



The Community Development Financing Authority of the City of Mission Viejo

Treasurer's Annual Report

Fiscal Year Ended
June 30, 2023

Treasurer’s Annual Report

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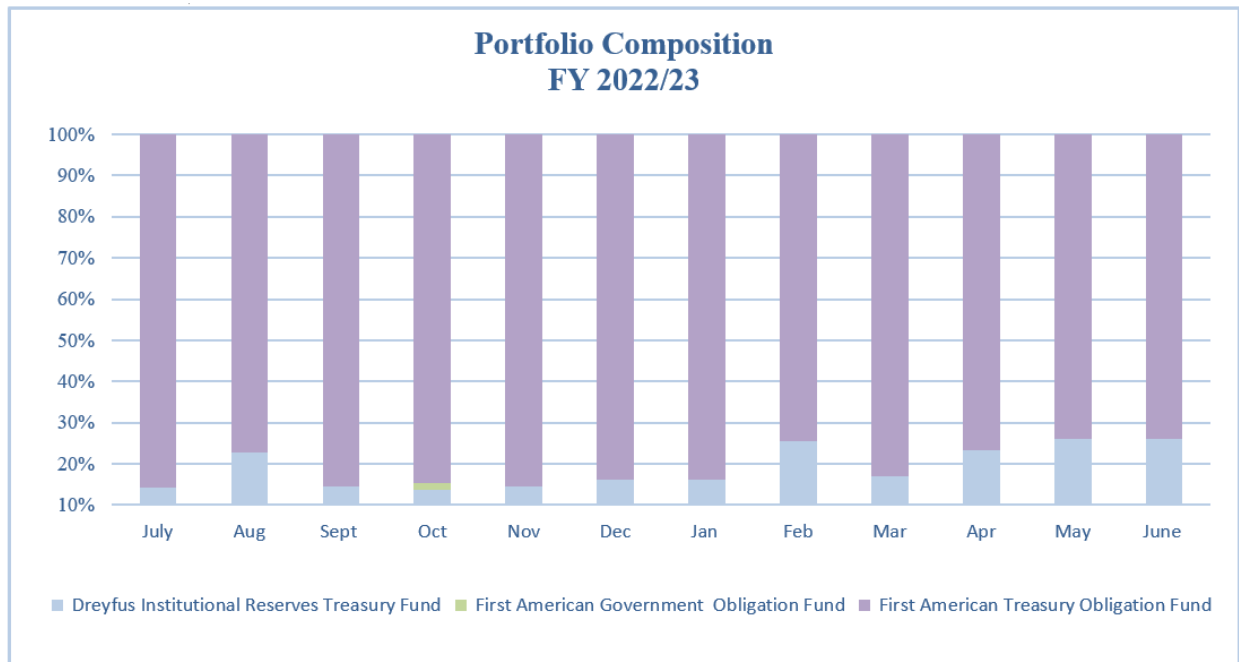
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INTRODUCTION

The Community Development Financing Authority of the City of Mission Viejo (Authority) was formed in June 1997 by the City and the former redevelopment agency. The purpose of the Authority is to serve as the issuer of bonds for the construction of capital facilities for the City.

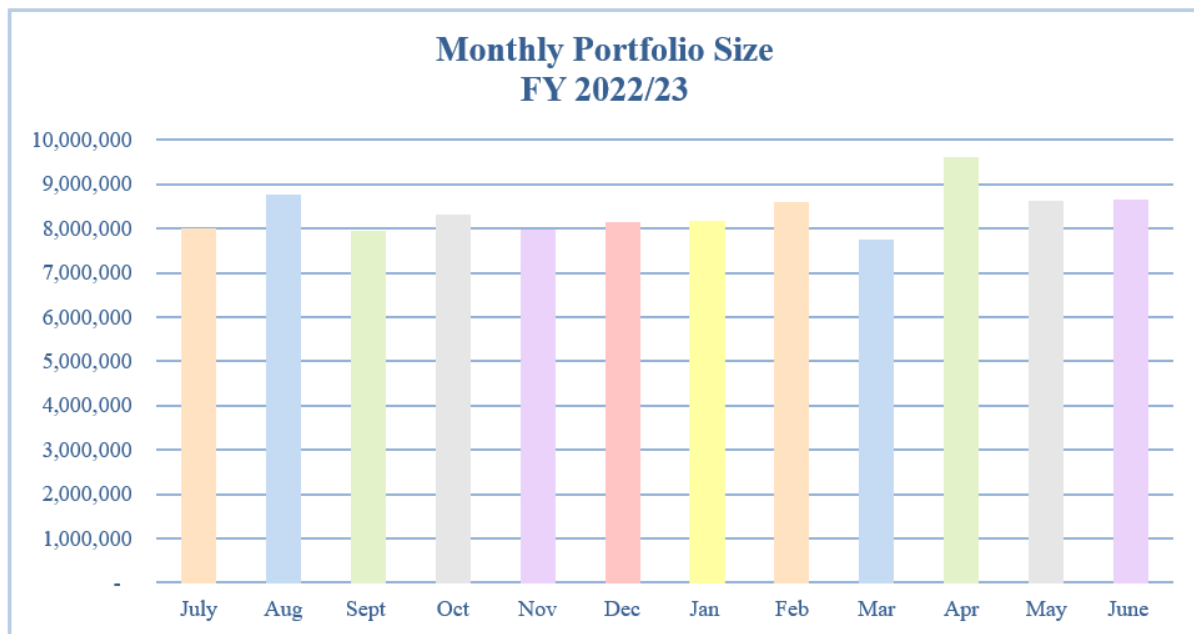
PORTFOLIO COMPOSITION AND SIZE

The portfolio of the Authority consists of bond proceeds and funds accumulated for the payment of bond debt service. The following chart illustrates the composition of the portfolio during fiscal year 2022/23. All 1999 Series A Mall Bonds resources are invested in Dreyfus and all 2016 Series Lease Revenue Refunding Bonds are invested in First American Government Obligation Fund and 2021 Series A and B Lease Revenue Refunding Bonds resources are invested in First American Treasury Obligation Fund.



At June 2023, the portfolio consisted of \$8,638,150 invested in Government Money Market Funds exclusively. Increases to the portfolio are primarily due to sales tax revenue, property tax increment, and lease payments from the City and the Successor Agency. Decreases are because of debt service payments to bondholders and rolling reserve releases to the City.

In December 2021, the CDFA issued the Series 2021 Bonds to implement the first phase of the Core Area Vision Plan Project, discussed further in the report. As a result, there was a large increase to the portfolio from November to December. Additionally, lease payments from the City were received in April for debt service payments in May. In regards to the 2016 Series Lease Revenue Refunding Bonds, lease payments were received from the City in October and April resulting in an increase to the portfolio. The annual principal payment was due in May and interest payments were due in November and May causing the portfolio to decrease. With respect to the 1999 Series A Mall Bonds, property tax increment was received in August and February. Sales tax revenue was received in September and February. Debt service payments were made in September and March resulting in decreases to the portfolio.



PERMITTED INVESTMENTS

The Authority’s Investment Policy directs all debt proceeds of the Authority and all funds accumulated for payment of debt service be placed in the hands of the Authority bond trustees. All such funds shall be invested in accordance with the investment objectives of the Authority; however, such funds are invested in accordance with permitted investment provisions of their specific bond indentures.

The Authority Investment Policy’s three major objectives are, in order of priority:

- 1) Safety of principal, in compliance with applicable laws
- 2) Maintain sufficient liquidity to meet cash flow needs
- 3) Attain a market average rate of return consistent with the primary objectives of safety and liquidity

The list of permitted investments under each debt issue is available upon request; however, the primary investment vehicles utilized by the Authority are money market funds invested in U.S. government securities. The 1999 Series A Mall Bonds are invested in the Dreyfus Institutional Reserves Treasury Fund. The fund is rated AAA by Standard & Poor and Aaa by Moody’s. The 2016 Series Lease Revenue Refunding Bonds are invested in First American Government Obligation Fund, which has been rated AAA by S & P and Aaa by Moody’s. The 2021 Series A and B Lease Revenue Refunding Bonds are invested in First American Treasury Obligation Fund, which has been rated AAA by S & P and Aaa by Moody’s.

FINANCING AUTHORITY DEBT

There were five outstanding debt issues during fiscal year 2022/23.

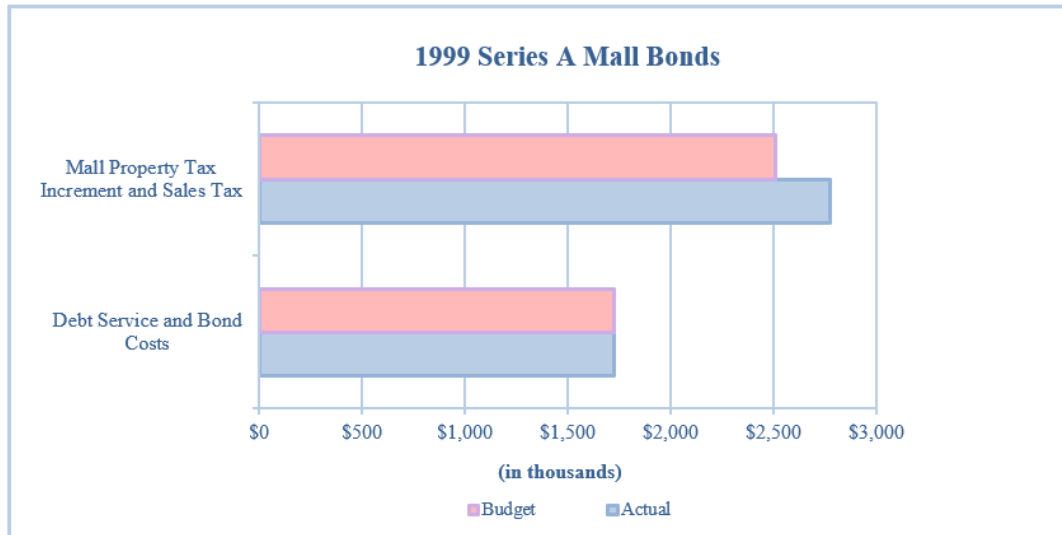
Bond Issue	Principal Outstanding at June 30, 2023
1999 Series A - Mall Parking Improvement Bonds	\$ 8,585,000
1999 Series B - Mall Parking Improvement Bonds	7,347,326
2016 Series - Lease Revenue Refunding Bonds	7,380,000
2021 Series A - Lease Revenue Bonds (Taxable)	12,530,000
2021 Series B - Lease Revenue Bonds (Tax-Exempt)	5,005,000
Total	\$ 40,847,326

1999 SERIES A MALL BONDS

On May 11, 1999, the Authority issued \$31,100,000 in bonds to finance a portion of the costs of acquisition, construction, installation and equipping of various public capital improvements to the Mission Viejo Mall (Shops at Mission Viejo). These bonds are paid from former redevelopment property tax increment and a portion of the sales tax revenue generated by the Shops at Mission Viejo.

On July 31, 2018, the bonds were converted to a fixed interest rate of 3.34% through a private placement with Opus Bank. The balance in the reserve fund at the time of conversion of \$2,234,922 was used to pay down the principal of the bond from \$17.2 million to \$15.24 million with a small amount of these resources used towards cost of issuance. Principal and interest payments for the

Series A bond issue of \$856,750 and \$865,227 were made on September 1, 2022 and March 1, 2023, respectively. The bonds will mature in September 2028.



Total inflows for the fiscal year were \$2.777 million, and is equal to \$1.722 million in mall generated property tax increment received from the Redevelopment Property Tax Trust Fund under redevelopment Dissolution Law for the July 1, 2022 to June 30, 2023 period and \$1.055 million in mall generated sales tax received from the City. The variance between budgeted and actual revenue was due to sales tax revenues recovering from the pandemic better than projected.

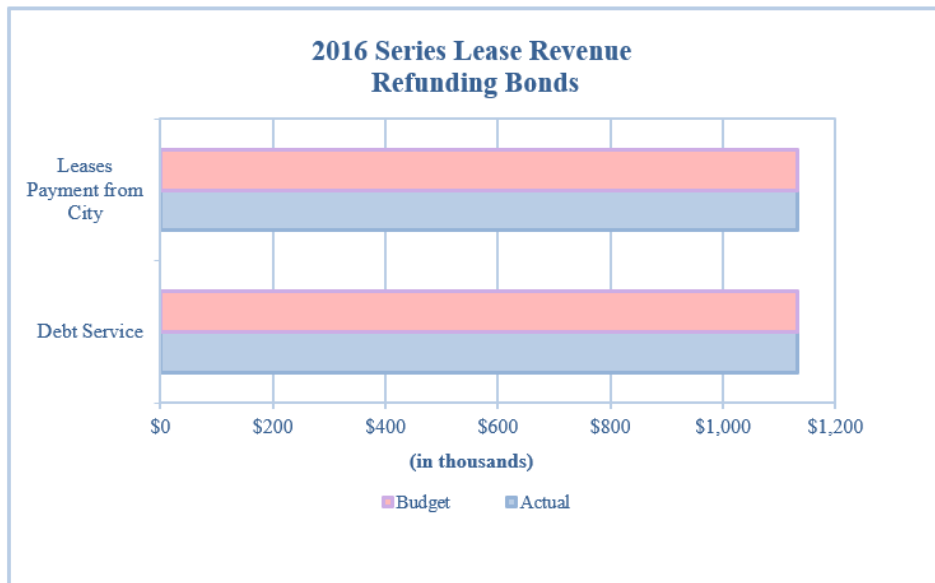
Each year, the excess of mall sales tax revenue not needed for debt service and bond costs in that year are placed in a “rolling reserve” fund by the bond trustee. These excess payments each year are required to remain in the rolling reserve fund for a one-year period of time to ensure the next bond year debt service payment. If these resources are not needed in the following bond year, they are released back to the City in October of each year. The funds returned to the City from the rolling reserve in April 2023 were \$186. The total amount of funds in the rolling reserve at June 30, 2023 are \$1,122,606. The City expects to receive this rolling reserve balance in October 2023.

1999 SERIES B SUBORDINATE LIEN TAXABLE REVENUE BONDS

On May 29, 1999, the Authority authorized \$10,000,000 and through June 30, 2023 issued \$7,347,326 in bonds to finance a portion of the costs of acquisition, construction, installation and equipping of various public capital improvements to the Mission Viejo Mall. Principal and interest are payable annually, subject to certain preconditions. If preconditions are met, debt service will likely be paid from future rolling reserve fund releases. If, in any year, mall tax increment and sales tax revenues are insufficient to pay principal and interest due, amounts shall remain due and payable. No debt service payments were required to be made during fiscal year 2022/23. These bonds mature on September 1, 2028, at which time, if any outstanding principal or accrued interest remains, such amounts shall cease to be payable.

2016 SERIES LEASE REVENUE REFUNDING BONDS

In July 2016, the Authority issued \$13,150,000 in bonds to advance refund the outstanding 2009 Series Lease Revenue Refunding Bonds. The purpose of this advanced refunding was to reduce its total debt service payments over the next 15 years by \$3.1 million. Debt service payments are funded from lease payments made from the City's General Fund to the Authority.

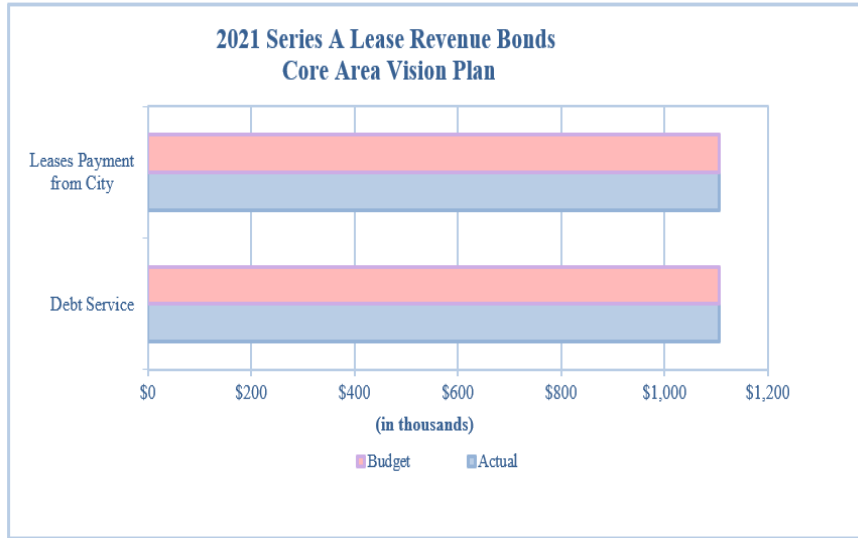


Lease payments received from the City for the fiscal year was \$1,131,513. The principal payment of \$875,000 for fiscal year 2022/23 was made on May 1, 2023. Interest payments are payable semi-annually on November 1 and May 1 of each fiscal year. Total interest payments made for the fiscal year were \$256,513.

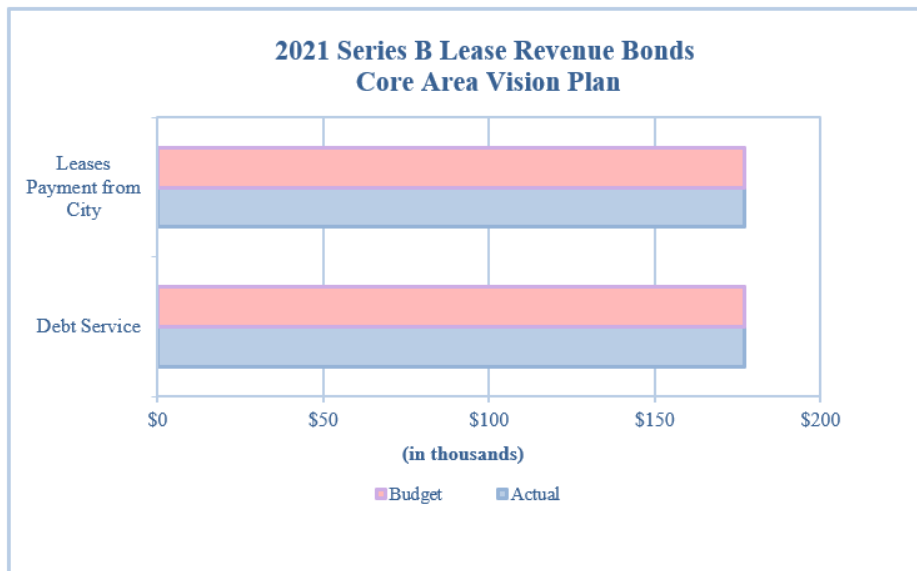
Due to our high bond rating, fiscal health, and strong management oversight, there is no debt service reserve required for these bonds.

2021 SERIES A (TAXABLE) AND SERIES B (TAX-EXEMPT) LEASE REVENUE BONDS

In December 2021, the Authority issued in the aggregate principal amount of \$18,595,000 in bonds to finance Phase 1 of the City's Core Area Vision Plan Project; \$13,590,000 of the bonds are taxable and \$5,005,000 are tax-exempt. The project included the acquisition of the former Stein Mart building and the acquisition, construction, and installation of certain capital improvements. Debt service payments are funded from lease payments made from the City's General Fund to the Authority. The 2021 Series A and Series B bonds will mature May 2041.



Lease payment received from the City for the Series A bonds for the fiscal year was \$1,104,480. The principal payment of \$780,000 was made on May 1, 2023. Interest payments are due semi-annually on November 1 and May 1 of each fiscal year. Total interest payment made for the fiscal year was \$324,499. The total Reimbursement for Project Costs transferred to the City was \$467,156 through March 31, 2023 for fiscal year 2022/23. The reimbursement estimate for the quarter ending June 30, 2023 is \$24,873.



Lease payment received from the City for the Series B bonds for the fiscal year was \$176,950. Interest payments on the bonds are due semi-annually on November 1 and May 1 of each fiscal year. Total interest payment made for the fiscal year was \$176,950. The first principal payment for the Series B bonds is due May 1, 2027. The total Reimbursement for Project Costs transferred

to the City was \$210,117 through March 31, 2023 for fiscal year 2022/23. The reimbursement estimate for the quarter ending June 30, 2023 is \$10,660.

RETURN ON INVESTMENT

Close of the accounting records for fiscal year 2022/23 is in progress. Interest earned from the 1999 Series A Mall Bonds and 2016 Series Lease Revenue Refunding Bonds investments are projected to be \$52,232 and \$290, respectively. Interest earned from the 2021 Series A and Series B Lease Revenue Bonds are projected to be \$150,893 and \$64,433, respectively.

ANTICIPATED CASH AND INVESTMENT ACTIVITY

The table below shows anticipated activity for fiscal year 2023/24. Large inflows are revenues and large outflows show principal and interest payments. The portfolio is expected to decrease by \$874,044.

	<u>1999 Series A & B</u>		<u>2016 Lease Revenue</u>		<u>2021 Series A</u>		<u>2021 Series B</u>		<u>Change to Portfolio</u>	
	<u>Inflows</u>	<u>Outflows</u>	<u>Inflows</u>	<u>Outflows</u>	<u>Inflows</u>	<u>Outflows</u>	<u>Inflows</u>	<u>Outflows</u>		
										Cash & Investments @ 6/30/23 \$ 8,638,150
July	2,500		8	-	10,298	-	4,417	-	17,223	8,655,373
August	860,870		8	-	10,298		4,417	-	875,593	9,530,966
September	469,946	858,370	8	-	10,298	156,275	4,417	66,975	(596,951)	8,934,016
October	2,500	1,122,606	119,515	-	169,314		92,892	-	(738,385)	8,195,631
November	2,500		8	119,506	10,298	159,016	4,417	88,475	(349,774)	7,845,856
December	2,500		8	-	10,297	156,275	4,417	66,975	(206,028)	7,639,828
January	868,929		8	-	10,297		4,417	-	883,651	8,523,479
February	469,945		8	-	10,297	156,275	4,416	66,975	261,416	8,784,895
March	2,500	866,429	9	-	10,297	-	4,416	-	(849,207)	7,935,688
April	2,500		1,024,515	-	954,314		92,892	-	2,074,221	10,009,909
May	2,500		9	1,024,507	10,297	944,016	4,416	88,475	(2,039,776)	7,970,133
June	2,500		9	-	10,297	156,275	4,416	66,975	(206,028)	7,764,105
Total	2,689,690	2,847,405	1,144,113	1,144,013	1,226,602	1,728,132	229,950	444,850	(874,045)	

INVESTMENT POLICY COMPLIANCE

As the Finance Officer of the Community Development Financing Authority of the City of Mission Viejo, I certify that I have complied with the annual Investment Policy adopted by the City Council effective September 13, 2022 and the bond indentures for each debt issue.

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Cheryl Dyas
Director of Administrative Services/
City Treasurer

Date