



Quarterly Financial Report

Third Quarter of FY 2021-22

City of Mission Viejo

REPORT OVERVIEW

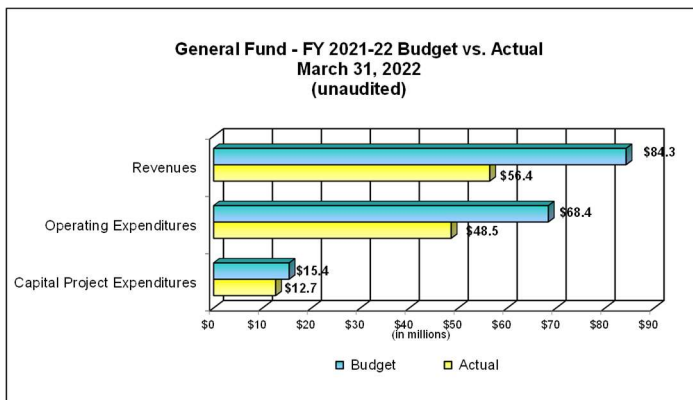
This report summarizes the City’s financial performance for the nine months ended March 31, 2022. Financial analysis for this report is provided for the General Fund, Capital Improvement Program and combined information for other City funds on a cash basis. Cash basis means that revenues are recognized 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 March 31, 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 75% of the year complete, General Fund revenues are trending at 67% while expenditures are trending at 71% 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 \$705,000 for reimbursement from Moulton Niguel Water District for work anticipated as part of the La Paz Road and Bridge Widening project, transfers in increased by \$12.3 million for reimbursement of Core Area Vision Plan project

costs and total revenue projections across all revenue categories was increased by \$3.0 million as part of the mid-year budget review. 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, \$0.7 million for an additional Section 115 Trust payment and \$1.7 million as part of the mid-year budget review. The capital projects budget of \$15.4 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 \$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	\$ 21,268,427	60%
Sales & Use Tax	17,889,104	11,341,945	63%
Other Taxes	4,636,000	2,748,365	59%
Licenses & Permits	2,430,900	2,079,777	86%
Intergovernmental	767,828	379,080	49%
Charges for Services	2,645,051	2,470,665	93%
Fines & Forfeitures	387,000	408,536	106%
Use of Money and Property	1,159,100	960,772	83%
Other	1,832,004	839,199	46%
Transfers In	17,167,278	13,902,994	81%
Total	\$ 84,254,184	\$ 56,399,760	67%

(Unaudited)

- Property Taxes:** 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 and second quarter sales and use tax revenues, and approximately 28% of revenue for the third quarter

through March 2022. The balance of third quarter allocations were received in April and May 2022.

- Other Taxes:** Includes Property Transfer Tax, Transient Occupancy Tax (TOT) and Franchise Fees, which comprise 61% 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 February, first and second quarter TOT and franchise fees and the third 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 third quarter, actual revenue is trending higher than budget at 86%.
- 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 49% of budget at March 31. \$195,000 was received from the County of Orange under the Waste Disposal Agreement. This category includes \$110,000 for HOX 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 51% of this category and are trending at 100% after the third quarter. Recreation fees represent 47% of this category and are trending at 86% of budget after the third 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 85% of budget after the third quarter. Actual forfeitures recognized for the year exceed budget by \$50,000.

- Use of Money and Property:** Includes realized and unrealized investment income, rental fees on cell towers and rental and concession fees on recreational facilities. Total rental and concession fees represent 83% of this category and are tracking at 93% of budget.
- Other Revenue:** Includes reimbursements, donations and other miscellaneous revenue. Reimbursements represent 91% of this category and are at 41% of budget after the third quarter. This category includes \$100,000 reimbursement from the City of San Juan Capistrano for the Via Escolar Pavement rehabilitation project and \$705,000 from Moulton Niguel Water District for the La Paz Bridge Widening project but have yet to be received.
- Transfers In:** Includes transfer in from the Community Development Financing Authority from the Mall Bond Rolling Reserve in the amount of \$1.3 million and transfers from the 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 Bond proceeds.

GENERAL FUND OPERATING EXPENDITURES

General Fund Operating Expenditures by Program Area			
Program Area	Budget	YTD Actual	%
General Government - Legislative	\$ 731,294	\$ 522,672	71%
General Government - Mgmt and Support	11,549,569	7,460,076	65%
Public Safety	22,705,581	18,895,414	83%
Community Development	3,763,591	2,586,467	69%
Engineering and Transportation	2,344,024	1,749,931	75%
Infrastructure Maintenance	21,873,300	13,776,908	63%
Recreation/Community/Library Services	5,396,673	3,523,659	65%
Total	\$ 68,364,032	\$ 48,515,127	71%

(Unaudited)

As of March 31, 2022, \$48.5 million or 71% of the General Fund operating budget had been expended and six of the seven program areas in the General Fund were at or below the expected level of 75% expended. For the Public Safety program, the Orange County Sheriff’s Department invoice for April services was processed in March reflecting ten months of expenditures through March 2022 causing this program area to trend higher than budget.

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 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 March 31, 2022.

American Rescue Plan Budget and Expenditures			
Source	Budget	YTD Actual	%
CIP Budget			
Aquatics Center Sales Bldg	\$ 300,000	\$ 31,676	11%
Coronado Park Playground Rehab	550,000	704	0%
Marty Russo Park Lights	1,000,000	56,014	6%
Operating Budget			
Kid's Factory	718,045	232,644	32%
COVID Cleaning	420,100	89,925	21%
Jeronimo Slope Rehabilitation	228,000	54,474	24%
Library staffing	176,780	176,780	100%
Cybersecurity Improvements	150,000	99,868	67%
Recreation Staffing	134,376	134,376	100%
MAC Dive Tower Repairs	100,000	17,250	17%
Other COVID Response Exp.	-	3,647	n/a
Totals	\$ 3,777,301	\$ 897,358	24%

(Unaudited)

CAPITAL IMPROVEMENT PROJECTS – ALL FUNDS

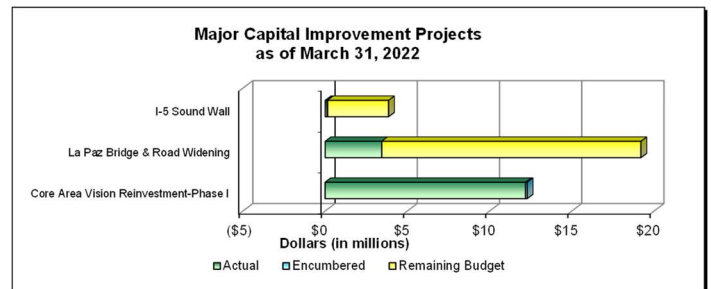
The Capital Improvement Program (CIP) budget is comprised of \$10,784,332 of appropriations approved in the FY 2021-22 budget and carryover appropriations in the amount of \$21,759,693, approved by the Council on July 13, 2021 and current year amendments of \$19,616,209 for total CIP appropriations of \$52,160,234. Approximately 36% of the CIP budget has been expended at the end of the third quarter.

Expenditures by project through March 31, 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	3,032,598	130,659	4%
16226	Oso/I-5 Northbound On-Ramps Improvements	2,422,305	99,337	4%
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	1,050	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	21,895	2%
20314	Montanoso Rehabilitation	1,161,241	70,420	6%
20326	Marguerite Aquatics Pool Chiller	7,375	-	0%
21246	Jeronimo/Marguerite Intersection Improvement	598,249	568,054	95%
21248	Site C Grading	941	-	0%
21327	Bicycle Corridor Improvement Program	228,475	3,762	2%
21328	Coronado Park Play Area Rehab	949,028	91,198	10%
21329	Storage Barn	143,293	137,507	96%
21330	Barcelona Retaining Walls	91,730	77,645	85%
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	217,448	95%
22331	Marty Russo Youth Athletic Park Lights	1,000,000	56,014	6%
22332	Aquatics Center Sales Building	300,000	31,676	11%
22333	North Oso Creek Bike/Ped Open Space	100,000	8,395	8%
22336	Core Area Vision Reinvestment - Phase I	12,271,571	12,175,809	99%
22337	Oso Creek Golf Course Restroom	120,000	6,050	5%
22836	Sidewalk Repair Program	67,969	-	0%
22837	Arterial Highway Resurfacing	5,489,802	2,611,285	48%
22838	Residential Resurfacing Program	2,438,481	2,223,156	91%
Total		\$ 52,160,234	\$ 18,641,025	36%

(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. A construction contract was awarded by the City Council on December 14, 2021. Start of construction has been delayed pending resolution of budgetary issues.

Core Area Vision Reinvestment – 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 for FY 2021/22 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)

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)

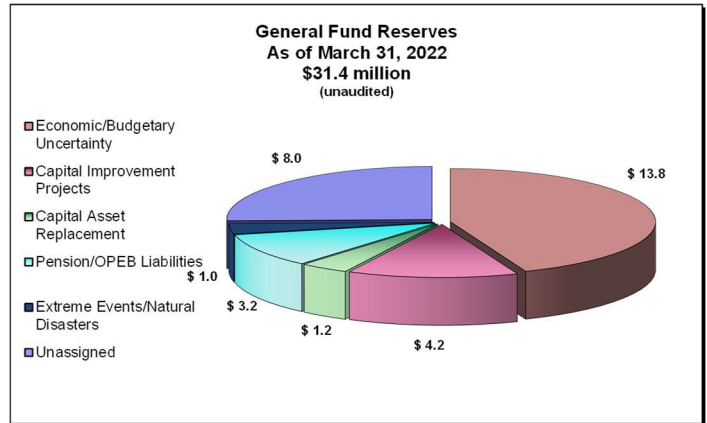
- Capital Asset Replacement (\$1.2 million) - to fund replacements of existing office equipment, vehicles, computers and office furnishings not planned for in adopted budgets.

The balance of unassigned reserves is \$8.0 million.

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 March 31, 2022 reserves are projected at \$31.4 million, which are 47.5% 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.



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	\$ 3,582,851	\$ 2,363,561	66%
Law Enforcement	201,000	200,166	100%
Building Homes & Jobs Act	722,000	206,683	29%
State Gas Tax	4,414,171	2,373,500	54%
CASp Certification & Training	6,000	4,888	81%
Air Quality Improvement Trust	125,300	60,578	48%
Project V	300,000	-	0%
Measure M	9,063,271	1,379,322	15%
Grants	13,258,148	656,457	5%
Developer Fees	6,072,944	3,316	0%
CARES Act Assistance	472,573	-	0%
ARPA	3,777,301	897,358	24%
Mall Parking Lease	698,314	696,434	100%
MV Television	523,430	225,200	43%
Golf	3,449,185	2,715,843	79%
Animal Services	3,382,235	2,667,497	79%
Total	\$ 50,048,723	\$ 14,450,803	29%

(Unaudited)

Expenditures by Fund			
Fund	Budget	YTD Actual	%
Library	\$ 3,875,294	\$ 2,617,836	68%
Law Enforcement	200,000	166,292	83%
Building Homes & Jobs Act	474,515	163,095	34%
State Gas Tax	8,098,047	3,797,885	47%
CASp Certification & Training	-	-	n/a
Air Quality Improvement Trust	132,040	3,650	3%
Project V	300,000	147,837	49%
Measure M	10,882,738	2,201,222	20%
Grants	13,076,634	557,021	4%
Developer Fees	6,859,417	331,368	5%
CARES Act Assistance	-	-	n/a
ARPA	3,777,301	897,358	24%
Mall Parking Lease	1,119,152	1,119,152	100%
MV Television	309,332	181,611	59%
Golf	3,754,649	2,596,703	69%
Animal Services	3,613,358	2,282,324	63%
Total	\$ 56,472,477	\$ 17,063,354	30%

(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.