



Year End Financial Report

Fiscal Year End June 30, 2022

City of Mission Viejo

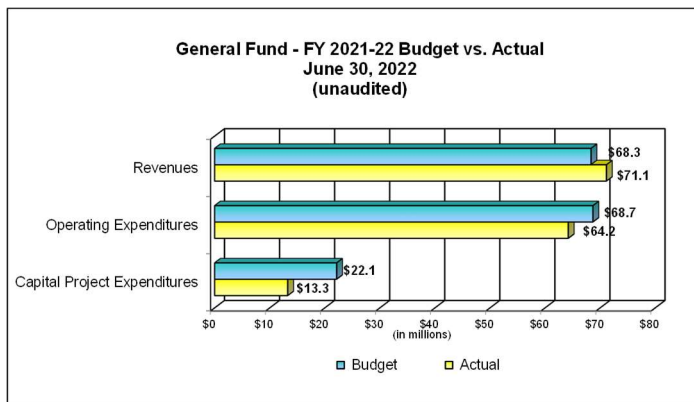
REPORT OVERVIEW

This report summarizes the City's financial performance for the twelve months ended June 30, 2022. Financial analysis for this report is provided for the General Fund and Capital Improvement Program on a modified accrual basis. Modified accrual basis means that revenues are recognized when they become measurable and available as net current assets. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. Generally, the City uses an availability period of 60 days. Expenditures are recognized in the period in which the liability is incurred and expected to be paid with expendable available financial resources. Additionally, combined information for other City funds is provided at the end of this report.

revenues totaled \$71.1 million, exceeding the budget projection by \$2.8 million. Actual General Fund operating expenditures were \$64.2 million, \$4.5 million less than budget; however, there is \$1.2 million in encumbrances (future commitments such as purchase orders and contracts) at year-end and another \$1.1 million of unencumbered appropriations that were recommended to the City Council for carryover to fiscal year 2022-23 as part of the year-end close out report, thereby reducing the operating appropriations budget surplus for fiscal year 2021-22 to \$2.2 million. The total operating revenue excess of \$2.8 million combined with the \$2.2 million unspent operating appropriations generate an overall \$5.0 million General Fund operating surplus for fiscal year ended June 30, 2022. This surplus is available to flow into the General Fund reserves.

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.



The FY 2021-22 final amended budget for operating revenues and other resources and operating expenditures is \$68.3 million and \$68.7 million respectively. The capital project expenditure budget of \$22.1 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, La Paz Road and Bridge Widening and \$19.0 million for the Core Area Vision Plan project.

For the year ended June 30, 2022, General Fund operating

GENERAL FUND OPERATING REVENUE

General Fund Revenues by Source			
Source	Budget	YTD Actual	%
Property Taxes	\$ 35,339,919	\$ 35,664,366	101%
Sales & Use Tax	17,889,104	19,852,586	111%
Other Taxes	4,636,000	5,811,984	125%
Licenses & Permits	2,753,993	2,788,143	101%
Intergovernmental	767,828	590,486	77%
Charges for Services	2,645,051	3,574,252	135%
Fines & Forfeitures	387,000	521,760	135%
Use of Money and Property	1,159,100	415,130	36%
Other	1,027,004	1,033,208	101%
Transfers In (ARPA resources)	1,738,851	885,541	51%
Total	\$ 68,343,850	\$ 71,137,456	104%

(Unaudited)

- Property Taxes:** The growth rate for secured and unsecured property for 2021-22 was 2.59% for Mission Viejo, as reported by the Orange County Assessor on July 2, 2021. Actual revenue exceeded the budget projection by \$324,000. Included in the property taxes line item is Property Taxes in Lieu of VLF in the amount of \$10.3 million and residual payments from the dissolution of the former redevelopment agency in the amount of \$548,000.
- Sales and Use Tax:** Total revenue for the fiscal year was \$19.8 million. Actual revenue for the fiscal year exceeded projections by \$2.0 million.

The chart below compares fiscal year 2021-22 sales and use tax revenue by major industry to fiscal year 2020-21. Overall, revenue was up for all areas by 15%. The chart

below includes sales tax revenue reported in the Mall Parking Lease Fund and used to service principal and interest payments on the Mall Bonds in the amount of \$698,000 and fees retained by the State for administration in the amount of \$151,000.

Sales and Use Tax by Major Industry Group			
Major Industry	Fiscal Year 2020/21	Fiscal Year 2021/22	Percent Change
Autos and Transportation	\$ 5,317,291	\$ 5,740,856	8%
Building and Construction	980,016	1,020,744	4%
Business and Industry	675,418	751,093	11%
Food and Drugs	837,496	850,521	2%
Fuel and Service Stations	1,030,854	1,649,310	60%
General Consumer Goods	4,119,305	4,979,752	21%
Restaurants and Hotels	1,856,274	2,387,303	29%
Countywide Pool	3,220,424	3,322,297	3%
Total	\$ 18,037,078	\$ 20,701,876	15%

(Unaudited)

While all industry groups have improved over the prior year, sales in the Business and Industry and General Consumer Goods categories are still below pre-pandemic levels.

- Other Taxes:** Includes Property Transfer Tax, Transient Occupancy Tax (TOT) and Franchise Taxes, which comprise 63% of this category. Revenue for Franchise Taxes exceeded projections by \$0.8 million due to the franchise fee increase in the waste hauler franchise agreement effective January 1, 2021. Property Transfer Tax exceeded projections by \$200,000. Revenue for TOT exceeded projections by \$177,000 as occupancy levels in hotels rose to almost equal the levels seen prior to the pandemic.
- Licenses & Permits:** Includes building and engineering permits, which comprise 99% of the budget, and other miscellaneous licenses and permits. Actual revenue came in \$34,000 higher than projections.
- Intergovernmental:** Includes federal, state and local grant revenues, including Homeowner’s Property Tax Relief (HOX) apportionment, vehicle license fees and state mandated reimbursement revenue. Actual revenue fell below projections by \$177,000. The City is expecting \$300,000 through a LEAP grant for the partial funding of the Land Management software implementation. Reimbursement for this grant will be sought during FY 2022/23.

- Charges for Services:** Includes various plan check and zoning related fees and recreation fees collected at the Community Center and recreation and tennis centers. Actual plan checks and zoning related fees exceeded projections by almost \$500,000. Recreation fees exceeded projections by \$410,000 as recreation facility operating hours, program offerings and memberships continue to rebound following the pandemic.
- 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. Actual revenue in this category exceeded projections by almost \$135,000.
- Use of Money and Property:** Includes realized and unrealized investment income, rental fees on cell towers and rental and concession fees on recreational facilities. Actual revenue fell below projections by \$744,000. This result is due to the recognition of unrealized losses. Due to an increasing interest rate environment, investments currently held by the City reflected a decrease in market value on June 30, 2022 of a little more than \$1.0 million. The City tends to hold investments to maturity and does not expect to experience actual losses on these investments. Actual rents and concession revenue of \$1.1 million, exceeded projections by \$189,000.
- Other revenue:** Includes reimbursements, donations and other miscellaneous revenue. Overall this category exceeded projections by \$6,200.
- Transfers In:** Includes transfers in from the ARPA Fund in the amount of \$0.9 million for reimbursement of operating expenditures, including COVID cleaning costs, funding for the Kid’s Factory program, Jeronimo slope rehabilitation, cybersecurity improvements and personnel costs for recreation staff.

GENERAL FUND OPERATING EXPENDITURES

As previously stated, actual General Fund operating expenditures for all program areas were \$4.5 million less than budget.

General Fund Operating Expenditures by Program Area			
Program Area	Budget	YTD Actual	%
General Government - Legislative	\$ 802,600	\$ 786,331	98%
General Government - Mgmt and Support	11,228,086	9,911,142	88%
Public Safety	22,729,651	21,697,585	95%
Community Development	4,132,695	3,844,785	93%
Engineering and Transportation	2,388,127	2,260,878	95%
Infrastructure Maintenance	21,937,868	20,631,537	94%
Recreation/Community/Library Services	5,468,099	5,075,144	93%
Total	\$ 68,687,126	\$ 64,207,402	93%

(Unaudited)

After reducing this amount by the anticipated re-appropriation of both encumbered and unencumbered amounts of \$2.3 million to FY 2022-23, the operating budget savings is \$2.2 million.

General Fund Operating Savings by Program Area			
Program Area	Positive Budget Variance	FY 22/23 Appropriation Carryover	FY 21/22 Operational Savings
General Government - Legislative	\$ 16,269	\$ 90,190	\$ (73,921)
General Government - Mgmt and Support	1,316,944	913,042	403,902
Public Safety	1,032,066	88,427	943,639
Community Development	287,910	97,601	190,309
Engineering and Transportation	127,249	32,440	94,809
Infrastructure Maintenance	1,306,331	980,735	325,596
Recreation/Community/Library Services	392,955	119,984	272,971
Total	\$ 4,479,724	\$ 2,322,419	\$ 2,157,305

(Unaudited)

AMERICAN RESCUE PLAN ACT EXPENDITURES

The City received a direct allocation 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. The first distribution was received in May 2021 and the balance was received on June 6, 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 June 30, 2022.

American Rescue Plan Budget and Expenditures			
Source	Budget	YTD Actual	%
CIP Budget			
Aquatics Center Sales Bldg	\$ 300,000	\$ 134,279	45%
Coronado Park Playground Rehab	550,000	350,408	64%
Marty Russo Park Lights	1,000,000	80,730	8%
Operating Budget			
Kid's Factory	718,045	421,562	59%
COVID Cleaning	420,100	89,925	21%
Jeronimo Slope Rehabilitation	228,000	95,930	42%
Library staffing	176,780	176,780	100%
Cybersecurity Improvements	150,000	135,426	90%
Recreation Staffing	134,376	134,376	100%
MAC Dive Tower Repairs	100,000	19,241	19%
Other COVID Response Exp.	-	13,521	n/a
Totals	\$ 3,777,301	\$ 1,652,178	44%

(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 \$26,406,180 for total CIP appropriations of \$58,950,205. Approximately 34% of the CIP budget has been expended at June 30, 2022. Expenditures by project 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	406,154	13%
16226	Oso/I-5 Northbound On-Ramps Improvements	2,422,305	165,278	7%
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	15,756,693	-	0%
18236	Felipe/Olympiad TSSP	88,035	1,257	1%
19240	Los Alisos Traffic Signal Synchronization	294,816	1,200	0%
20242	I-5 Sound Wall Madrid Fore	3,829,607	83,206	2%
20243	Storm Drain Atlas Update	30,000	-	0%
20245	Lower Curtis Park	1,095,604	27,303	2%
20314	Montanoso Rehabilitation	1,161,241	398,469	34%
20326	Marguerite Aquatics Pool Chiller	7,375	-	0%
21246	Jeronimo/Marguerite Intersection Improvement	598,953	568,759	95%
21248	Site C Grading	20,941	-	0%
21327	Bicycle Corridor Improvement Program	270,475	4,625	2%
21328	Coronado Park Play Area Rehab	949,028	640,149	67%
21329	Storage Barn	143,293	137,507	96%
21330	Barcelona Retaining Walls	82,218	77,645	94%
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	217,589	95%
22331	Marty Russo Youth Athletic Park Lights	1,000,000	80,729	8%
22332	Aquatics Center Sales Building	309,512	138,053	45%
22333	North Oso Creek Bike/Ped Open Space	100,000	32,980	33%
22336	Core Area Vision Reinvestment - Phase I	19,000,000	12,264,648	65%
22337	Oso Creek Golf Course Restroom	120,000	14,117	12%
22836	Sidewalk Repair Program	64,425	-	0%
22837	Arterial Highway Resurfacing	5,489,802	2,684,539	49%
22838	Residential Resurfacing Program	2,440,863	2,230,560	91%
Total		\$ 58,950,205	\$ 20,199,969	34%

(Unaudited)

Projects completed during the fiscal year include the Jeronimo/Marguerite Intersection Improvements, Barcelona Retaining Walls, Via Escolar Pavement Rehabilitation and the Storage Barn installation. It is the practice of the City to carry over all unspent appropriations for all active CIP's to the next fiscal year. Appropriations presented to the City Council on September 27, 2022 as part of the 2021-22 year-end close out report recommended the carry-over of \$38.6 million to fiscal year 2022-23.

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 for FY 2021/22 is \$19.0 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)

On February 22, 2022, the City Council approved additional appropriations to supplement the La Paz Bridge Rehabilitation and Road Widening project (CIP 07156) budget. Amendments included the recognition of reimbursement revenue from the Moulton Niguel Water District and a corresponding appropriation in the amount of \$100,000; recognition of another \$1.3 million of Federal Highway Bridge Program grant fund revenue and corresponding appropriation; and the re-appropriation of \$700,627 from the Residential Resurfacing program budget (CIP 22838), including \$330,051 from the Gas Tax Fund and \$370,576 from the Measure M2 Fund. (5-0 vote)

On March 8, 2022, the City Council approved the mid-year budget review adjustments, which included an increase to General Fund revenues of \$3.0 million, total General Fund operating budget appropriation increases of \$2.1 million, total other funds revenue increases of \$1.7 million; other funds appropriation increases of \$1.4 million; and a transfer out of \$439,000 from the CDBG Fund. (5-0 vote)

On March 22, 2022, the City Council approved the following appropriation amendments: \$656,000 to supplement the Lower Curtis Park project (CIP 20245) with \$511,000 transferred from the Arterial Highway Resurfacing program (CIP 22837) and \$145,000 from SB1 Fund reserves; a supplemental appropriation of \$138,543 for CIP 22837 from SB1 reserves; and a supplemental

appropriation of \$197,269 for CIP 22837 from Measure M2 reserves. (5-0 vote)

On June 28, 2022, the City Council approved a supplemental appropriation of \$42,000 for the Bicycle Corridor Improvement Program project using Measure M2 fund reserves. (5-0 vote)

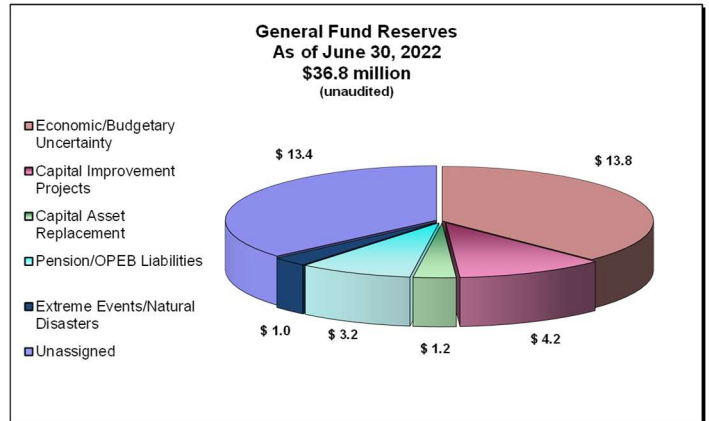
GENERAL FUND RESERVES

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 June 30, 2022 reserves are projected at \$36.8 million, which are 52.5% of 2021-22 General Fund projected 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 \$13.4 million.



OTHER FUNDS

Budget versus actual comparisons for both revenue and expenditures for all funds, excluding the General Fund and the Golf Course Fund, is presented below. Expenditures include both operating and capital improvement program budgets. Year-end financial information for the Golf Fund is reported in a separate report.

Revenues by Fund			
Fund	Budget	YTD Actual	%
Library	\$ 3,582,851	\$ 3,653,085	102%
Law Enforcement	201,000	233,093	116%
Building Homes & Jobs Act	722,000	206,683	29%
State Gas Tax	4,414,171	4,044,664	92%
CASp Certification & Training	6,000	6,415	107%
Air Quality Improvement Trust	125,660	126,670	101%
Project V	300,000	-	0%
Measure M	9,063,271	2,040,075	23%
Grants	13,258,148	1,152,961	9%
Developer Fees	6,072,944	4,888	0%
CARES Act Assistance	472,573	-	0%
ARPA	3,777,301	1,652,178	44%
Mall Parking Lease	698,314	673,955	97%
MV Television	523,430	408,165	78%
Animal Services	3,382,235	3,342,842	99%
Total	\$ 46,599,898	\$ 17,545,674	38%

(Unaudited)

Expenditures by Fund			
Fund	Budget	YTD Actual	%
Library	\$ 3,875,294	\$ 3,592,383	93%
Law Enforcement	200,000	196,624	98%
Building Homes & Jobs Act	474,515	350,510	74%
State Gas Tax	8,098,047	4,216,195	52%
CASp Certification & Training	13,760	13,760	100%
Air Quality Improvement Trust	132,400	5,273	4%
Project V	300,000	263,620	88%
Measure M	10,926,062	2,261,531	21%
Grants	13,076,634	743,917	6%
Developer Fees	6,859,417	1,172,313	17%
CARES Act Assistance	-	-	n/a
ARPA	3,777,301	1,652,178	44%
Mall Parking Lease	1,119,152	1,119,152	100%
MV Television	312,353	223,358	72%
Animal Services	3,613,358	3,142,968	87%
Total	\$ 52,778,293	\$ 18,953,782	36%

(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.