



# Quarterly Financial Report

## First Quarter of FY 2021-22

City of Mission Viejo

### REPORT OVERVIEW

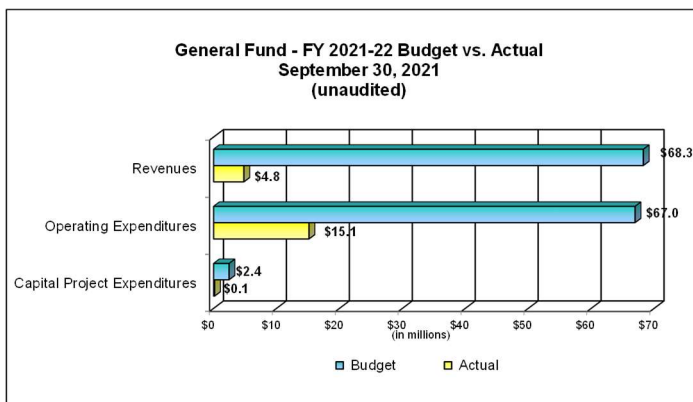
This report summarizes the City’s financial performance for the three months ended September 30, 2021. Financial analysis for this report is provided for the General Fund, Capital Improvement Program and combined information for other City funds on a cash basis. Cash basis means that revenues are recognized 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, 2021.

### 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 7% of projections and expenditures are at 23%.



The FY 2021-22 adopted revenue budget is \$63.4 million with another \$4.9 million transfers in for total resources of \$68.3 million. The adopted operating appropriations budget is \$63.9 million. The operating appropriations budget has been increased by \$2.1 million due to encumbrances and carryover appropriations and \$1.0 million for an additional Section 115 Trust payment. The capital projects budget of \$2.4 includes funding for the Montanoso Recreation Center pool rehabilitation, Coronado Park play area rehabilitation,

Marty Russo Youth Athletic Park field lights and a sales building at the Marguerite Aquatics Center.

### GENERAL FUND REVENUE

General Fund Revenues by Source			
Source	Budget	YTD Actual	%
Property Taxes	\$ 35,339,919	\$ 469,108	1%
Sales & Use Tax	16,528,104	1,400,793	8%
Other Taxes	3,964,000	209,844	5%
Licenses & Permits	2,289,380	935,705	41%
Intergovernmental	705,128	216,931	31%
Charges for Services	2,088,451	869,904	42%
Fines & Forfeitures	387,000	60,719	16%
Use of Money and Property	1,154,700	318,491	28%
Other	918,714	83,761	9%
Transfers In	4,895,707	229,391	5%
<b>Total</b>	<b>\$ 68,271,103</b>	<b>\$ 4,794,647</b>	<b>7%</b>

(Unaudited)

- Property Taxes:** The first major apportionment distribution to the city for FY 2021-22 occurs in December 2021. The FY 2021-22 budget estimate projected growth at 3.0% from the amended FY 2020-21 budget. The actual growth rate for secured and unsecured property is 2.59% for Mission Viejo, as reported by the Orange County Assessor on July 2, 2021. Included in the property taxes line item is Property Taxes in Lieu of VLF (in-lieu) in the amount of \$10.3 million, which will be received in two installments. The first distribution for in-lieu is scheduled for January 13, 2022 in the amount of \$5.15 million. Also included in this budget category is \$550,000 for residual payments from the dissolution of the former redevelopment agency. The first residual distribution of \$262,794 was received on December 30, 2021. Because actual growth is down from the budget projection, it may be necessary to reduce the property tax revenue projection during the mid-year budget review.
- Sales and Use Tax:** The City received the first monthly allocation for sales tax in September 2021. 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 \$650,000. Staff will continue to monitor revenue and will make an amendment to the sales and use tax revenue projection during the mid-year budget review if appropriate.

- 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 significantly higher than budget at 41%. During the first quarter, fees from the Morningstar assisted living facility development on Marguerite Parkway were received in addition to fees for grading for the Saddleback Place development at the corner of El Toro Road and Marguerite Parkway. Fees for these two projects accounted for 27% of total revenue collected in the first quarter.
- 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 31% of budget at September 30<sup>th</sup>. \$195,000 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 2021 and \$300,000 for a Local Early Action Planning (LEAP) grant to be used toward the Community Development land use management software implementation.
- 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 55% after the first quarter. Recreation fees represent 47% of this category and are trending at 30% of budget after the first quarter.
- 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 23% of budget after the first quarter.

- Use of Money and Property:** Includes realized and unrealized investment income, rental fees on cell towers and rental and concession fees on recreational facilities. Total rental and concession fees represent 83% of this category and are tracking at 37% of budget.
- Other Revenue:** Includes reimbursements, donations and other miscellaneous revenue. Reimbursements represent 85% of this category and are at 8% of budget after the first quarter. This category includes \$250,000 for redevelopment dissolution administrative allowance reimbursement and a \$100,000 reimbursement from the City of San Juan Capistrano for the Via Escolar Pavement rehabilitation project but have yet to be received.
- Transfers In:** Includes anticipated transfer in during the third quarter from the Mall Bond Rolling Reserve in the amount of \$1.3 million and transfer from the American Rescue Plan Act (ARPA) Fund in the amount of \$3.6 million.

**GENERAL FUND OPERATING EXPENDITURES**

General Fund Operating Expenditures by Program Area			
Program Area	Budget	YTD Actual	%
General Government - Legislative	\$ 700,216	\$ 168,734	24%
General Government - Mgmt and Support	12,219,318	3,426,294	28%
Public Safety	22,679,465	5,537,518	24%
Community Development	3,081,519	477,230	15%
Engineering and Transportation	2,230,686	540,767	24%
Infrastructure Maintenance	21,078,875	3,931,563	19%
Recreation/Community/Library Services	4,968,687	1,060,432	21%
<b>Total</b>	<b>\$ 66,958,766</b>	<b>\$ 15,142,538</b>	<b>23%</b>

(Unaudited)

As of September 30, 2021, \$15.1 million or 23% of the General Fund operating budget had been expended and six of the seven program areas in the General Fund were below the expected level of 25% expended. In the General Government – Management and Support program area, because the entire deposit for the FY 2021-22 general liability premium is paid in July, the Interdepartmental program is currently trending at 28% in the first quarter.

**AMERICAN RESCUE PLAN ACT EXPENDITURES**

The City will receive a direct allocation of American Rescue Plan Act (ARPA) funds from the U.S. Treasury in the amount of \$9.829 million. Funds will be received in two equal distributions. The first distribution was received in May 2021 and the balance will be distributed in May 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 2020-21, \$3,777,301 million of the City’s allocation was appropriated. The following chart demonstrates how the funds were budgeted and actual expenditures to date through September 30, 2021.

American Rescue Plan Budget and Expenditures			
Source	Budget	YTD Actual	%
<b>CIP Budget</b>			
Aquatics Center Sales Bldg	\$ 300,000	\$ -	0%
Coronado Park Playground Rehab	550,000	704	0%
Marty Russo Park Lights	1,000,000	-	0%
<b>Operating Budget</b>			
Kid's Factory	718,045	69,200	10%
COVID Cleaning	420,100	55,270	13%
Jeronimo Slope Rehabilitation	228,000	-	0%
Library staffing	176,780	93,551	53%
Cybersecurity Improvements	150,000	-	0%
Recreation Staffing	134,376	86,969	65%
MAC Dive Tower Repairs	100,000	27,369	27%
Other COVID Response Exp.	-	270	n/a
<b>Totals</b>	<b>\$ 3,777,301</b>	<b>\$ 333,333</b>	<b>9%</b>

**CAPITAL IMPROVEMENT PROJECTS – ALL FUNDS**

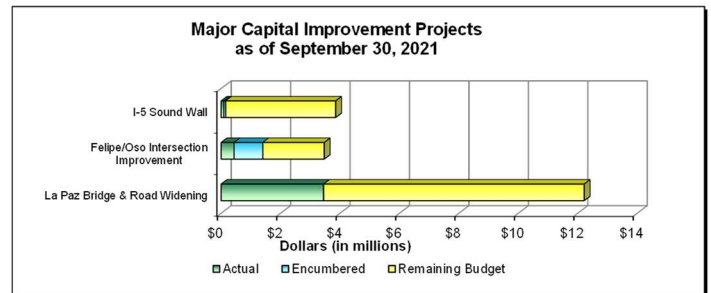
The Capital Improvement Program (CIP) budget is comprised of \$10,784,332 of appropriations approved in the FY 2021-22 budget and carryover appropriations in the amount of \$21,759,693, approved by the Council on July 13, 2021 and current year amendments of \$300,000 for a total CIP appropriations of \$32,844,025. Approximately 6% of the CIP budget has been expended at the end of the first quarter.

Expenditures by project through September 30, 2021 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	3,032,598	-	0%
16226	Oso/I-5 Northbound On-Ramps Improvements	2,422,305	32,234	1%
16227	Alicia Parkway Traffic Signal Sync. Project	1,837	-	0%
17230	Marguerite Corridor TSSP	16,573	-	0%
17231	El Toro Corridor TSSP	10,290	-	0%
01756/01761	La Paz Bridge & Road Widening	8,773,217	-	0%
18236	Felipe/Olympiad TSSP	88,035	-	0%
19240	Los Alisos Traffic Signal Synchronization	294,816	1,050	0%
20242	I-5 Sound Wall Madrid Fore	3,829,607	68,085	2%
20243	Storm Drain Atlas Update	30,000	-	0%
20245	Lower Curtis Park	439,604	7,196	2%
20314	Montanoso Rehabilitation	1,161,241	-	0%
20326	Marguerite Aquatics Pool Chiller	7,375	-	0%
21246	Jeronimo/Marguerite Intersection Improvement	593,600	565,914	95%
21248	Site C Grading	120,941	-	0%
21327	Bicycle Corridor Improvement Program	228,475	3,087	1%
21328	Coronado Park Play Area Rehab	949,028	7,633	1%
21329	Storage Barn	143,293	58,015	40%
21330	Barcelona Retaining Walls	91,730	76,750	84%
22249	Civic Center EV Charging Stations	93,000	-	0%
22250	Catch Basin Debris Screens Lake Area	200,000	-	0%
22251	Santa Margarita Parkway TSSP	89,000	-	0%
22252	Via Escolar Pavement Rehabilitation	200,000	749	0%
22331	Marty Russo Youth Athletic Park Lights	1,000,000	-	0%
22332	Aquatics Center Sales Building	300,000	-	0%
22333	North Oso Creek Bike/Ped Open Space	100,000	-	0%
22836	Sidewalk Repair Program	67,969	-	0%
22837	Arterial Highway Resurfacing	5,388,662	22,178	0%
22838	Residential Resurfacing Program	3,169,108	1,195,850	38%
<b>Total</b>		<b>\$ 32,844,025</b>	<b>\$ 2,038,741</b>	<b>6%</b>

(Unaudited)

The chart below shows project-to-date (project inception) spending on the City’s three largest non-street resurfacing capital improvement projects for FY 2021-22.



**I-5 Sound Wall** – This project will provide noise attenuation for the residential properties along Interstate 5 from the Madrid Fore neighborhood to Mission Viejo High School. A grant from the Orange County Transportation Authority of \$2.2 million and \$1.65 million in gas tax will fund this project. The project is currently under design.

**Felipe/Oso Intersection Improvement Project** – This project will widen the Oso Parkway/Felipe Road intersection to provide dual left-turn lanes on north and southbound Felipe Road and eastbound Oso Parkway. Project will also provide a designated right-turn lane on southbound Felipe Road. The project is currently under design.

**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 December 14, 2021 and construction is expected to commence in Spring 2022.

## **APPROPRIATIONS BUDGET AMENDMENTS – ALL FUNDS**

On October 26, 2021, the City Council approved the carryover of appropriations as part of the FY 2020-21 close out process, effective July 1, 2021. Carryovers in the General Fund operating budget total \$2,083,828 to re-appropriate as follows: \$30,000 in Human Resources for executive management development; \$198,091 in Information Technology to facilitate various projects, including the land management software implementation, and the Corp Yard move; \$30,000 in Advance Planning to supplement resources for a Housing Element consultant; \$589,000 in Park Maintenance for completion of the Lakeside Loop and Lookout, smart irrigation controllers and other park site hardscape improvements; \$50,000 in Medians and Parkways Maintenance for smart irrigation controllers on slopes; \$20,500 in Facilities Maintenance for miscellaneous expenditures; \$184,000 in Recreation Centers Facilities Maintenance for Montanoso and Sierra site equipment repair and maintenance; \$170,000 to replace Sycamore Room sound and protection system at NPM; \$148,000 in the Library Fund to increase the library materials budget, replace and repair tables and chairs and move the fire door in the Children’s wing for ADA compliance; \$236,648 in the SB2 Fund for continued use for SB2 approved budget; \$376,331 in the CDBG Fund for the Small Business Grant program; \$24,236 in the Crown Valley Corridor Fee Fund for improvements along Crown Valley Parkway. Additionally, \$180,000 was carried over to supplement the Montanoso pool rehabilitation capital improvement project budget. (3-0 vote, Goodell and Rath absent)

On October 26, 2021 the City Council approved the appropriation of \$1.0 million as an additional contribution to the Section 115 Pension Trust Fund, effective July 1, 2021. (3-0 vote, Goodell and Rath absent)

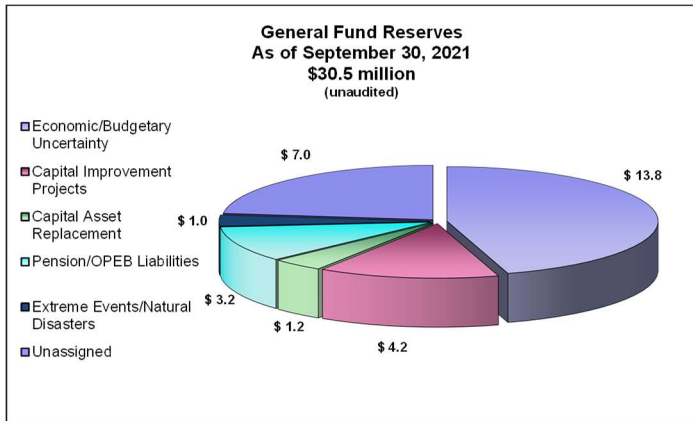
## **DISCRETIONARY RESERVES**

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, 2021 reserves are projected at \$30.5 million, which are 47.5% of 2020-21 General Fund revenues. 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 \$7.0 million.



**OTHER FUNDS**

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

Revenues by Fund			
Fund	Budget	YTD Actual	%
Library	\$ 3,576,051	\$ 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%
<b>Total</b>	<b>\$ 42,778,398</b>	<b>\$ 3,736,679</b>	<b>9%</b>

(Unaudited)

Expenditures by Fund			
Fund	Budget	YTD Actual	%
Library	\$ 3,748,132	\$ 896,081	24%
Law Enforcement	200,000	49,917	25%
Building Homes & Jobs Act	474,515	39,434	8%
State Gas Tax	7,814,504	1,432,431	18%
CASp Certification & Training	-	-	n/a
Air Quality Improvement Trust	132,040	833	1%
Project V	300,000	-	0%
Measure M	10,680,820	446,249	4%
Grants	6,783,457	115,873	2%
Developer Fees	6,859,417	39,163	1%
CARES Act Assistance	-	-	n/a
ARPA	3,777,301	325,613	9%
Mall Parking Lease	-	420,839	n/a
MV Television	303,073	44,189	15%
Golf	3,490,649	792,675	23%
Animal Services	3,496,668	617,668	18%
<b>Total</b>	<b>\$ 48,060,577</b>	<b>\$ 5,220,965</b>	<b>11%</b>

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