



# Quarterly Financial Report

Third Quarter of FY 2022-23

City of Mission Viejo

## REPORT OVERVIEW

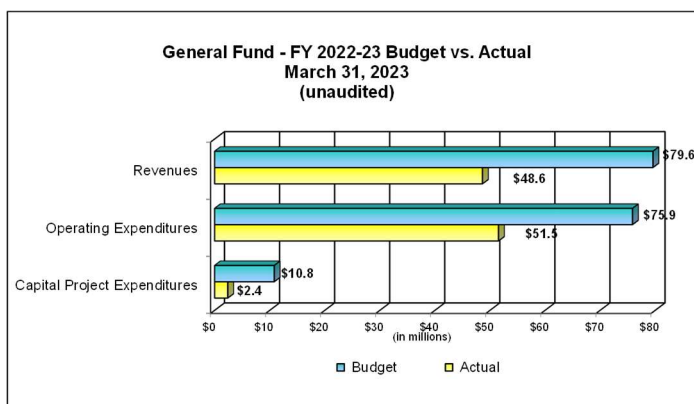
This report summarizes the City’s financial performance for the six months ended March 31, 2023. Financial analysis for this report is provided for the General Fund, Capital Improvement Program and combined information for other City funds on a cash basis. Cash basis means that revenues are recognized 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, 2023.

## 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 at 61% of projections and expenditures are at 68%.



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 \$6.8 million through March 31, 2023. 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 amended \$7.0 million during the fiscal year, including approximately \$1.0 million for an additional Section

115 Trust payment and \$4.0 million for the City’s cost share of the construction of the Corp Yard Administration and Storage Building Facility. The capital projects budget of \$10.8 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, \$1.2 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	\$ 37,544,130	\$ 22,729,835	61%
Sales & Use Tax	19,845,206	12,443,981	63%
Other Taxes	5,019,424	3,120,800	62%
Licenses & Permits	2,357,100	1,884,249	80%
Intergovernmental	545,480	438,867	80%
Charges for Services	3,291,269	3,038,821	92%
Fines & Forfeitures	372,000	498,525	134%
Investment Earnings	400,000	322,432	81%
Rents & Concessions	1,127,851	908,349	81%
Other	1,745,488	672,060	39%
Transfers In	7,345,517	2,568,270	35%
<b>Total</b>	<b>\$ 79,593,465</b>	<b>\$ 48,626,189</b>	<b>61%</b>

(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. The property tax projection was increased \$1.1 million 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 and second quarter sales and use tax revenues, and approximately 33% of revenue for the third quarter through March 2023. First and second quarter sales tax revenue exceeded budget by approximately \$644,000

and the sales tax projection was increased \$0.8 million as part of the mid-year budget review.

- Other Taxes:** Includes Property Transfer Tax, Transient Occupancy Tax (TOT) and Franchise Fees, which comprise 63% 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 February, TOT through December 31, 2022 and first and second quarter franchise fees from all franchisees and third 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 third quarter, actual revenue is trending slightly higher than budget at 80%. Encroachment fees in this category are trending at 84%.
- 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 80% of budget at March 31. \$189,000 was received from the County of Orange under the Waste Disposal Agreement. Approximately 50% of \$110,000 HOX revenue has been received to date.
- 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 104% after the third 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 57% of this category and are trending at 89% of budget after the third quarter. Tennis fees are trending at 79% led by instruction or other class fees. Recreation class and membership fees are trending at 95%.
- 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. This category is tracking at 134% of budget after the third quarter.

- Investment Earnings:** Includes realized investment income from interest coupon payments for most investments and interest earnings on pooled deposit accounts. Investment earning are tracking at 81% of budget after the third quarter.
- Rents & Concessions:** Includes rental fees on cell towers and rental and concession fees on recreational facilities. Total rental fees from cell towers represent 56% of this category and are tracking at 69% of budget. Room and field rentals are tracking at 104% of budget.
- Other Revenue:** Includes reimbursements, donations and other miscellaneous revenue. Reimbursements represent 89% of this category and are at 33% of budget after the third 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 \$170,000 from the Waste Management agreement, \$89,100 from Santa Margarita Water District related to the Residential Resurfacing street program, \$161,000 for energy rebates, \$64,155 from the Nadadores for utilities, and \$64,155 from the Nadadores for the cost of the dive tower.
- Transfers In:** Includes anticipated transfers in during the year from the ARPA Fund and CDFA 2021 Bond Fund for Core Area Vision Plan project costs. Transfers In received to date include \$2.0 million from the ARPA fund and \$559,000 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	\$ 1,340,357	\$ 1,114,434	83%
General Government - Mgmt and Support	12,128,184	8,040,108	66%
Public Safety	23,868,117	17,885,325	75%
Community Development	3,219,970	2,328,673	72%
Engineering and Transportation	2,543,120	1,885,499	74%
Infrastructure Maintenance	26,540,353	16,040,855	60%
Recreation/Community/Library Services	6,234,960	4,241,699	68%
<b>Total</b>	<b>\$ 75,875,061</b>	<b>\$ 51,536,593</b>	<b>68%</b>

(Unaudited)

As of March 31, 2023, \$51.5 million or 68% of the General Fund operating budget had been expended and six of the seven program areas in the General Fund were below the expected level of 75% expended. In the General Government – Legislative program area, total legal expenditures incurred is at 93% of budget and with the payment of \$109,282 to the County of Orange for the City Council election, the Elections program budget is at 92% of 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. The FY 2022-23 amended ARPA budget is \$7.8 million. The following chart demonstrates how the funds were budgeted in the current fiscal year and actual expenditures to date through March 31, 2023.

American Rescue Plan Budget and Expenditures			
Source	Budget	YTD Actual	%
<b>CIP Budget</b>			
Aquatics Center Sales Bldg	\$ 165,721	\$ 165,721	100%
Coronado Park Playground Rehab	199,592	199,592	100%
Madrid Fore Playground Rehab	1,400,000	57,077	4%
Marty Russo Park Lights	1,245,488	1,245,488	100%
<b>Operating Budget</b>			
City Hall HVAC Replacement	175,000	967	1%
Homeless Liaison Officer Truck	70,000	-	0%
Kid's Factory	125,000	49,398	40%
Jeronimo Slope Rehabilitation	457,070	27,369	6%
MAC Dive Tower Repairs	157,758	157,758	100%
Marguerite Tennis Court Resurf.	79,858	79,858	100%
OCSO Contract	436,116	-	0%
Oso Creek Water Reclamation Plant	3,125,000	-	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.	23,430	16,882	72%
<b>Totals</b>	<b>\$ 7,755,033</b>	<b>\$ 2,009,041</b>	<b>26%</b>

(Unaudited)

**CAPITAL IMPROVEMENT PROJECTS – ALL FUNDS**

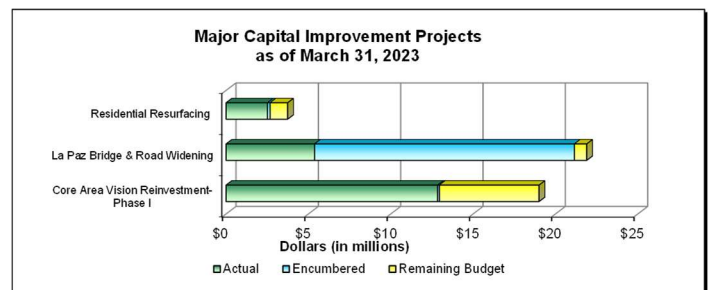
The Capital Improvement Program (CIP) budget is comprised of \$8,220,191 of appropriations approved in the FY 2022-23 budget and carryover appropriations in the amount of \$38,646,436, approved by the Council on June 14, 2022 and current year amendments of \$(349,862) for total CIP appropriations of \$46,516,765. Approximately 18% of the CIP budget has been expended at the end of the third quarter.

Expenditures by project through March 31, 2023 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	\$ 1,939,197	11%
13214	Oso Parkway Corridor Signal Sync. Pjct.	1,721	-	0%
16224	Felipe/Oso Intersection Improvements	2,626,444	64,181	2%
16226	Oso/I-5 Northbound On-Ramps Improvements	2,257,027	111,209	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	415	0%
20242	I-5 Sound Wall Madrid Fore	3,746,401	10,919	0%
20243	Storm Drain Atlas Update	30,000	19,214	64%
20245	Lower Curtis Park	1,068,301	27,458	3%
20314	Montanoso Rehabilitation	762,772	758,337	99%
21246	Jeronimo/Marguerite Intersection Improvement	30,194	-	0%
21248	Site C Grading	941	-	0%
21327	Bicycle Corridor Improvement Program	265,850	164,677	62%
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	2,390	3%
22252	Via Escolar Pavement Rehabilitation	12,411	-	0%
22331	Marty Russo Youth Athletic Park Lights	1,245,488	1,245,488	100%
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	577,024	9%
22337	Oso Creek Golf Course Restroom	185,883	142,191	76%
23253	Casth Basin Notherly Area	200,000	199,849	100%
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	57,077	4%
23335	Library Roof Underlay Replacement	226,000	5,450	2%
23836	Sidewalk Repair Program	89,000	-	0%
23837	Arterial Highway Resurfacing	1,668,813	35,029	2%
23838	Residential Resurfacing Program	3,732,824	2,511,087	67%
<b>Total</b>		<b>\$ 46,516,765</b>	<b>\$ 8,531,015</b>	<b>18%</b>

(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 be completed 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 ongoing 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 25<sup>th</sup> 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 animal 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)

On February 14, 2023 the City Council approved the re-appropriation of \$650,000 from project 23837 Arterial Highway Resurfacing program to project 23838 Residential Resurfacing program in the Measure M2 Fund. (4-1 vote)

On March 14, 2023, the City Council approved the appropriation of \$4,000,000 in the General Fund to fund the City’s share of the Corp Yard Administration and Storage Building Facility construction project through the Santa Margarita Water District. ARPA resources will fund \$3,125,000 of the project while the balance of \$875,000 was funded with General Fund reserves. (4-1 vote)

On March 28, 2023, the City Council approved the mid-year budget review adjustments, which included an increase to General Fund revenues of \$3.4 million, total General Fund operating budget appropriation increases of \$1.9 million, General Fund CIP appropriation decrease of \$0.3 million, total other funds revenue decreases of \$0.5 million, other funds appropriation decreases of \$0.1 million and \$1.175 million to General Fund reserves. (5-0 vote)

**DISCRETIONARY RESERVES**

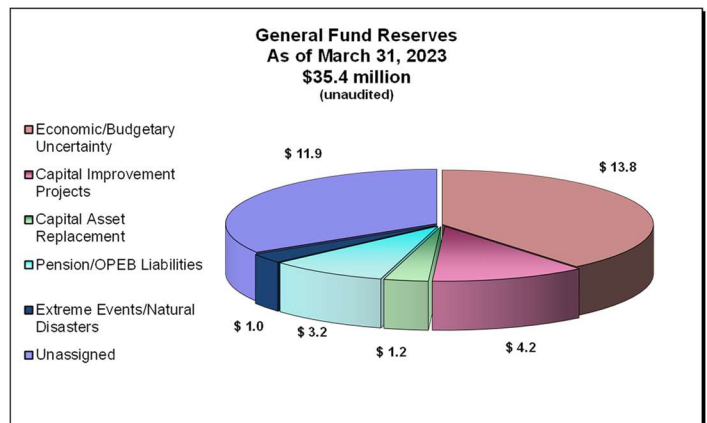
Reserves are those available fund balances over which the Council has complete discretion as to how they are used. In May 2021, the City Council established the General Fund target reserve level at \$29.5 million for the 2021-23 budget cycle or 49 percent of 2020-21 General Fund revenues. The minimum level reserve was set at \$26.4 million or 44 percent. At March 31, 2023 reserves are projected at \$35.4 million, which are 49.5% 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 \$11.9 million.



**OTHER FUNDS**

Budget versus actual comparisons for both revenue and expenditures for all funds, excluding the General Fund, is presented in the following tables. Expenditures include both operating and capital improvement program budgets.

<b>Revenues by Fund</b>			
<b>Fund</b>	<b>Budget</b>	<b>YTD Actual</b>	<b>%</b>
Library	\$ 4,009,990	\$ 2,647,066	66%
Law Enforcement	201,000	215,085	107%
Building Homes & Jobs Act	321,250	-	0%
State Gas Tax	4,461,997	2,737,628	61%
Accessibility Compliance	6,000	4,306	72%
Air Quality Improvement Trust	125,300	61,128	49%
Project V	300,000	-	0%
Measure M	9,226,991	2,360,724	26%
Grants	13,044,850	1,198,649	9%
Developer Fees	6,462,244	389,946	6%
Opioid Settlement	26,771	26,751	n/a
ARPA	6,243,047	2,009,041	32%
Mall Parking Lease	1,053,301	22,479	2%
MV Television	447,346	281,288	63%
Golf	4,439,677	2,992,843	67%
Animal Services	3,863,927	3,181,780	82%
<b>Total</b>	<b>\$ 54,233,691</b>	<b>\$ 18,128,714</b>	<b>33%</b>

(Unaudited)

<b>Expenditures by Fund</b>			
<b>Fund</b>	<b>Budget</b>	<b>YTD Actual</b>	<b>%</b>
Library	\$ 4,570,278	\$ 2,956,292	65%
Law Enforcement	200,000	149,625	75%
Building Homes & Jobs Act	553,941	197,407	36%
State Gas Tax	7,492,953	2,782,166	37%
CASp Certification & Training	-	-	n/a
Air Quality Improvement Trust	348,990	2,650	1%
Project V	300,000	181,899	61%
Measure M	10,278,347	1,228,619	12%
Grants	13,054,294	1,781,999	14%
Developer Fees	5,687,095	937,101	16%
Opioid Settlement	26,771	26,751	n/a
ARPA	6,243,047	2,009,041	32%
Mall Parking Lease	2,155,585	156,547	7%
MV Television	311,171	192,269	62%
Golf	4,206,004	3,185,809	76%
Animal Services	4,189,109	2,555,983	61%
<b>Total</b>	<b>\$ 59,617,585</b>	<b>\$ 18,344,158</b>	<b>31%</b>

(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](mailto:adminservices@cityofmissionviejo.org) or by phone at (949) 470-3082.