



Quarterly Financial Report

Second Quarter of FY 2022-23

City of Mission Viejo

REPORT OVERVIEW

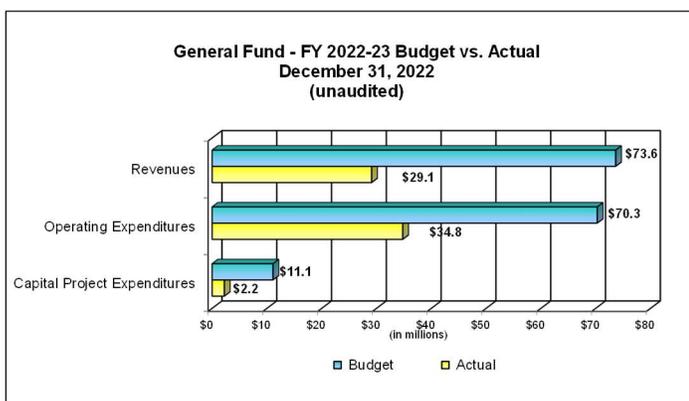
This report summarizes the City’s financial performance for the six months ended December 31, 2022. Financial analysis for this report is provided for the General Fund, Capital Improvement Program and combined information for other City funds on a cash basis. Cash basis means that revenues are recognized 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 December 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 50% of the year complete, General Fund revenues are at 40% of projections and expenditures are at 49%.



The FY 2022-23 adopted revenue budget is \$68.1 million with another \$4.7 million transfers in for total resources of \$72.8 million. The revenue budget has been amended another \$0.8 million through December 31, 2022. The adopted operating appropriations budget is \$66.6 million. The operating appropriations budget has been increased by \$2.3 million due to encumbrances and carryover appropriations and \$1.4 million for an additional Section

115 Trust payment and funding for a Local Hazard Mitigation Plan update. The capital projects budget of \$11.1 million includes funding for the Core Area Vision Plan project in the amount of \$6.7 million, \$0.9 million for the La Paz Road and Bridge Widening project, \$1.5 million for the Marty Russo Youth Athletic Park Field Lights project and \$1.4 million for the Madrid Fore Park Playground Rehabilitation.

GENERAL FUND REVENUE

General Fund Revenues/Inflows by Source			
Source	Budget	YTD Actual	%
Property Taxes	\$ 36,398,130	\$ 13,950,638	38%
Sales & Use Tax	19,046,000	6,928,068	36%
Other Taxes	5,063,500	1,660,628	33%
Licenses & Permits	2,288,380	1,223,242	53%
Intergovernmental	483,412	304,947	63%
Charges for Services	2,413,829	1,899,748	79%
Fines & Forfeitures	372,000	131,307	35%
Investment Earnings	200,000	161,061	81%
Rents & Concessions	1,031,851	576,115	56%
Other	1,570,791	244,567	16%
Transfers In	4,760,586	2,012,330	42%
Total	\$ 73,628,479	\$ 29,092,651	40%

(Unaudited)

- Property Taxes:** The FY 2022-23 budget estimate projected growth at 3.0% from the amended FY 2021-22 budget. The actual growth rate for secured and unsecured property is 5.63% for Mission Viejo, as reported by the Orange County Assessor on July 1, 2022. Due to the higher growth rate, the City is expecting \$1.1 million more in revenue over original projections. The property tax projection will be amended as part of the mid-year budget review. Included in the property taxes line item is Property Taxes in Lieu of VLF (in-lieu) in the amount of \$10.7 million, which will be received in two installments. The first distribution for in-lieu was received on January 12, 2023 in the amount of \$5.4 million. Also included in this budget category is \$500,000 for residual payments from the dissolution of the former redevelopment agency. The first residual distribution was received on December 29, 2022 in the amount of \$257,000.
- Sales and Use Tax:** The City has received 100% of first quarter sales and use tax revenues, and approximately 32% of revenue for the second quarter through December 2022. The City received the balance of first

quarter allocations in January and February. First and second quarter sales tax revenue exceeded budget by approximately \$644,000. The sales tax projection will be amended as part of the mid-year budget review.

- **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 property transfer taxes through November, first quarter TOT and franchise fees from all franchisees and second quarter franchise fees from SCE.
- **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 slightly higher than budget at 53%. Encroachment fees in this category are trending at 73%. Fees received from Trumark Co. for the Saddleback Place residential development at the corner of El Toro Road and Marguerite Parkway account for about 20% of these fees and another 20% are from Cox Communications for various development projects throughout the City.
- **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 63% of budget at December 31. \$189,000 was received from the County of Orange under the Waste Disposal Agreement. This category includes \$110,000 for HOX, with the first distribution received in December.
- **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 42% of this category and are trending at 84% after the second quarter. There are no specific large projects driving this increase. Building and planning activity is generally higher than projected for the year. Recreation fees represent 56% of this category and are trending at 76% of budget after the second quarter. Tennis fees are trending at 87% led by instruction or other class fees. Recreation class and membership fees are trending at 69%.
- **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 57% of budget after the second quarter. Deposit forfeitures are budgeted at \$145,000, however, actual forfeitures usually occur in the last few months of each fiscal year.
- **Investment Earnings:** Includes realized investment income from interest coupon payments for most investments and interest earnings on pooled deposit accounts. Investment earnings are tracking at 81% of budget after the second quarter.
- **Rents & Concessions:** Includes rental fees on cell towers and rental and concession fees on recreational facilities. Total rental fees from cell towers represent 62% of this category and are tracking at 48% of budget. Room and field rentals are tracking at 77% of budget.
- **Other Revenue:** Includes reimbursements, donations and other miscellaneous revenue. Reimbursements represent 90% of this category and are at 12% of budget after the second quarter. This category includes \$210,000 for redevelopment dissolution administrative allowance reimbursement, \$260,000 from Waste Management under the waste franchise agreement, \$85,000 from the Nadadores under the aquatics complex use agreement and a \$705,000 reimbursement from utility companies as part of the La Paz Road and Bridge Widening project. Also included in this category is the annual payment of \$79,000 from the Nadadores toward the cost of the dive tower as part of the aquatics complex rehabilitation. Actual revenue received to date includes \$45,000 from the Waste Management agreement, \$42,000 for energy rebates, \$42,770 from the Nadadores for utilities, \$59,473 from the Nadadores for the cost of the dive tower and \$11,000 for property damage reimbursements.
- **Transfers In:** Includes anticipated transfers in during the year from the American Rescue Plan Act (ARPA) Fund, the CDFIA 2021 Bond Fund for Core Area Vision Plan project costs and an anticipated transfer in during the third quarter from the excess Mall Bond sales tax in the amount of \$1.1 million. Transfers In received to date include \$1.9 million from the ARPA fund and \$90,000 for reimbursement of Core Area Vision Plan project costs.

GENERAL FUND OPERATING EXPENDITURES

General Fund Operating Expenditures by Program Area			
Program Area	Budget	YTD Actual	%
General Government - Legislative	\$ 851,934	\$ 645,988	76%
General Government - Mgmt and Support	12,908,744	5,822,054	45%
Public Safety	24,016,418	11,776,879	49%
Community Development	3,140,462	1,665,119	53%
Engineering and Transportation	2,413,509	1,089,762	45%
Infrastructure Maintenance	21,421,037	11,096,581	52%
Recreation/Community/Library Services	5,517,539	2,672,046	48%
Total	\$ 70,269,643	\$ 34,768,429	49%

(Unaudited)

As of December 31, 2022, \$34.8 million or 49% of the General Fund operating budget had been expended and four of the seven program areas in the General Fund were below the expected level of 50% expended. Two of the remaining program areas are trending just slightly above 50% with one area trending at 76%. In the General Government – Legislative program area, total legal expenditures incurred is at 263% of budget. The mid-year budget review amendment will include an increase to the legal budget.

AMERICAN RESCUE PLAN ACT EXPENDITURES

The City has received direct allocations 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 in May 2021 and June 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 2022-23, \$3.9 million of the City’s allocation was appropriated. Another \$1.5 million has been carried over from the prior year to continue programs and projects budgeted as part of FY 2021-22. The following chart demonstrates how the funds were budgeted in the current fiscal year and actual expenditures to date through December 31, 2022.

American Rescue Plan Budget and Expenditures			
Source	Budget	YTD Actual	%
CIP Budget			
Aquatics Center Sales Bldg	\$ 165,721	\$ 165,721	100%
Coronado Park Playground Rehab	199,592	199,592	100%
Library Roof Underlay Repl.	274,260	-	0%
Madrid Fore Playground Rehab	1,400,000	25,536	2%
Marty Russo Park Lights	1,519,271	1,245,488	82%
Operating Budget			
City Hall HVAC Replacement	175,000	-	0%
Cybersecurity Improvements	14,574	-	0%
Homeless Liaison Officer Truck	70,000	-	0%
Kid's Factory	125,000	28,673	23%
Jeronimo Slope Rehabilitation	457,070	-	0%
MAC Dive Tower Repairs	157,758	157,758	100%
Marguerite Tennis Court Resurf.	90,000	79,858	89%
OCSO Contract	636,116	-	0%
Permit Software Implementation	65,000	-	0%
Police Motorcycle Replacement	30,000	-	0%
Recreation Center Equipment	25,000	8,931	36%
Sunrise Park Engineering Svcs	40,000	-	0%
Other COVID Response Exp.	-	10,432	n/a
Totals	\$ 5,444,362	\$ 1,921,989	35%

(Unaudited)

CAPITAL IMPROVEMENT PROJECTS – ALL FUNDS

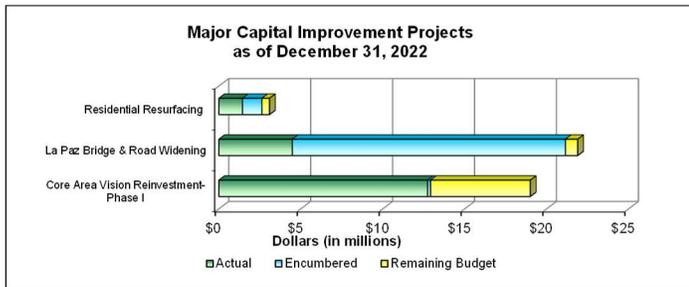
The Capital Improvement Program (CIP) budget is comprised of \$8,220,191 of appropriations approved in the FY 2022-23 budget and carryover appropriations in the amount of \$38,646,436, approved by the Council on June 14, 2022 and current year amendments of \$690,955 for total CIP appropriations of \$47,557,582. Approximately 13% of the CIP budget has been expended at the end of the second quarter.

Expenditures by project through December 31, 2022 are summarized in the following table:

Capital Improvement Program Expenditures				
CIP #	Project Description	Budget	YTD Actual	%
01756	La Paz Bridge & Road Widening	\$ 18,457,272	\$ 1,044,621	6%
13214	Oso Parkway Corridor Signal Sync. Pjct.	1,721	-	0%
16224	Felipe/Oso Intersection Improvements	2,626,444	12,116	0%
16226	Oso/I-5 Northbound On-Ramps Improvements	2,257,027	102,091	5%
16227	Alicia Parkway Traffic Signal Sync. Project	1,837	-	0%
17231	El Toro Corridor TSSP	10,290	-	0%
18236	Felipe/Olympiad TSSP	86,778	-	0%
19240	Los Alisos Traffic Signal Synchronization	293,616	355	0%
20242	I-5 Sound Wall Madrid Fore	3,746,401	-	0%
20243	Storm Drain Atlas Update	30,000	13,892	46%
20245	Lower Curtis Park	1,068,301	25,171	2%
20314	Montanoso Rehabilitation	762,772	754,400	99%
21246	Jeronimo/Marguerite Intersection Improvement	30,194	-	0%
21248	Site C Grading	941	-	0%
21327	Bicycle Corridor Improvement Program	265,850	95,182	36%
21328	Coronado Park Play Area Rehab	308,879	291,201	94%
22249	Civic Center EV Charging Stations	117,042	-	0%
22250	Catch Basin Debris Screens Lake Area	200,000	200,000	100%
22251	Santa Margarita Parkway TSSP	94,500	1,742	2%
22252	Via Escolar Pavement Rehabilitation	12,411	-	0%
22331	Marty Russo Youth Athletic Park Lights	1,519,271	1,245,488	82%
22332	Aquatics Center Sales Building	171,459	167,790	98%
22333	North Oso Creek Bike/Ped Open Space	67,020	832	1%
22336	Core Area Vision Reinvestment - Phase I	6,735,352	468,888	7%
22337	Oso Creek Golf Course Restroom	185,883	142,191	76%
23253	Catch Basin Notherly Area	200,000	-	0%
23254	Crown Valley Parkway TSSP	174,450	-	0%
23255	Audible Ped Push Button Systems	248,200	-	0%
23334	Madrid Fore Park Playground Rehab	1,400,000	25,536	2%
23335	Library Roof Underlay Replacement	400,000	-	0%
23338	Event Barn at Oso Creek Golf Course	425,000	-	0%
23836	Sidewalk Repair Program	25,000	-	0%
23837	Arterial Highway Resurfacing	2,550,847	7,236	0%
23838	Residential Resurfacing Program	3,082,824	1,440,322	47%
Total		\$ 47,557,582	\$ 6,039,054	13%

(Unaudited)

The chart below shows project-to-date (project inception) spending on the City’s three largest active capital improvement projects for FY 2022-23.



Residential Resurfacing – The 2022 program will provide new asphalt overlay for approximately 33 streets with the remaining streets resurfaced with a slurry seal for areas 1, 2, 3 and 4. These areas encompass all residential streets bounded by the I-5 freeway, Los Alisos Boulevard, Jeronimo Road, Marguerite Parkway and La Paz Road and Veterans Way. The construction contract for the asphalt overlay was awarded on July 12, 2022 with work substantially completed by end of October 2022. The slurry seal contract was awarded on February 14, 2023. Work is expected to begin in March with completion in June 2023.

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 July 12, 2022 and construction began in January 2023.

Core Area Vision Reinvestment – This project includes the purchase and redevelopment of the former Stein Mart property as a park and community facility combined with retail space. 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 original cost projection was approximately \$46 million. Phase I of the project includes the purchase of the property and easements, collaborative design team and other planning costs. The initial contracts for the collaborative design team were awarded on September 14, 2021. The purchase of the property was finalized on November 24, 2021.

APPROPRIATION BUDGET AMENDMENTS – ALL FUNDS

On July 12, 2022, the City Council approved additional appropriations in the amount of \$2,697,892 for the La Paz Road and Bridge Widening Project. This total appropriation is offset by additional Federal Highway Bridge Program grant funds (fund 258) in the amount of \$472,256, additional project reimbursement revenue from the Santa Margarita Water District (fund 101) in the amount of \$218,700 and a transfer of appropriations from the Arterial Highway Resurfacing project of \$175,481 from the Gas Tax Fund and \$1,831,455 from the Measure M2 fund. (5-0 vote)

On July 12, 2022, the City Council approved an appropriation in the amount of \$67,364 for the preparation of the Local Hazard Mitigation Plan Update. Funding for this update will come from a FEMA Local Hazard Mitigation grant. (5-0 vote)

On September 27, 2022, the City Council approved the carryover of appropriations as part of the FY 2021-22 close out process. Carryovers in the General Fund operating budget total \$1,121,200 to re-appropriate as follows: \$87,000 for legal services as additional resources for on-

going legal matters; \$2,500 in Elections as additional resources for advertising; \$7,885 in Public Information as additional resources for postage for the MV Life publication; \$37,000 in Human Resources for executive management development and employee recognition; \$408,265 in Information Technology to facilitate various projects, including completion of land management software implementation, citywide replacement of phone system and closed captioning services for council meeting; \$5,000 in Patrol Services for e-bikes; \$39,961 in Advance Planning to supplement resources for a Housing Element consultant; \$27,000 in Park Maintenance for Pinecrest and Linda Vista Parks playground rubberized surfacing repair and replacement; \$11,000 in Street Maintenance for a new vehicle lease; \$11,000 in Facilities Maintenance for a new vehicle lease; \$230,000 in NPM Facilities Maintenance to replace Sycamore Room sound and protection system; \$181,789 in the Aquatics Facility Maintenance for ongoing repairs to the dive tower; \$5,000 in Recreation Administration for additional Marine Adoption Committee support; \$3,000 in NPM Recreation program to purchase two projectors; \$64,800 in Cultural Services for various programming; \$144,500 in the Library Fund to increase the library materials budget, provide supplies for 25th Anniversary gala, and ADA related modifications; \$46,483 in the SB2 Fund for continued use for SB2 approved budget; \$24,236 in the Crown Valley Corridor Fee Fund for improvements along Crown Valley Parkway; \$228,445 in the CDBG fund for continued use of Coronavirus grant resources; and \$45,000 in the CDBG fund for a NPM restroom modification for ADA accessibility; \$166,700 in the Animal Services Fund to purchase 4 new control vehicles and other miscellaneous repairs and equipment replacements. (5-0 vote)

On September 27, 2022 the City Council approved the appropriation of \$1.3 million as an additional contribution to the Section 115 Pension Trust Fund. (5-0 vote)

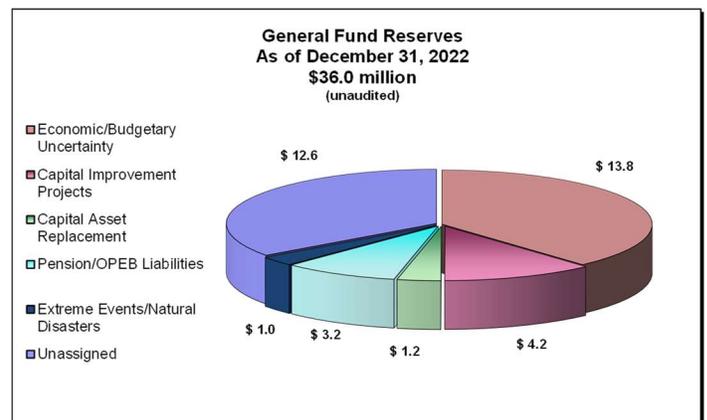
DISCRETIONARY RESERVES

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, 2022 reserves are projected at \$36.0 million, which are 50.3% of projected 2022-23 General Fund revenue. 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 \$12.6 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.

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.

Revenues by Fund			
Fund	Budget	YTD Actual	%
Library	\$ 3,886,074	\$ 1,959,330	50%
Law Enforcement	201,000	157,826	79%
Building Homes & Jobs Act	206,000	-	0%
State Gas Tax	4,694,031	1,614,239	34%
Accessibility Compliance	6,000	3,103	52%
Air Quality Improvement Trust	125,300	30,632	24%
Project V	300,000	-	0%
Measure M	9,206,991	817,957	9%
Grants	12,988,344	997,210	8%
Developer Fees	6,072,944	389,688	6%
Opioid Settlement	-	16,138	n/a
ARPA	3,932,376	1,921,989	49%
Mall Parking Lease	785,032	22,479	3%
MV Television	534,430	162,102	30%
Golf	4,946,000	2,154,424	44%
Animal Services	3,698,064	2,043,119	55%
Total	\$ 51,582,586	\$ 12,290,236	24%

(Unaudited)

Expenditures by Fund			
Fund	Budget	YTD Actual	%
Library	\$ 4,482,644	\$ 1,973,805	44%
Law Enforcement	200,000	99,750	50%
Building Homes & Jobs Act	330,005	93,360	28%
State Gas Tax	7,660,987	1,771,506	23%
CASp Certification & Training	-	-	n/a
Air Quality Improvement Trust	348,990	1,667	0%
Project V	300,000	103,327	34%
Measure M	10,278,347	395,223	4%
Grants	13,039,410	1,048,582	8%
Developer Fees	5,687,095	875,917	15%
Opioid Settlement	-	-	n/a
ARPA	3,932,376	1,921,989	49%
Mall Parking Lease	1,887,316	156,547	8%
MV Television	306,230	129,640	42%
Golf	4,721,194	2,279,599	48%
Animal Services	3,914,306	1,654,354	42%
Total	\$ 57,088,900	\$ 12,505,266	22%

(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