



Quarterly Financial Report

Second Quarter of FY 2023-24

City of Mission Viejo

REPORT OVERVIEW

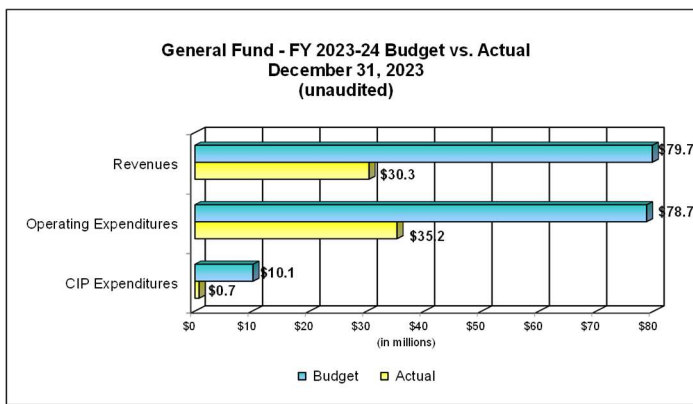
This report summarizes the City’s financial performance for the six months ended December 31, 2023. Financial analysis for this report is provided for the General Fund, Capital Improvement Program and combined information for other City funds on a cash basis. Cash basis means that revenues are recognized 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 December 31, 2023.

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 50% of the year complete, General Fund revenues are at 38% of projections and expenditures are at 45%.



The FY 2023-24 adopted revenue budget is \$74.1 million with another \$1.1 million transfers in for total resources of \$75.2 million. The revenue budget has been amended another \$4.5 million through December 31, 2023. The adopted operating appropriations budget is \$72.3 million. The operating appropriations budget has been increased by \$4.9 million due to encumbrances and carryover appropriations and amended another \$1.5 million through December 31, 2023. The capital projects budget of \$10.1

million includes funding for the Core Area Vision Plan project in the amount of \$6.1 million, \$0.9 million for the La Paz Road and Bridge Widening project and \$1.3 million each for the Crucero Park Playground Rehabilitation and the Madrid Fore Park Playground Rehabilitation.

GENERAL FUND REVENUE

General Fund Revenues/Inflows by Source			
Source	Budget	YTD Actual	%
Property Taxes	\$ 39,186,491	\$ 14,581,700	37%
Sales & Use Tax	20,036,432	6,766,047	34%
Other Taxes	5,301,562	1,721,066	32%
Licenses & Permits	2,795,904	1,149,886	41%
Intergovernmental	458,335	518,083	113%
Charges for Services	3,390,553	1,991,873	59%
Fines & Forfeitures	372,000	156,743	42%
Investment Earnings	486,356	332,502	68%
Rents & Concessions	1,151,130	820,574	71%
Other	1,650,389	526,678	32%
Transfers In	4,902,697	1,772,982	36%
Total	\$ 79,731,849	\$ 30,338,134	38%

(Unaudited)

- Property Taxes:** The first major apportionment distribution to the city for FY 2023-24 occurred in December 2023. The FY 2023-24 budget estimate projected growth at 4.4% from the amended FY 2022-23 budget. The actual growth rate for secured and unsecured property is 5.97% for Mission Viejo, as reported by the Orange County Assessor on July 3, 2023. Included in the property taxes line item is Property Taxes in Lieu of VLF (in-lieu) in the amount of \$11.4 million, which will be received in two installments. The first distribution for in-lieu was received on January 11, 2024 in the amount of \$5.766 million. Also included in this budget category is \$525,000 for residual payments from the dissolution of the former redevelopment agency. Because the actual growth rate is above original projections the revenue projection for this category was increased as part of the mid-year budget review by \$587,000.
- Sales and Use Tax:** The City has received the first quarter allocations and the first monthly sales tax allocation for the second quarter through December 2023. The second quarter allocation represents approximately 30% of the total sales tax allocation for the second quarter. The City received the balance of second quarter allocations in January and February. Final first and second quarter sales tax revenue fell below the budget projection by approximately \$396,000. Sales tax

revenue projections were decreased by \$534,000 as part of the mid-year budget review in response to the year to date sales tax budget shortfall.

The chart below compares July 1 through December 31, 2023 sales and use tax revenue by major industry to the same period in fiscal year 2022-23. Overall, revenue was down for all areas by 3%. The chart below includes sales tax revenue that will be reported in the Mall Parking Lease Fund and used to service principal and interest payments on the Mall Bonds and fees retained by the State for administration. Through December 31, these amounts are \$0.8 million and \$79,000 respectively for FY 2023-24.

Sales and Use Tax by Major Industry Group			
Major Industry	Thru Dec 31 2022/23	Thru Dec 31 2023/24	Percent Change
Autos and Transportation	\$ 2,933,525	\$ 2,727,698	-7%
Building and Construction	516,029	543,018	5%
Business and Industry	459,386	461,562	0%
Food and Drugs	439,453	361,739	-18%
Fuel and Service Stations	850,047	828,558	-3%
General Consumer Goods	2,748,590	2,780,687	1%
Restaurants and Hotels	1,247,757	1,292,605	4%
Countywide Pool	1,723,332	1,570,796	-9%
Total	\$10,918,119	\$10,566,663	-3%

(Unaudited)

The largest decrease to date is in the Autos and Transportation category with a \$206,000 decline. Revenue in the Countywide Pool also dropped by \$152,000.

- **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 through November remittance for property transfer taxes, first quarter TOT from all hotels, first quarter franchise fees from all franchisees and second quarter franchise fees from SCE. After two quarters total actual revenue is trending at budget projection so no amendments were made to projections as part of the mid-year budget review.
- **Licenses & Permits:** Includes building and engineering permits, which comprise 99% of the budget, and other miscellaneous licenses. After the end of the second

quarter, actual revenue is trending under budget at 41%. The City is not expecting any activity that would increase activity levels in the second half of the fiscal year. The mid-year budget review included a net reduction in license and permit revenue in the amount of \$401,000.

- **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 113% of budget at December 31. \$290,000 was received from the State of California for reimbursement of mandated claims. This amount includes reimbursement of mandated claims as far back as fiscal year 2018-19. The budget for this item was \$20,000. The City has also received \$203,000 from the County of Orange under the Waste Disposal Agreement, which is 100% of that budget item. The mid-year budget review includes an increase in this revenue projection to account for the additional \$270,000 received for prior year state mandated claims reimbursements.
- **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 46% of this category and are trending at 47% after the second quarter. Recreation fees represent 52% of this category and are trending at 70% of budget after the second quarter. The mid-year budget review included an increase in recreation fee revenue projections of \$386,000.
- **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 70% of budget after the second quarter. Deposit forfeitures are budgeted at \$145,000, however, forfeitures usually occur in the last few months of each fiscal year. The mid-year budget review included a net increase in the vehicle fines and parking penalties projection of \$189,000 to recognize the increase in additional revenues and higher than expected revenue trends for the remainder of the fiscal year.
- **Investment Earnings:** Includes realized investment income from interest coupon payments for most investments and interest earnings on pooled deposit accounts. Actual earnings through December 31 are

tending at 68% due to higher yields. It is anticipated that cash balances in investments will remain at current levels for most of the fiscal year and yields will remain at current levels or close to current levels through June 30. The investment earnings projection was increased by \$414,000 as part of the mid-year budget review based on updated projections.

- Rents & Concessions:** Includes rental fees on cell towers and rental and concession fees on recreational facilities. Total rental fees from cell towers represent 57% of this category and are tracking at 62% of budget. Room, field and other facility rentals are tracking at 83% of budget. Room and facility rental revenue was increased by a net \$159,000 during the mid-year budget review to recognize the increase trend in this revenue category.
- Other Revenue:** Includes reimbursements, donations and other miscellaneous revenue. Reimbursements represent 90% of this category and are at 24% of budget after the second quarter. This category includes \$145,000 for redevelopment dissolution administrative allowance reimbursement, \$267,000 from Waste Management under the waste franchise agreement, \$208,000 from the Nadadores under the aquatics complex use agreement and a \$705,000 reimbursement from utility companies as part of the La Paz Road and Bridge Widening project. Also included is this category is the annual payment of \$79,000 from the Nadadores toward the cost of the dive tower as part of the aquatic complex rehabilitation.
- Transfers In:** Includes anticipated transfers in during the year in the total amount of \$3.78 million from the American Rescue Plan Act (ARPA) Fund and a transfer in of excess Mall Bond sales tax in the amount of \$1.1 million. Actual receipts to date from ARPA resources are \$607,000.

GENERAL FUND OPERATING EXPENDITURES

General Fund Operating Expenditures by Program Area			
Program Area	Budget	YTD Actual	%
General Government - Legislative	\$ 761,983	\$ 1,645,736	216%
General Government - Mgmt and Support	13,234,668	5,949,373	45%
Public Safety	25,449,879	11,661,468	46%
Community Development	3,790,288	1,521,912	40%
Engineering and Transportation	2,485,524	1,379,894	56%
Infrastructure Maintenance	26,780,198	10,158,505	38%
Recreation/Community/Library Services	6,229,090	2,898,503	47%
Total	\$ 78,731,630	\$ 35,215,391	45%

(Unaudited)

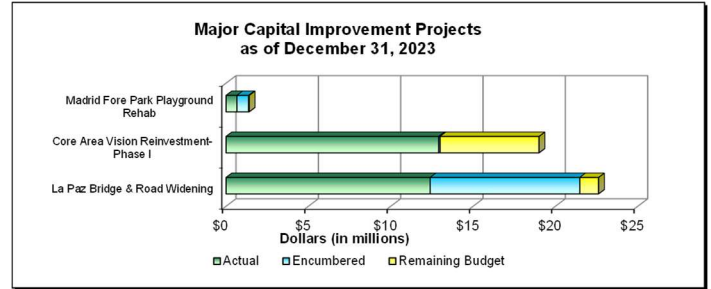
As of December 31, 2023, \$35.2 million or 45% of the General Fund operating budget had been expended and all but two of the seven program areas in the General Fund were at or below the expected level of 50% expended. For the General Government – Legislative program area, trending at 216%, the City distributed total settlement payments for litigation in the amount of \$1,035,748 during December 2023 and legal expenses for City attorney litigation legal services are trending at 237% of budget. Amendments to the legal budget were approved as part of the mid-year budget review to rebalance the budget in this program area. The Engineering and Transportation program area is trending at 56% due the disbursement of 100% of all water quality co-permittee and cost sharing agreements by December 31. These obligations represent 63% of the Public Works Water Quality program budget.

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. The FY 2023-24 amended ARPA budget is \$4.2 million. The following chart demonstrates how the funds were budgeted in the current fiscal year and actual expenditures to date through December 31, 2023.

American Rescue Plan Budget and Expenditures			
Source	Budget	YTD Actual	%
CIP Budget			
Crucero Playground Rehab	\$ 780,091	21,740	3%
Madrid Fore Playground Rehab	1,327,026	585,127	44%
Operating Budget			
Oso Creek Water Reclamation Plant	2,125,000	-	0%
Totals	\$ 4,232,117	\$ 606,867	14%

(Unaudited)



CAPITAL IMPROVEMENT PROJECTS – ALL FUNDS

The Capital Improvement Program (CIP) budget is comprised of \$11,492,061 of appropriations approved in the FY 2023-24 budget and carryover appropriations in the amount of \$33,589,890, approved by the Council on June 27, 2023 and current year amendments of \$1,597,120 for total CIP appropriations of \$46,679,071. Approximately 20% of the CIP budget has been expended at the end of the second quarter.

Expenditures by project through December 31, 2023 are summarized in the following table:

Capital Improvement Program Expenditures				
CIP #	Project Description	Budget	YTD Actual	%
01756	La Paz Bridge & Road Widening	\$ 14,821,874	\$ 4,602,174	31%
16224	Felipe/Oso Intersection Improvements	2,495,520	66,149	3%
16226	Oso/I-5 Northbound On-Ramps Improvements	2,845,681	2,902	0%
19240	Los Alisos Traffic Signal Synchronization	23,272	-	0%
20242	I-5 Sound Wall Madrid Fore	3,727,582	-	0%
20245	Lower Curtis Park	935,315	20,207	2%
21248	Site C Grading	8,239	-	0%
21327	Bicycle Corridor Improvement Program	93,930	18,120	19%
22249	Civic Center EV Charging Stations	117,042	-	0%
22251	Santa Margarita Parkway TSSP	94,500	686	1%
22333	North Oso Creek Bike/Ped Open Space	63,876	3,250	5%
22336	Core Area Vision Reinvestment - Phase I	6,122,796	29,259	0%
23253	Catch Basin Notherly Area	151	-	0%
23254	Crown Valley Parkway TSSP	174,783	-	0%
23255	Audible Ped Push Button Systems	248,200	-	0%
23334	Madrid Fore Park Playground Rehab	1,327,026	585,127	44%
23335	Library Roof Underlay Replacement	460,928	-	0%
24256	Catch Basin Debris Screens North	225,000	-	0%
24257	Enhanced Pedestrian Safety Imp.	277,100	-	0%
24258	Felipe/Olympiad TSSP	880,113	-	0%
24259	Olympial Road Pedestrian Crossing	75,000	1,750	2%
24260	Marguerite Parkway Signal Synch	2,434,828	-	0%
24261	Irvine Blvd/Trabuco Road Signal Synch	25,020	-	0%
24339	World Cup Soccer Field Security Lights	400,000	8,907	2%
24340	Crucero Park Playground Rehab	1,347,120	21,740	2%
24836	Sidewalk Repair Program	100,412	-	0%
24837	Arterial Highway Resurfacing	2,341,891	760,756	32%
24838	Residential Resurfacing Program	5,011,872	3,326,526	66%
Total		\$ 46,679,071	\$ 9,447,553	20%

(Unaudited)

The chart below shows project-to-date (project inception) spending on the City’s three largest active non-street resurfacing capital improvement projects for FY 2023-24.

Madrid Fore Park Playground Rehabilitation – This project will include a complete replacement of the play area at Madrid Fore Park. The play area will be upgraded to meet current American Disabilities Act requirements and state Consumer Product Safety Commission guidelines. The park is located north of Oso Parkway, just east of the I-5 freeway on Via Oceano. The construction contract was awarded on April 11, 2023 with construction beginning in July 2023. Project completion is expected in the spring 2024.

Core Area Vision Reinvestment (LOS OSOS) – 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 purchase of the property was finalized on November 24, 2021. The current cost projection is approximately \$67.8 million. In October 2023, the City Council approved the LOS OSOS Go Forward Plan. This plan presented five phases to further develop the property. Phase I of the Go Forward Plan includes the design, environmental clearance and construction of the North Paseo from Marguerite Parkway to the front of the MART (formerly Stein Mart) building. The current cost estimate for this phase is \$6.2 million and will be funded with unspent bond proceeds.

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 began in January 2023. Construction is expected to continue through calendar year 2024.

APPROPRIATION BUDGET AMENDMENTS – ALL FUNDS

On July 11, 2023, the City Council approved an appropriation in the amount of \$19,450 for the purchase of an electric vehicle. Funding for this purchase will come from restricted Construction and Demolition Waste Diversion forfeiture monies held in the General Fund. (5-0 vote)

On August 22, 2023, the City Council approved an additional appropriation in the amount of \$1,100,400 toward the annual residential street rehabilitation program project budget (24838). Funding for this appropriation was transferred from the annual arterial pavement rehabilitation program project budget (24837) in the RMRA-SB1 Fund. (5-0 vote)

On October 10, 2023, the City Council approved the carryover of appropriations as part of the FY 2022-23 close out process. Carryovers in the General Fund operating budget total \$4,284,644 to re-appropriate as follows: \$50,000 to supplement the intern budget across multiple programs; \$300,000 for the parking garage feasibility study; \$3,600 to supplement the employee recognition program budget; \$330,362 for various information technology projects; \$44,000 to update the City’s emergency operation plan and to replace an emergency sheltering trailer; \$43,000 for an inclusionary ordinance in-lieu study and Site 3 work; \$4,600 to supplement the bilingual stipend program; \$25,000 for a biologist for the Lower Curtis Park project; \$100,000 for habitat restoration for the Lower Curtis Park project; \$205,482 to replace the Sycamore Room audio visual system at the NPM Community and Senior Center; \$3.0 million for the SMWD/Corp Yard Building; \$78,900 to supplement the recreation budget; \$100,000 for the performing arts theater feasibility study. The Library Fund operating budget was increased by \$17,600 for information technology projects. The CDBG operation budget was increased by \$24,760 toward the ADA restroom project at NPM. The Animal Services Fund was increased by \$179,303 for vehicle purchases and to supplement the legal budget for ongoing labor negotiations. (5-0 vote)

On October 10, 2023, the City Council also approved (5-0 vote) the following additional appropriations. From the General Fund reserves, unless otherwise noted.

- \$910,000 in the Interdepartmental program for uncertainties in the current budget year, including ongoing labor negotiations between the County and

OCSD labor unions, sober living home issues, personnel issues, and outstanding litigation issues.

- \$216,000 in the Interdepartmental Program for distribution between all payroll programs within the General, Library, MVTV and Animal Services funds for the increase to the Tier 4 Fixed Monthly Contribution for non-represented employees, effective January 1, 2024.
- \$250,000 in the Median and Parkway Maintenance program to complete the Jeronimo Slope rehabilitation to Marguerite Parkway.
- \$1,321,000 to establish the Crucero Park playground CIP funded with General Fund (\$540,909) and ARPA (\$780,091) resources.

From Library Fund reserves, \$250,000 to supplement the Library Roof replacement CIP 23335. From Park Development Fee reserves, \$26,120 for the Crucero Park playground CIP.

On November 14, 2023, the City Council approved an appropriation of \$137,402 toward an update to the sound and audio system at the Norman P Murray Community and Senior Center. Funding is from donations received specifically for use at the center and held in the General Fund. (5-0 vote)

DISCRETIONARY RESERVES

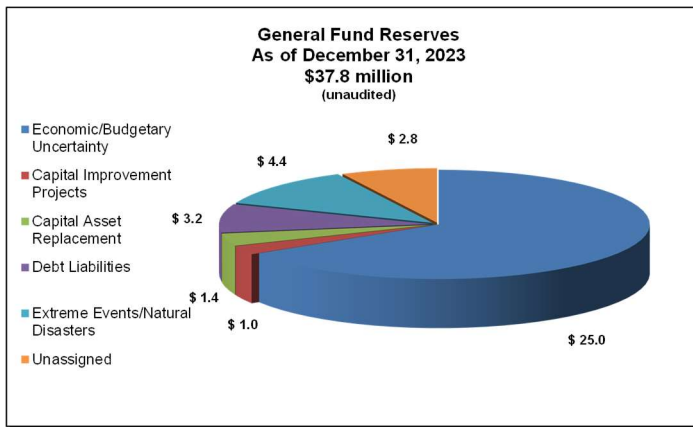
Reserves are those available fund balances over which the Council has complete discretion as to how they are used. In May 2023, the City Council established the General Fund target reserve level at \$35.0 million for the 2023-25 budget cycle or 49 percent of 2022-23 General Fund revenues. The minimum level reserve was set at \$31.5 million or 44 percent. At December 31, 2023 reserves are projected at \$37.8 million, which are 51 percent of projected 2023-24 General Fund revenue. As part of the reserve policy, the City Council has assigned reserves for specific purposes. All reserves not assigned are considered to be unassigned. City Council assigned reserves include:

- Economic/Budgetary Uncertainty (\$25.0 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. The City currently has an outstanding claim with FEMA in the amount of \$472,573. 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 (\$4.4 million) – to provide resources in the event of a natural disaster.
- Debt Liabilities (\$3.2 million) - to ensure the availability of resources to make debt service payments on bond issues funded with General Fund resources.
- Capital Asset Replacement (\$1.4 million) - to fund replacements of existing office equipment, vehicles, computers and office furnishings not planned for in adopted budgets.
- Capital Improvement Projects (\$1.0 million) - to provide funding for capital projects that were not anticipated as part of the budget process.

The balance of unassigned reserves is \$2.8 million.



OTHER FUNDS

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

Revenues by Fund			
Fund	Budget	YTD Actual	%
Library	\$ 3,859,787	\$ 1,973,896	51%
Law Enforcement	221,861	189,126	85%
Building Homes & Jobs Act	353,526	321,250	91%
State Gas Tax	5,020,602	1,857,528	37%
Accessibility Compliance CASp	6,000	2,884	48%
Air Quality Improvement Trust	125,598	4,894	4%
Project V	312,000	-	0%
Measure M	9,871,850	2,021,090	20%
Grants	12,046,103	368,963	3%
Developer Fees	6,803,369	282	0%
Opioid Settlement	23,303	13,386	57%
ARPA	3,780,091	606,867	16%
Mall Parking Lease	934,891	-	0%
MV Television	449,960	166,303	37%
Golf	4,472,500	2,532,432	57%
Animal Services	3,803,571	2,110,948	55%
Total	\$ 52,085,012	\$ 12,169,849	23%

(Unaudited)

Expenditures by Fund			
Fund	Budget	YTD Actual	%
Library	\$ 4,690,449	\$ 2,225,629	47%
Law Enforcement	220,000	109,725	50%
Building Homes & Jobs Act	427,474	185,442	43%
State Gas Tax	8,974,422	2,317,820	26%
Accessibility Compliance CASp	-	-	n/a
Air Quality Improvement Trust	808,018	1,000	0%
Project V	312,000	108,907	35%
Measure M	11,952,493	3,702,877	31%
Grants	11,039,624	2,987,926	27%
Developer Fees	5,367,321	69,051	1%
Opioid Settlement	23,303	13,704	59%
ARPA	3,780,091	606,867	16%
Mall Parking Lease	934,891	61,394	7%
MV Television	284,158	118,217	42%
Golf	4,407,365	2,302,398	52%
Animal Services	4,084,282	1,577,401	39%
Total	\$ 57,305,891	\$ 16,388,358	29%

(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 admins@cityofmissionviejo.org or by phone at (949) 470-3082.