



Year End Financial Report

Fiscal Year End June 30, 2023

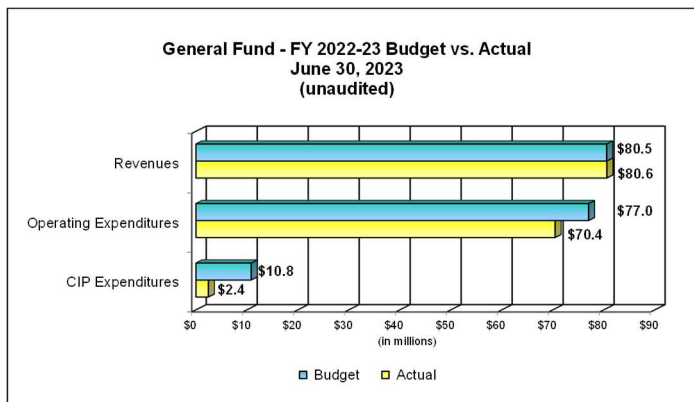
City of Mission Viejo

REPORT OVERVIEW

This report summarizes the City’s financial performance for the twelve months ended June 30, 2023. 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.

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 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 \$7.7 million through June 30, 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 \$8.1 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.

For the year ended June 30, 2023, General Fund operating revenues totaled \$79.3 million, exceeding the budget projection by \$2.2 million. Actual General Fund operating expenditures were \$70.4 million, \$6.6 million less than budget; however, there is \$0.7 million in encumbrances (future commitments such as purchase orders and contracts) at year-end and another \$4.3 million of unencumbered appropriations that were recommended to the City Council for carryover to fiscal year 2023-24 as part of the year-end close out report, thereby reducing the operating appropriations budget surplus for fiscal year 2022-23 to \$1.6 million. The total operating revenue excess of \$2.2 million combined with the \$1.6 million unspent operating appropriations generate an overall \$3.8 million General Fund operating surplus for fiscal year ended June 30, 2023. This surplus is available to flow into the General Fund reserves.

GENERAL FUND REVENUE

The following revenue table reflects all operating and non-operating revenue.

General Fund Revenues/Inflows by Source			
Source	Budget	YTD Actual	%
Property Taxes	\$ 37,850,764	\$ 37,990,227	100%
Sales & Use Tax	19,845,206	19,625,473	99%
Other Taxes	5,019,424	5,785,043	115%
Licenses & Permits	2,470,326	2,524,878	102%
Intergovernmental	545,480	1,000,792	183%
Charges for Services	3,813,148	4,223,092	111%
Fines & Forfeitures	372,000	628,008	169%
Investment Earnings	400,000	680,025	170%
Rents & Concessions	1,127,851	1,220,010	108%
Other	1,745,488	1,600,962	92%
Transfers In	7,345,517	5,299,418	72%
Total	\$ 80,535,204	\$ 80,577,928	100%

(Unaudited)

- **Property Taxes:** The growth rate for secured and unsecured property for 2022-23 was 5.63% for Mission

Viejo, as reported by the Orange County Assessor on July 1, 2022. Included in the property taxes line item is Property Taxes in Lieu of VLF (in-lieu) in the amount of \$10.9 million and residual payments from the dissolution of the former redevelopment agency in the amount of \$405,000.

- **Sales and Use Tax:** Total revenue for the fiscal year was \$19.6 million. Actual revenue for the fiscal year fell below projections by \$0.2 million.

The chart below compares fiscal year 2022-23 sales and use tax revenue by major industry to fiscal year 2021-22. Overall, revenue was up for all areas by 1%. 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 \$1.1 million and fees retained by the State for administration in the amount of \$153,000.

Sales and Use Tax by Major Industry Group			
Major Industry	Fiscal Year 2021/22	Fiscal Year 2022/23	Percent Change
Autos and Transportation	\$ 5,743,351	\$ 5,459,866	-5%
Building and Construction	1,028,795	1,049,737	2%
Business and Industry	743,472	909,771	22%
Food and Drugs	853,713	873,162	2%
Fuel and Service Stations	1,649,310	1,614,511	-2%
General Consumer Goods	4,964,517	5,135,146	3%
Restaurants and Hotels	2,394,447	2,493,561	4%
Countywide Pool	3,324,273	3,297,356	-1%
Total	\$20,701,878	\$20,833,110	1%

(Unaudited)

The largest increase was in the Business and Industry category with 22%. This category has been slow to recover from the effects of the COVID-19 pandemic and this year is finally reaching sales similar to pre-pandemic levels. Both Autos and Transportation and Fuel and Service Stations categories slightly declined from the previous year. Revenue in the Countywide Pool dropped by 1%. This is the first decline in this category in six years.

- **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 \$0.6 million. Revenue for TOT exceeded projections by \$0.2 million as occupancy levels rose to pre-pandemic levels.

- **Licenses & Permits:** Includes building and engineering permits, which comprise 99% of the budget, and other miscellaneous licenses and permits. Actual revenue came in \$55,000 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 exceeded projections by \$455,000. This category received \$417,000 in pass through revenue from the dissolution of the former redevelopment agency. This is the first year since dissolution in 2012 that this type of revenue was received by the City.
- **Charges for Services:** Includes various plan check and zoning related fees and recreation fees collected at the Community Center and recreation and tennis centers. Recreation fees exceeded projections by \$440,000 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 \$256,000.
- **Use of Money and Property:** Includes realized and unrealized investment income. Actual revenue exceeded projections by \$280,000. Realized investment income exceeded prior year actuals by \$444,000. This increase is due to rising investment yields and an overall increase in the size of the portfolio of approximately \$4.7 million.
- **Rents & Concessions:** Includes rental fees on cell towers and rental and concession fees on recreational facilities. Actual revenue exceeded projections by \$92,000.
- **Other revenue:** Includes reimbursements, donations and other miscellaneous revenue. This category includes \$172,000 for redevelopment dissolution administrative allowance reimbursement, \$263,000 from Waste Management under the waste franchise agreement, \$161,000 in energy/water rebates, \$64,000 from the Nadadores under the aquatics complex use agreement, another \$79,000 from the Nadadores toward the cost of the dive tower as part of the aquatics complex rehabilitation and \$211,000 from various water districts

related to the Residential Resurfacing street program. Overall this category fell below projections by \$144,500.

- **Transfers In:** Includes transfers in from the ARPA Fund in the amount of \$3.5 million for reimbursement of operating and CIP expenditures, \$1.1 million from Mall Bond rolling reserve funds and \$0.7 million from reimbursements from the CDFA 2021 Bond Fund for Core Area Vision Plan project costs

GENERAL FUND OPERATING EXPENDITURES

As previously stated, actual General Fund operating expenditures for all program areas were \$6.6 million less than budget.

General Fund Operating Expenditures by Program Area			
Program Area	Budget	YTD Actual	%
General Government - Legislative	\$ 1,656,344	\$ 1,635,318	99%
General Government - Mgmt and Support	12,064,871	10,390,677	86%
Public Safety	23,901,404	23,474,270	98%
Community Development	3,896,240	3,676,368	94%
Engineering and Transportation	2,638,366	2,395,277	91%
Infrastructure Maintenance	26,494,164	23,034,896	87%
Recreation/Community/Library Services	6,342,411	5,820,895	92%
Total	\$ 76,993,800	\$ 70,427,701	91%

(Unaudited)

After reducing this amount by the anticipated re-appropriation of both encumbered and unencumbered amounts of \$4.9 million to FY 2023-24, the operating budget savings is \$1.6 million.

General Fund Operating Savings by Program Area			
Program Area	Positive Budget Variance	FY 23/24 Appropriation Carryover	FY 22/23 Operational Savings
General Government - Legislative	\$ 21,026	\$ -	\$ 21,026
General Government - Mgmt and Support	1,674,194	1,042,338	631,856
Public Safety	427,134	67,830	359,304
Community Development	219,872	94,529	125,343
Engineering and Transportation	243,089	159,962	83,127
Infrastructure Maintenance	3,459,268	3,394,977	64,291
Recreation/Community/Library Services	521,516	178,900	342,616
Total	\$ 6,566,099	\$ 4,938,536	\$ 1,627,563

(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 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 \$7.7 million. The following chart demonstrates how the funds were budgeted in the current fiscal year and actual expenditures to date through June 30, 2023.

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%
Madrid Fore Playground Rehab	1,400,000	72,974	5%
Marty Russo Park Lights	1,245,488	1,245,488	100%
Operating Budget			
City Hall HVAC Replacement	168,027	156,891	93%
Homeless Liaison Officer Truck	70,000	50,981	73%
Kid's Factory	125,000	102,683	82%
Jeronimo Slope Rehabilitation	457,070	211,274	46%
MAC Dive Tower Repairs	157,758	157,758	100%
Margueirte Tennis Court Resurf.	79,858	79,858	100%
OCSD Contract	436,116	-	0%
Oso Creek Water Reclamation Plant	3,125,000	1,000,000	32%
Police Motorcycle Replacement	30,000	30,000	100%
Recreation Center Equipment	25,000	20,293	81%
Sunrise Park Engineering Svcs	40,000	-	0%
Other COVID Response Exp.	16,882	16,882	100%
Totals	\$ 7,741,512	\$ 3,510,395	45%

(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 \$(523,319) for total CIP appropriations of \$46,343,308. Approximately 27% of the CIP budget has been expended at the end of the fiscal year.

Expenditures by project through June 30, 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	\$ 4,355,399	24%
13214	Oso Parkway Corridor Signal Sync. Pjct.	1,721	-	0%
16224	Felipe/Oso Intersection Improvements	2,626,444	130,923	5%
16226	Oso/I-5 Northbound On-Ramps Improvements	2,257,027	141,346	6%
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	293,680	270,409	92%
20242	I-5 Sound Wall Madrid Fore	3,746,401	18,819	1%
20243	Storm Drain Atlas Update	30,810	19,245	62%
20245	Lower Curtis Park	1,068,301	72,986	7%
20314	Montanoso Rehabilitation	762,772	758,337	99%
21246	Jeronimo/Marguerite Intersection Improvement	27,110	-	0%
21248	Site C Grading	941	-	0%
21327	Bicycle Corridor Improvement Program	265,850	171,920	65%
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	98,375	3,875	4%
22252	Via Escolar Pavement Rehabilitation	12,355	-	0%
22331	Marty Russo Youth Athletic Park Lights	1,245,488	1,245,488	100%
22332	Aquatics Center Sales Building	171,459	170,305	99%
22333	North Oso Creek Bike/Ped Open Space	67,020	3,144	5%
22336	Core Area Vision Reinvestment - Phase I	6,735,352	612,557	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	174,783	-	0%
23255	Audible Ped Push Button Systems	248,200	-	0%
23334	Madrid Fore Park Playground Rehab	1,400,000	72,974	5%
23335	Library Roof Underlay Replacement	226,000	15,072	7%
23338	Event Barn at Oso Creek Golf Course	-	-	n/a
23836	Sidewalk Repair Program	75,412	-	0%
23837	Arterial Highway Resurfacing	1,507,002	65,111	4%
23838	Residential Resurfacing Program	3,732,824	3,520,951	94%
Total		\$ 46,343,308	\$ 12,482,102	27%

(Unaudited)

Projects completed during the fiscal year include the Montanoso Pool rehabilitation, Coronado Park playground rehabilitation and Russo Youth Athletic Park lights. 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 October 10, 2023 as part of the 2022-23 year-end close out report recommended the carry-over of \$33.6 million to fiscal year 2023-24.

APPROPRIATIONS 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 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 partially 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)

On April 25, 2023, the City Council approved an appropriation of \$150,000 in the Advanced Planning program in the General Fund for the development of Objective Design Standards for new residential development. This amount was funded with General Fund reserves. (5-0 vote)

On April 25, 2023, the City Council appropriated \$37,000 in the Fleet Maintenance program for the purchase of an electric vehicle. Of this amount, \$10,000 was appropriated in the Air Quality Fund and funded with additional grant revenue and the balance was appropriated in the General Fund using accumulated Construction & Demolition restricted resources as part of the General Fund reserve. (5-0 vote)

On May 23, 2023, the City Council re-appropriated \$161,811 in the Gas Tax Fund from capital project 23837 Arterial Highway Resurfacing project to the Signal Maintenance operating program to provide additional funding for traffic signal maintenance. (4-0 vote)

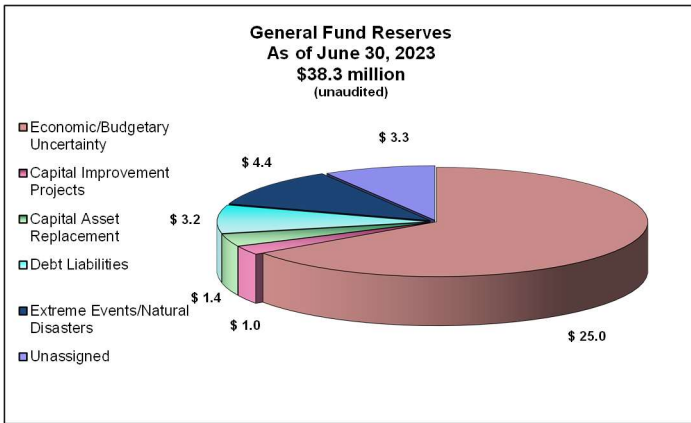
On June 27, 2023, the City Council approved an additional appropriation of \$40,000 for scanning of Building program related plans and other documents as part of the implementation of the new Land Management software. Funding was provided through the recognition of additional scanning fees. (5-0 vote)

GENERAL FUND RESERVES

Reserves are those available fund balances over which the Council has complete discretion as to how they are used. In May 2023, the City Council established the General Fund target reserve level at \$35.0 million for the 2023-25 budget cycle or 49 percent of 2022-23 projected General Fund revenues. The minimum level reserve was set at \$31.5 million or 44 percent. At June 30, 2023 reserves are \$38.3 million, which are 51.3% of actual 2022-23 General Fund revenue. As part of the reserve policy, the City Council has assigned reserves for specific purposes. All reserves not assigned are considered to be unassigned. City Council assigned reserves include:

- Economic/Budgetary Uncertainty (\$25.0 million) - to address uncertainties related to local economic downturns and other risks outside the control of the City.
- Extreme Events/Natural Disasters (\$4.4 million) – to provide resources in the event of a natural disaster or loss of funding resources due to State or Federal action. \$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.
- Debt Liabilities (\$3.2 million) – to provide resources to ensure the payment of all annual debt service payments.
- Capital Asset Replacement (\$1.4 million) - to fund replacements of existing office equipment, vehicles, computers and office furnishings not planned for in adopted budgets.
- Capital Improvement Projects (\$1.0 million) - to provide funding for capital projects that were not anticipated as part of the budget process.

The balance of unassigned reserves is \$3.3 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	\$ 4,009,990	\$ 4,002,221	100%
Law Enforcement	201,000	240,933	120%
Building Homes & Jobs Act	321,250	-	0%
State Gas Tax	4,461,997	4,499,843	101%
Accessibility Compliance	6,000	5,707	95%
Air Quality Improvement Trust	135,300	128,314	95%
Project V	300,000	431,862	144%
Measure M	9,226,991	4,593,573	50%
Grants	13,044,850	2,388,901	18%
Developer Fees	6,462,244	390,372	6%
Opioid Settlement	26,771	26,751	100%
ARPA	6,243,047	3,510,394	56%
Mall Parking Lease	1,053,301	1,077,403	102%
MV Television	447,346	437,078	98%
Animal Services	3,863,927	3,921,780	101%
Total	\$ 49,804,014	\$ 25,655,132	52%

(Unaudited)

Expenditures by Fund			
Fund	Budget	YTD Actual	%
Library	\$ 4,570,278	\$ 3,956,027	87%
Law Enforcement	200,000	200,000	100%
Building Homes & Jobs Act	553,941	435,523	79%
State Gas Tax	7,500,627	3,639,719	49%
CASp Certification & Training	5,834	5,834	100%
Air Quality Improvement Trust	358,990	13,650	4%
Project V	300,000	280,291	93%
Measure M	10,278,347	3,405,919	33%
Grants	13,054,294	3,199,316	25%
Developer Fees	5,687,095	1,058,216	19%
Opioid Settlement	26,771	26,751	100%
ARPA	6,243,047	3,510,394	56%
Mall Parking Lease	2,155,585	2,157,208	100%
MV Television	311,171	294,415	95%
Animal Services	4,189,109	3,817,362	91%
Total	\$ 55,435,089	\$ 26,000,625	47%

(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 admins@cityofmissionviejo.org or by phone at (949) 470-3082.