



Quarterly Financial Report

Second Quarter of FY 2021-22

City of Mission Viejo

REPORT OVERVIEW

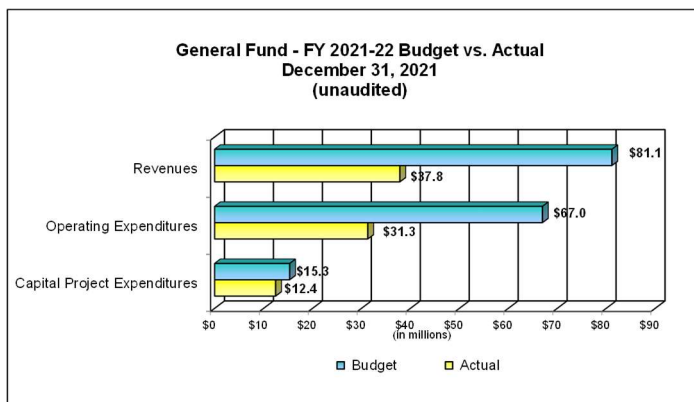
This report summarizes the City’s financial performance for the three months ended December 31, 2021. Financial analysis for this report is provided for the General Fund, Capital Improvement Program and combined information for other City funds on a cash basis. Cash basis means that revenues are recognized 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 December 31, 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 50% of the year complete, both General Fund revenues and expenditures are trending at 47% of projections.



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. Since adoption, revenues have increased by \$605,000 for reimbursement from Moulton Niguel Water District for work anticipated as part of the La Paz Road and Bridge Widening project and transfers in increased by \$12.3 million for reimbursement of Core Area Vision Plan project costs. 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 \$15.3 million includes funding for the Montanoso Recreation Center pool rehabilitation, Coronado Park play area rehabilitation, Marty Russo Youth Athletic Park field lights, a sales building at the Marguerite Aquatics Center and \$12.3 million for the Core Area Vision Plan project.

GENERAL FUND REVENUE

General Fund Revenues by Source			
Source	Budget	YTD Actual	%
Property Taxes	\$ 35,339,919	\$ 13,044,543	37%
Sales & Use Tax	16,528,104	6,405,155	39%
Other Taxes	3,964,000	1,548,877	39%
Licenses & Permits	2,289,380	1,490,557	65%
Intergovernmental	705,128	232,952	33%
Charges for Services	2,088,451	1,624,572	78%
Fines & Forfeitures	387,000	129,555	33%
Use of Money and Property	1,154,700	617,333	53%
Other	1,523,714	330,026	22%
Transfers In	17,167,278	12,404,179	72%
Total	\$ 81,147,674	\$ 37,827,749	47%

(Unaudited)

- Property Taxes:** The first major apportionment distribution to the city for FY 2021-22 occurred 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 was received on January 13, 2022 in the amount of \$5.18 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.
- Sales and Use Tax:** The City has received 100% of first quarter sales and use tax revenues, and approximately 28% of revenue for the second quarter through December 2021. The balance of second quarter allocations were received in January and February 2022. First quarter sales tax received is approximately \$900,000 higher than projections, while second quarter allocations are approximately \$300,000 higher than

budget. A budget amendment to increase revenue by \$1.361 million was approved by the City Council on March 8 as part of the mid-year review process.

- 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 remittance for property transfer taxes through November, first quarter TOT and franchise fees and the second quarter franchise fee from SCE. Revenue in all areas are trending high and a recommendation to increase revenue across all Other Taxes categories in the amount of \$672,000 was approved by the City Council on March 8 as part of the mid-year review process.
- 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 higher than budget at 65%. A recommendation to increase revenue in the amount of \$141,520 was approved by the City Council on March 8 as part of the mid-year review process.
- 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 33% of budget at December 31. \$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 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 50% of this category and are trending at 92% after the second quarter. Recreation fees represent 47% of this category and are trending at 65% of budget after the second quarter. A recommendation to increase building related revenue in the amount of \$306,000 and increase recreation revenue in the amount of \$250,600 was

approved by the City Council on March 8 as part of the mid-year review process.

- 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 33% of budget after the second 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 63% of budget.
- Other Revenue:** Includes reimbursements, donations and other miscellaneous revenue. Reimbursements represent 91% of this category and are at 19% of budget after the second 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 transfers from the American Rescue Plan Act (ARPA) Fund in the amount of \$3.6 million. Also includes a transfer in of \$12.3 million for the reimbursement of the Stein Mart property purchase and collaborative design costs from 2021 Series Lease Revenue Bonds.

GENERAL FUND OPERATING EXPENDITURES

General Fund Operating Expenditures by Program Area			
Program Area	Budget	YTD Actual	%
General Government - Legislative	\$ 731,294	\$ 344,452	47%
General Government - Mgmt and Support	11,555,425	5,651,385	49%
Public Safety	22,695,581	11,378,443	50%
Community Development	3,183,591	1,888,567	59%
Engineering and Transportation	2,411,255	1,253,302	52%
Infrastructure Maintenance	21,244,182	8,451,668	40%
Recreation/Community/Library Services	5,137,437	2,306,090	45%
Total	\$ 66,958,765	\$ 31,273,907	47%

(Unaudited)

As of December 31, 2021, \$31.3 million or 47% of the General Fund operating budget had been expended and five of the seven program areas in the General Fund were at or below the expected level of 50% expended. In the

Community Development program area, expenditures include legal and other consulting services associated with the purchase of the Stein Mart property that closed escrow in November 2021. Engineering and Transportation are just slightly above trend at 52%.

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 2021-22, \$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 December 31, 2021.

American Rescue Plan Budget and Expenditures			
Source	Budget	YTD Actual	%
CIP Budget			
Aquatics Center Sales Bldg	\$ 300,000	\$ 31,677	11%
Coronado Park Playground Rehab	550,000	704	0%
Marty Russo Park Lights	1,000,000	-	0%
Operating Budget			
Kid’s Factory	718,045	130,190	18%
COVID Cleaning	420,100	80,830	19%
Jeronimo Slope Rehabilitation	228,000	2,641	1%
Library staffing	176,780	176,780	100%
Cybersecurity Improvements	150,000	96,040	64%
Recreation Staffing	134,376	134,376	100%
MAC Dive Tower Repairs	100,000	49,041	49%
Other COVID Response Exp.	-	1,801	n/a
Totals	\$ 3,777,301	\$ 704,080	19%

(Unaudited)

CAPITAL IMPROVEMENT PROJECTS – ALL FUNDS

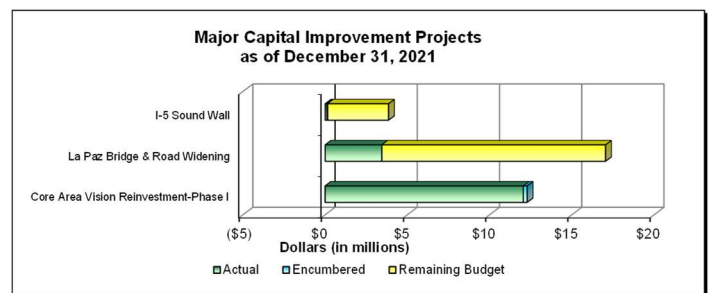
The Capital Improvement Program (CIP) budget is comprised of \$10,784,332 of appropriations approved in the FY 2021-22 budget and carryover appropriations in the amount of \$21,759,693, approved by the Council on July 13, 2021 and current year amendments of \$17,403,826 for total CIP appropriations of \$49,947,851. Approximately 35% of the CIP budget has been expended at the end of the second quarter.

Expenditures by project through December 31, 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 Improvments	3,032,598	33,010	1%
16226	Oso/I-5 Northbound On-Ramps Improvements	2,422,305	58,480	2%
16227	Alicia Parkway Traffic Signal Sync. Project	1,837	-	0%
17230	Marguerite Corridor TSSP	16,573	12,244	74%
17231	El Toro Corridor TSSP	10,290	-	0%
01756	La Paz Bridge & Road Widening	13,605,472	1,650	0%
18236	Felipe/Olympiad TSSP	88,035	1,257	1%
19240	Los Alisos Traffic Signal Synchronization	294,816	1,050	0%
20242	I-5 Sound Wall Madrid Fore	3,829,607	82,736	2%
20243	Storm Drain Atlas Update	30,000	-	0%
20245	Lower Curtis Park	439,604	18,984	4%
20314	Montanoso Rehabilitation	1,161,241	46,390	4%
20326	Marguerite Aquatics Pool Chiller	7,375	-	0%
21246	Jeronimo/Marguerite Intersection Improvement	593,600	568,054	96%
21248	Site C Grading	941	-	0%
21327	Bicycle Corridor Improvement Program	228,475	3,762	2%
21328	Coronado Park Play Area Rehab	949,028	15,803	2%
21329	Storage Barn	143,293	137,507	96%
21330	Barcelona Retaining Walls	91,730	76,750	84%
22249	Civic Center EV Charging Stations	93,000	12,958	14%
22250	Catch Basin Debris Screens Lake Area	200,000	-	0%
22251	Santa Margarita Parkway TSSP	89,000	-	0%
22252	Via Escolar Pavement Rehabilitation	230,000	217,214	94%
22331	Marty Russo Youth Athletic Park Lights	1,000,000	-	0%
22332	Aquatics Center Sales Building	300,000	31,676	11%
22333	North Oso Creek Bike/Ped Open Space	100,000	-	0%
22336	Core Area Vision Reinvestment - Phase I	12,271,571	12,044,781	98%
22337	Oso Creek Golf Course Restroom	120,000	-	0%
22836	Sidewalk Repair Program	67,969	-	0%
22837	Arterial Highway Resurfacing	5,388,662	2,193,635	41%
22838	Residential Resurfacing Program	3,139,108	2,058,388	66%
Total		\$ 49,947,851	\$ 17,616,329	35%

(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.

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.

Core Area Vision Reinvestment-Phase I – This project includes the purchase and redevelopment of the former Stein Mart property as a park and community facility. 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 entire project is currently expected to cost approximately \$46 million. Phase I of the project includes the purchase of the property and easements, collaborative design team and other planning costs. Contracts for the collaborative design team were awarded on September 14, 2021. The purchase of the property was finalized on November 24, 2021.

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)

On November 9, 2021, the City Council approved the appropriation of \$264,000 in the Oso Creek Golf Fund for the installation of a restroom on the golf course and a barbeque area from Golf Fund reserves. (5-0 vote)

On November 9, 2021, the City Council approved the recognition of revenue and appropriations necessary as part of the issuance of the 2021 Series Lease Revenue Bonds. Total proceeds of bonds are \$18.595 million, plus the net of bond discounts and premiums of approximately \$733,000. Cost of issuance, including underwriter’s discount was approximately \$328,000. Total project cost appropriation is \$12.3 million. (5-0 vote)

On December 14, 2021, the City Council approved the recognition of reimbursement revenue from the Moulton Niguel Water District and a corresponding appropriation in the amount of \$605,000 as part of the La Paz Bridge Rehabilitation and Road Widening project (CIP 07156). For this same project, another \$4.2 million of Federal Highway Bridge Program grant fund revenue was recognized and appropriated. (5-0 vote)

DISCRETIONARY RESERVES

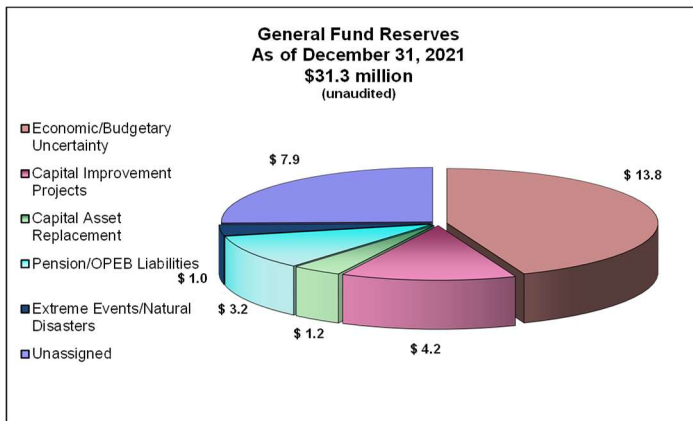
Reserves are those available fund balances over which the Council has complete discretion as to how they are used. In May, 2021, the City Council established the General Fund target reserve level at \$29.5 million for the 2021-23 budget cycle or 49 percent of 2020-21 General Fund revenues. The minimum level reserve was set at \$26.4 million or 44 percent. At December 31, 2021 reserves are projected at \$31.3 million, which are 47.4% of 2021-22 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/OPEB 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 \$7.9 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	\$ 1,953,798	55%
Law Enforcement	201,000	143,726	72%
Building Homes & Jobs Act	722,000	-	0%
State Gas Tax	4,100,936	1,587,574	39%
CASp Certification & Training	6,000	3,469	58%
Air Quality Improvement Trust	125,300	31,626	25%
Project V	300,000	-	0%
Measure M	8,861,353	659,351	7%
Grants	11,192,226	389,772	3%
Developer Fees	6,072,944	2,083	0%
CARES Act Assistance	715,692	-	0%
ARPA	3,777,301	704,080	19%
Mall Parking Lease	-	-	n/a
MV Television	523,430	113,158	22%
Golf	3,449,185	1,848,037	54%
Animal Services	3,382,235	1,795,634	53%
Total	\$ 47,005,653	\$ 9,232,308	20%

(Unaudited)

Expenditures by Fund			
Fund	Budget	YTD Actual	%
Library	\$ 3,748,132	\$ 1,850,503	49%
Law Enforcement	200,000	99,792	50%
Building Homes & Jobs Act	474,515	103,181	22%
State Gas Tax	7,814,504	3,208,516	41%
CASp Certification & Training	-	-	n/a
Air Quality Improvement Trust	132,040	2,817	2%
Project V	300,000	69,683	23%
Measure M	10,680,820	2,007,924	19%
Grants	11,010,712	416,886	4%
Developer Fees	6,859,417	116,475	2%
CARES Act Assistance	-	-	n/a
ARPA	3,777,301	691,610	18%
Mall Parking Lease	-	420,839	n/a
MV Television	303,073	110,625	37%
Golf	3,754,649	1,690,958	45%
Animal Services	3,496,668	1,506,988	43%
Total	\$ 52,551,831	\$ 12,296,797	23%

(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.