



Quarterly Financial Report

First Quarter of FY 2022-23

City of Mission Viejo

REPORT OVERVIEW

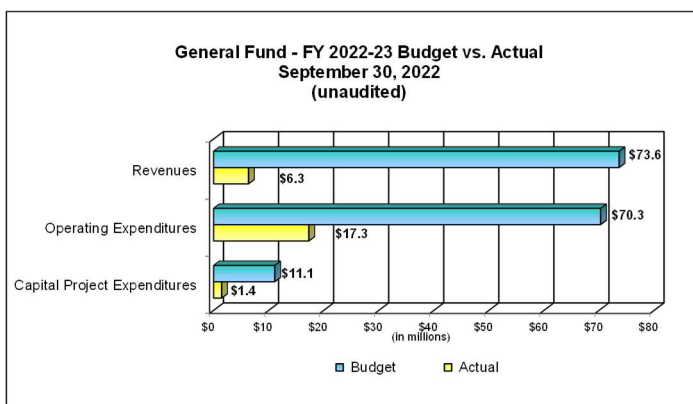
This report summarizes the City’s financial performance for the three months ended September 30, 2022. Financial analysis for this report is provided for the General Fund, Capital Improvement Program and combined information for other City funds on a cash basis. Cash basis means that revenues are recognized at the time revenues are received and expenditures are recognized at the time payment is processed. This report also includes information on the status of expenditures using American Rescue Plan Act (ARPA) funds.

The revenue projections and expenditure budgets include adjustments for encumbrances, carryovers and any supplemental appropriations made by the City Council as of September 30, 2022.

GENERAL FUND

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

With 25% of the year complete, General Fund revenues are at 9% of projections and expenditures are at 25%.



The FY 2022-23 adopted revenue budget is \$68.1 million with another \$4.8 million transfers in for total resources of \$72.8 million. The revenue budget has been amended another \$0.8 million through September 30, 2022. The adopted operating appropriations budget is \$66.6 million. The operating appropriations budget has been increased by \$2.3 million due to encumbrances and carryover appropriations and \$1.3 million for an additional Section

115 Trust payment. The capital projects budget of \$11.1 million includes funding for the Core Area Vision Plan project in the amount of \$6.7 million, \$0.1 million for the La Paz Road and Bridge Widening project, \$1.5 million for the Marty Russo Youth Athletic Park Field Lights project and \$1.4 million for the Madrid Fore Park Playground Rehabilitation.

GENERAL FUND REVENUE

General Fund Revenues/Inflows by Source			
Source	Budget	YTD Actual	%
Property Taxes	\$ 36,398,130	\$ 451,456	1%
Sales & Use Tax	19,046,000	1,778,461	9%
Other Taxes	5,063,500	188,103	4%
Licenses & Permits	2,288,380	704,837	31%
Intergovernmental	483,412	223,926	46%
Charges for Services	2,413,829	1,014,515	42%
Fines & Forfeitures	372,000	71,143	19%
Investment Earnings	200,000	10,850	5%
Rents & Concessions	1,031,851	334,974	32%
Other	1,570,791	83,900	5%
Transfers In	4,760,586	1,456,725	31%
Total	\$ 73,628,479	\$ 6,318,890	9%

(Unaudited)

- Property Taxes:** The first major apportionment distribution to the city for FY 2022-23 occurs in December 2022. The FY 2022-23 budget estimate projected growth at 3.0% from the amended FY 2021-22 budget. The actual growth rate for secured and unsecured property is 5.63% for Mission Viejo, as reported by the Orange County Assessor on July 1, 2022. Included in the property taxes line item is Property Taxes in Lieu of VLF (in-lieu) in the amount of \$10.7 million, which will be received in two installments. The first distribution for in-lieu is scheduled for January 12, 2023 in the amount of \$5.3 million. Also included in this budget category is \$500,000 for residual payments from the dissolution of the former redevelopment agency. The first residual distribution was received on December 29, 2022 in the amount of \$288,000.
- Sales and Use Tax:** The City received the first monthly allocation for sales tax in September 2022. This allocation represents approximately 30% of the total sales tax allocation for the first quarter. The City received the balance of first quarter allocations in October and November. Final first quarter sales tax revenue exceeded budget by approximately \$104,000.

- Other Taxes:** Includes Property Transfer Tax, Transient Occupancy Tax (TOT) and Franchise Fees, which comprise 65% of this category. Franchisees and Mission Viejo hotels remit fees and taxes to the City on a quarterly basis at the end of each quarter. Property Transfer Tax is generally remitted monthly by the County with a month delay. Actual revenue to date includes the July remittance for property transfer taxes and the first quarter franchise fee from SCE.
- Licenses & Permits:** Includes building and engineering permits, which comprise 99% of the budget, and other miscellaneous licenses. After the end of the first quarter, actual revenue is trending slightly higher than budget at 31%. Encroachment fees in this category are trending at 38%. In the first quarter, 30% of encroachment fees were received from Trumark Co. for the Saddleback Place residential development at the corner of El Toro Road and Marguerite Parkway.
- Intergovernmental:** Includes federal, state and local grant revenues, including Homeowner’s Property Tax Relief (HOX) apportionment, Vehicle In-Lieu fees and State Mandated reimbursement revenue. This category is tracking at 46% of budget at September 30. \$189,000 was received from the County of Orange under the Waste Disposal Agreement. This category includes \$110,000 for HOX, with the first distribution occurring in December 2022.
- Charges for Services:** Includes various plan check and zoning related fees and recreation fees collected at the Community Center and recreation and tennis centers. Plan check and zoning related fees represent 42% of this category and are trending at 48% after the first quarter. There are no specific large projects driving this increase. Building and planning activity is generally higher than projected for the year. Recreation fees represent 56% of this category and are trending at 39% of budget after the first quarter. Tennis fees are trending at 44% led by instruction or other class fees. Recreation class fees are trending at 44%.
- Fines & Forfeitures:** Includes vehicle and parking fines as well as deposit forfeitures. This category includes Vehicle Code Fines collected by the County of Orange and subsequently remitted to the City. Parking penalties and vehicle fines are tracking at 42% of budget after the first quarter. Deposit forfeitures are budgeted at \$145,000 however, forfeitures usually occur in the last few months of each fiscal year.
- Investment Earnings:** Includes realized investment income from interest coupon payments for most investments and interest earnings on pooled deposit accounts.
- Rents & Concessions:** Includes rental fees on cell towers and rental and concession fees on recreational facilities. Total rental fees from cell towers represent 62% of this category and are tracking at 31% of budget. Room and field rentals are tracking at 32% of budget.
- Other Revenue:** Includes reimbursements, donations and other miscellaneous revenue. Reimbursements represent 90% of this category and are at 3% of budget after the first quarter. This category includes \$210,000 for redevelopment dissolution administrative allowance reimbursement, \$260,000 from Waste Management under the waste franchise agreement, \$85,000 from the Nadadores under the aquatics complex use agreement and a \$0.7 million reimbursement from utility companies as part of the La Paz Road and Bridge Widening project. Also included in this category is the annual payment of \$79,000 from the Nadadores toward the cost of the dive tower as part of the aquatics complex rehabilitation.
- Transfers In:** Includes anticipated transfers in during the year in the total amount of \$3.6 million from the American Rescue Plan Act (ARPA) Fund and an anticipated transfer in during the third quarter from the excess Mall Bond sales tax in the amount of \$1.1 million.

GENERAL FUND OPERATING EXPENDITURES

General Fund Operating Expenditures by Program Area			
Program Area	Budget	YTD Actual	%
General Government - Legislative	\$ 851,934	\$ 249,372	29%
General Government - Mgmt and Support	12,908,744	3,698,900	29%
Public Safety	24,016,418	5,808,955	24%
Community Development	3,140,462	811,483	26%
Engineering and Transportation	2,413,509	483,872	20%
Infrastructure Maintenance	21,421,037	4,801,129	22%
Recreation/Community/Library Services	5,517,539	1,419,644	26%
Total	\$ 70,269,643	\$ 17,273,355	25%

(Unaudited)

As of September 30, 2022, \$17.3 million or 25% of the General Fund operating budget had been expended and three of the seven program areas in the General Fund were below the expected level of 25% expended. The remaining program areas are trending just slightly above 25% with two areas trending at 29%. In the General Government –

Legislative program area, total legal expenditures approved for litigation issues are trending at 64% of budget due to legal expenses associated with two election related lawsuits. In the General Government – Management and Support program area, the entire deposit for the FY 2022-23 general liability coverage and property insurance premium of over \$1.2 million was paid in July causing this program area to trend high.

AMERICAN RESCUE PLAN ACT EXPENDITURES

The City has received direct allocations of American Rescue Plan Act (ARPA) funds from the U.S. Treasury in the amount of \$9.829 million. Funds were received in two equal distributions in May 2021 and June 2022. ARPA funds may be used to (1) support public health expenditures; (2) address negative economic impacts caused by the public health emergency; (3) replace lost public sector revenue; (4) provide premium pay for essential workers; and (5) invest in water, sewer and broadband infrastructure. As part of the adopted budget for FY 2022-23, \$3.6 million of the City’s allocation was appropriated. Another \$1.5 million has been carried over from the prior year to continue program and projects budgeted as part of FY 2021-22. The following chart demonstrates how the funds were budgeted in the current fiscal year and actual expenditures to date through September 30, 2022.

American Rescue Plan Budget and Expenditures			
Source	Budget	YTD Actual	%
CIP Budget			
Aquatics Center Sales Bldg	\$ 165,721	\$ 165,721	100%
Coronado Park Playground Rehab	199,592	119,861	60%
Madrid Fore Playground Rehab	1,400,000	15,219	1%
Marty Russo Park Lights	1,519,271	899,583	59%
Operating Budget			
City Hall HVAC Replacement	175,000	-	0%
Cybersecurity Improvements	14,574	-	0%
Homeless Liaison Officer Truck	70,000	-	0%
Kid’s Factory	125,000	-	0%
Jeronimo Slope Rehabilitation	457,070	-	0%
MAC Dive Tower Repairs	157,758	157,758	100%
Margueirte Tennis Court Resurf.	90,000	-	0%
OCSD Contract	636,116	-	0%
Permit Software Implementation	65,000	-	0%
Police Motorcycle Replacement	30,000	-	0%
Recreation Center Equipment	25,000	-	0%
Sunrise Park Engineering Svcs	40,000	-	0%
Other COVID Response Exp.	-	8,242	n/a
Totals	\$ 5,170,102	\$ 1,366,384	26%

(Unaudited)

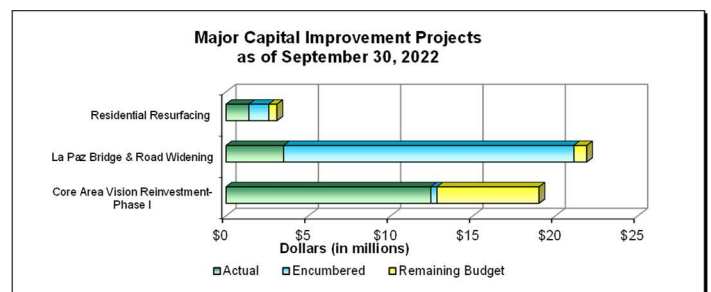
CAPITAL IMPROVEMENT PROJECTS – ALL FUNDS

The Capital Improvement Program (CIP) budget is comprised of \$8,220,191 of appropriations approved in the FY 2022-23 budget and carryover appropriations in the amount of \$38,647,274, approved by the Council on June 14, 2022 and current year amendments of \$690,956 for total CIP appropriations of \$47,558,421. Approximately 7% of the CIP budget has been expended at the end of the first quarter.

Expenditures by project through September 30, 2022 are summarized in the following table:

Capital Improvement Program Expenditures				
CIP #	Project Description	Budget	YTD Actual	%
13214	Oso Parkway Corridor Signal Sync. Pjct.	\$ 1,721	\$ -	0%
16224	Felipe/Oso Intersection Improvements	2,626,444	3,978	0%
16226	Oso/I-5 Northbound On-Ramps Improvements	2,257,027	41,536	2%
16227	Alicia Parkway Traffic Signal Sync. Project	1,837	-	0%
17231	El Toro Corridor TSSP	10,290	-	0%
01756	La Paz Bridge & Road Widening	18,457,273	57,960	0%
18236	Felipe/Olympiad TSSP	86,778	-	0%
19240	Los Alisos Traffic Signal Synchronization	293,616	-	0%
20242	I-5 Sound Wall Madrid Fore	3,746,401	-	0%
20243	Storm Drain Atlas Update	30,000	13,892	46%
20245	Lower Curtis Park	1,068,301	18,579	2%
20314	Montanoso Rehabilitation	762,772	72,226	9%
21246	Jeronimo/Marguerite Intersection Improvement	30,195	-	0%
21248	Site C Grading	941	-	0%
21327	Bicycle Corridor Improvement Program	265,851	-	0%
21328	Coronado Park Play Area Rehab	308,879	148,958	48%
22249	Civic Center EV Charging Stations	117,042	-	0%
22250	Catch Basin Debris Screens Lake Area	200,000	200,000	100%
22251	Santa Margarita Parkway TSSP	94,500	-	0%
22252	Via Escolar Pavement Rehabilitation	12,411	-	0%
22331	Marty Russo Youth Athletic Park Lights	1,519,271	899,583	59%
22332	Aquatics Center Sales Building	171,459	167,790	98%
22333	North Oso Creek Bike/Ped Open Space	67,020	290	0%
22336	Core Area Vision Reinvestment - Phase I	6,735,352	169,708	3%
22337	Oso Creek Golf Course Restroom	185,883	97,207	52%
23253	Casth Basin Notherly Area	200,000	-	0%
23254	Crown Valley Parkway TSSP	174,450	-	0%
23255	Audible Ped Push Button Systems	248,200	-	0%
23334	Madrid Fore Park Playground Rehab	1,400,000	15,219	1%
23335	Library Roof Underlay Replacement	400,000	-	0%
23338	Event Barn at Oso Creek Golf Course	425,000	-	0%
23836	Sidewalk Repair Program	25,000	-	0%
23837	Arterial Highway Resurfacing	2,551,684	7,236	0%
23838	Residential Resurfacing Program	3,082,823	1,383,424	45%
Total		\$ 47,558,421	\$ 3,297,586	7%

The chart below shows project-to-date (project inception) spending on the City’s three largest active capital improvement projects for FY 2022-23.



Residential Resurfacing – The 2022 program will provide new asphalt overlay for approximately 33 streets with the remaining streets resurfaced with a slurry seal for areas 1, 2, 3 and 4. These areas encompass all residential streets bounded by the I-5 freeway, Los Alisos Boulevard, Jeronimo Road, Marguerite Parkway and La Paz Road and Veterans Way. The construction contract was awarded on July 12, 2022 with work substantially completed by end of October.

La Paz Bridge & Road Widening – This project will add a third lane in each direction of La Paz Road between Chrisanta Drive and Muirlands Boulevard. The roadway and the existing bridges over the railroad tracks will be widened. Construction contract was awarded by the City Council on July 12, 2022 and construction is expected to commence in January 2023.

Core Area Vision Reinvestment – This project includes the purchase and redevelopment of the former Stein Mart property as a park and community facility combined with retail space. The project consists of the acquisition of the property, the acquisition of easements and/or other property interests, the rehabilitation and/or demolition and construction of the project, including buildings, public courtyards, paseos, walkways, trails, bridges, open space, and other improvements. The original cost projection was approximately \$46 million. Phase I of the project includes the purchase of the property and easements, collaborative design team and other planning costs. The initial contracts for the collaborative design team were awarded on September 14, 2021. The purchase of the property was finalized on November 24, 2021.

APPROPRIATION BUDGET AMENDMENTS – ALL FUNDS

On July 12, 2022, the City Council approved additional appropriations in the amount of \$2,697,892 for the La Paz Road and Bridge Widening Project. This total appropriation is offset by additional Federal Highway Bridge Program grant funds (fund 258) in the amount of \$472,256, additional project reimbursement revenue from the Santa Margarita Water District (fund 101) in the amount of \$218,700 and a transfer of appropriations from the Arterial Highway Resurfacing project of \$175,481 from the Gas Tax Fund and \$1,831,455 from the Measure M2 fund. (5-0 vote)

On July 12, 2022, the City Council approved an appropriation in the amount of \$67,364 for the preparation of the Local Hazard Mitigation Plan Update. Funding for this update will come from a FEMA Local Hazard Mitigation grant. (5-0 vote)

On September 27, 2022, the City Council approved the carryover of appropriations as part of the FY 2021-22 close out process. Carryovers in the General Fund operating budget total \$2,322,420 to re-appropriate as follows: \$87,000 for legal services as additional resources for ongoing legal matters; \$2,500 in Elections as additional resources for advertising; \$7,885 in Public Information as additional resources for postage for the MV Life publication; \$37,000 in Human Resources for executive management development and employee recognition; \$408,265 in Information Technology to facilitate various projects, including completion of land management software implementation, citywide replacement of phone system and closed captioning services for council meeting; \$5,000 in Patrol Services for e-bikes; \$39,961 in Advance Planning to supplement resources for a Housing Element consultant; \$27,000 in Park Maintenance for Pinecrest and Linda Vista Parks playground rubberized surfacing repair and replacement; \$11,000 in Street Maintenance for a new vehicle lease; \$11,000 in Facilities Maintenance for a new vehicle lease; \$230,000 in NPM Facilities Maintenance to replace Sycamore Room sound and protection system; \$181,789 in the Aquatics Facility Maintenance for ongoing repairs to the dive tower; \$5,000 in Recreation Administration for additional Marine Adoption Committee support; \$3,000 in NPM Recreation program to purchase two projectors; \$14,800 in Cultural Services for various programming; \$144,500 in the Library Fund to increase the library materials budget, provide supplies for 25th Anniversary gala, and ADA related modifications; \$46,483 in the SB2 Fund for continued use for SB2 approved budget; \$24,236 in the Crown Valley Corridor Fee Fund for improvements along Crown Valley Parkway; \$228,445 in the CDBG fund for continued use of Coronavirus grant resources; and \$45,000 in the CDBG fund for a NPM restroom modification for ADA accessibility; \$166,700 in the Animal Services Fund to purchase 4 new control vehicles and other miscellaneous repairs and equipment replacements. (5-0 vote)

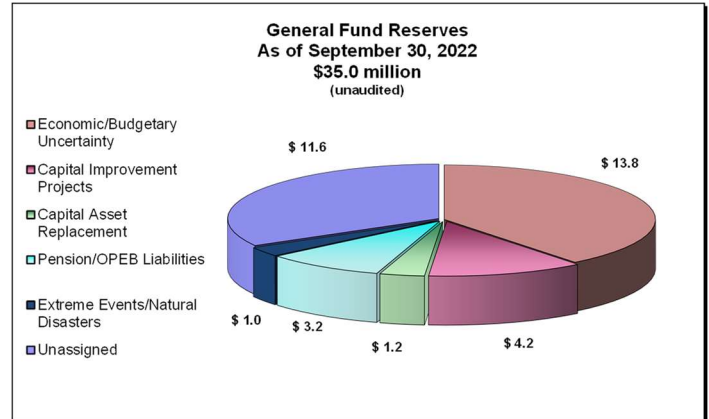
On September 27, 2022 the City Council approved the appropriation of \$1.3 million as an additional contribution to the Section 115 Pension Trust Fund. (5-0 vote)

DISCRETIONARY RESERVES

Reserves are those available fund balances over which the Council has complete discretion as to how they are used. In May, 2021, the City Council established the General Fund target reserve level at \$29.5 million for the 2021-23 budget cycle or 49 percent of 2020-21 General Fund revenues. The minimum level reserve was set at \$26.4 million or 44 percent. At September 30, 2022 reserves are projected at \$35.0 million, which are 51.5% of projected 2022-23 General Fund revenue. As part of the reserve policy, the City Council has assigned reserves for specific purposes. Additionally, the City Council approved an economic/budgetary uncertainty reserve of \$910,000 at the July 13, 2020 meeting when adopting the CARES Act Assistance budget. All reserves not assigned are considered to be unassigned. City Council assigned reserves include:

- Economic/Budgetary Uncertainty (\$13.8 million) - to address uncertainties related to local economic downturns, State and/or Federal actions affecting local revenues, and other risks outside the control of the City. \$910,000 of this reserve is to provide an alternative funding source for any COVID-19 related expenditures reported in the CARES Act Assistance Fund and any uncertainties surrounding this funding source. Once it is determined that the CARES Act reserve is no longer needed, the \$910,000 can be released to unassigned reserves.
- Extreme Events/Natural Disasters (\$1.0 million) – to provide resources in the event of a natural disaster.
- Pension/OBEP Liabilities (\$3.2 million) - to address changes in annual contributions due to assumption changes and actuarial results causing volatility to pension and OPEB unfunded liabilities.
- Capital Improvement Projects (\$4.2 million) - to provide funding for capital projects that were not anticipated as part of the budget process.
- Capital Asset Replacement (\$1.2 million) - to fund replacements of existing office equipment, vehicles, computers and office furnishings not planned for in adopted budgets.

The balance of unassigned reserves is \$11.6 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	\$ 3,576,051	\$ 192,740	5%
Law Enforcement	201,000	97,703	49%
Building Homes & Jobs Act	722,000	-	0%
State Gas Tax	4,100,936	568,093	14%
CASp Certification & Training	6,000	1,774	30%
Air Quality Improvement Trust	125,300	152	0%
Project V	300,000	-	0%
Measure M	8,861,353	327,714	4%
Grants	6,964,971	231,698	3%
Developer Fees	6,072,944	461	0%
CARES Act Assistance	715,692	-	0%
ARPA	3,777,301	333,333	9%
Mall Parking Lease	-	-	n/a
MV Television	523,430	11	0%
Golf	3,449,185	1,037,878	30%
Animal Services	3,382,235	945,122	28%
Total	\$ 42,778,398	\$ 3,736,679	9%

(Unaudited)

Expenditures by Fund			
Fund	Budget	YTD Actual	%
Library	\$ 4,482,644	\$ 1,088,671	24%
Law Enforcement	200,000	49,875	25%
Building Homes & Jobs Act	330,005	37,157	11%
State Gas Tax	7,660,987	1,538,147	20%
CASp Certification & Training	-	-	n/a
Air Quality Improvement Trust	348,990	833	0%
Project V	300,000	18,098	6%
Measure M	10,279,185	175,640	2%
Grants	13,039,410	17,035	0%
Developer Fees	5,687,095	81,860	1%
CARES Act Assistance	-	-	n/a
ARPA	3,932,376	1,366,384	35%
Mall Parking Lease	1,887,316	-	0%
MV Television	306,230	56,664	19%
Golf	4,721,194	1,077,043	23%
Animal Services	3,914,306	794,588	20%
Total	\$ 57,089,738	\$ 6,301,995	11%

(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) 470-3082.