**1,235,731**	**1,298,542**	**1,358,886**	**1,352,872**	**1,349,345**	**1,230,800**	**1,140,000**	**1,135,000**	**1,136,061**	**1,131,913**	**1,137,163**	**1,131,513**	**1,144,013**
TOTAL OPERATING BUDGET EXPENDITURES **	**44,823,694**	**46,527,333**	**47,031,349**	**49,586,264**	**54,333,163**	**56,100,714**	**58,410,585**	**57,843,637**	**58,365,314**	**60,540,706**	**62,316,541**	**63,958,968**	**65,678,997**	**67,398,486**
REVENUES LESS OPERATING EXPENDITURES:	**3,345,221**	**2,339,616**	**3,562,258**	**3,089,702**	**(489,163)**	**700,490**	**(381,225)**	**(101,349)**	**416,902**	**(184,109)**	**(271,766)**	**(134,692)**	**(57,743)**	**103,298**
NON-DISCRETIONARY TRANSFERS OUT:														
Animal Services	(476,611)	(410,450)	(475,000)	(530,389)	(549,409)	(874,781)	(520,440)	(590,447)	(609,188)	(621,372)	(633,799)	(646,475)	(659,405)	(672,593)
City Hall Debt Service							-							
Library Services Subsidy	(667,417)	(340,450)	(511,450)	(767,476)	(576,637)	(1,129,101)	(484,145)	(351,300)	(316,300)	(322,626)	(329,079)	(335,660)	(342,373)	(349,221)
TOTAL, TRANSFERS OUT	**(1,144,028)**	**(750,900)**	**(986,450)**	**(1,297,865)**	**(1,126,046)**	**(2,003,882)**	**(1,004,585)**	**(941,747)**	**(925,488)**	**(943,998)**	**(962,878)**	**(982,135)**	**(1,001,778)**	**(1,021,814)**
REVENUES LESS MANDATORY EXPENDITURES	**2,201,193**	**1,588,716**	**2,575,808**	**1,791,838**	**(1,615,209)**	**(1,303,392)**	**(1,385,810)**	**(1,043,096)**	**(508,586)**	**(1,128,106)**	**(1,234,644)**	**(1,116,827)**	**(1,059,521)**	**(918,515)**
TRANSFERS IN:														

MASTER FINANCIAL PLAN - GENERAL FUND

GENERAL FUND	Actual 2010-11	Actual 2011-12	Actual 2012-13	Actual 2013-14	Actual 2014-15	Actual 2015-16	FY 2016-17 Amd Budget	FY 2017-18 Budget	FY 2018-19 Budget	FY 2019-20 Projection	FY 2020-21 Projection	FY 2021-22 Projection	FY 2022-23 Projection	FY 2023-24 Projection
Mall Bond Rolling Reserve Release	978,483	681,351	486,605	603,061	794,573	565,918	1,956,614	1,592,416	1,162,000	1,100,000	1,000,000	1,000,000	900,000	1,000,000
2009 Bond Refinancing Impact							-							
Successor Agency Loan Repayment								446,441						
Appropriated Reserves Transfer In	1,192,548					38,495	-							
TOTAL, TRANSFERS IN	**2,171,031**	**681,351**	**486,605**	**603,061**	**794,573**	**604,413**	**1,956,614**	**2,038,857**	**1,162,000**	**1,100,000**	**1,000,000**	**1,000,000**	**900,000**	**1,000,000**
TRANSFERS OUT:														
Reserve Contribs and One-Time Transfers to Replc Funds:														
Mission Viejo Foundation Transfer				102,249	-	-	-							
Cable TV						18,563								
CEFV Fund		500,000	-	-	-									
Fac Rehab/Repl Fund		202,000												
TOTAL, TRANSFERS OUT	**0**	**702,000**	**0**	**102,249**	**0**	**18,563**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL, TRANSFERS	**1,027,003**	**632,451**	**(499,845)**	**(592,555)**	**(331,473)**	**(1,380,906)**	**952,029**	**1,097,110**	**236,512**	**156,002**	**37,122**	**17,865**	**(101,778)**	**(21,814)**
SALE OF PROPERTY					**2,600,000**	**275,100**	**1,780,000**							
CAPITAL PROJECTS														
Cash-Financed Capital Projects:														
Public Works/Streets	1,123,612	25,992	30,435											
Parks & Playgrounds	2,135					11,400	1,253,600							
Medians/Slopes/Open Spaces		-	13,935	-	2,750		-							
Recreation, Tennis & Aquatics Centers	127,045	5,769	494	-			-							
All Other Facilities	(27,010)	9,215	(7,169)	-	5,381	65,636	50,000							
Marguerite Aquatic Rehab							5,296,765							
Bleacher Shade Covers	41,396	21,669	86,239	-										
Dog Park	103,866	49,258	34,540	200,763			-							
Marguerite Tennis Center	61,689	4,167,446	346,199											
Norman P. Murray Center Expansion		-					-							
Park Restroom		-					500,000							
Cordova Lighting Renovation								222,000						
Felipe Restroom Augmentation								275,000						
Lakeside Park/Oso Creek Trail								50,000						
Christopher Park Playground Renovation									632,200					
MV Lib Comm Room Remodel			25,225											
Marguerite Resurfacing Gen Fund			36,991											
Arterial Highway Resurfacing			1,790				145,000							
Montanoso Locker Room					29,664	14,021								
TOTAL CAPITAL PROJECTS	**1,432,733**	**4,279,349**	**568,679**	**200,763**	**37,795**	**91,057**	**7,245,365**	**547,000**	**632,200**	**-**	**-**	**-**	**-**	**-**
Available Balance	**2,939,491**	**(1,307,282)**	**2,493,733**	**2,296,385**	**1,741,569**	**(496,373)**	**(4,894,561)**	**448,761**	**21,214**	**(28,106)**	**(234,644)**	**(116,827)**	**(159,521)**	**81,485**
Discretionary Reserves ($ millions)	**26.7**	**26.2**	**25.7**	**27.4**	**29.4**	**27.4**	**27.7**	**28.2**	**28.2**	**28.2**	**27.9**	**27.8**	**27.7**	**27.7**
Target Level = 50%	**55%**	**54%**	**51%**	**52%**	**54%**	**48%**	**48%**	**49%**	**48%**	**47%**	**45%**	**44%**	**42%**	**41%**

MISSION VIEJO

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