



Quarterly Financial Report

First Quarter of FY 2023-24

City of Mission Viejo

REPORT OVERVIEW

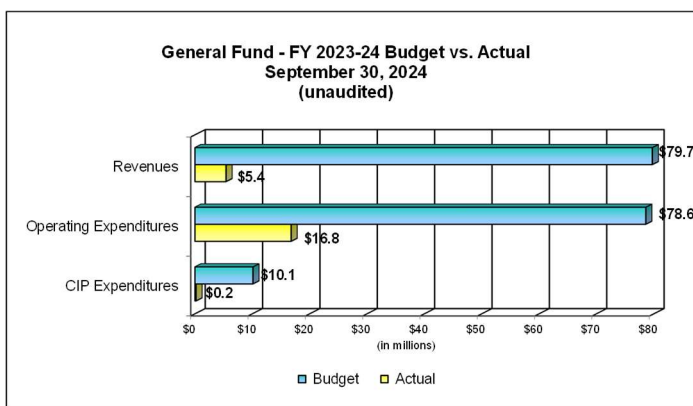
This report summarizes the City’s financial performance for the three months ended September 30, 2023. Financial analysis for this report is provided for the General Fund, Capital Improvement Program and combined information for other City funds on a cash basis. Cash basis means that revenues are recognized 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 September 30, 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 25% of the year complete, General Fund revenues are at 7% of projections and expenditures are at 21%.



The FY 2023-24 adopted revenue budget is \$74.1 million with another \$1.1 million transfers in for total resources of \$75.2 million. The revenue budget has been amended another \$4.5 million through September 30, 2023. The adopted operating appropriations budget is \$72.3 million. The operating appropriations budget has been increased by \$4.9 million due to encumbrances and carryover appropriations and amended another \$1.4 million through September 30, 2023. The capital projects budget of \$10.1

million includes funding for the Core Area Vision Plan project in the amount of \$6.1 million, \$0.9 million for the La Paz Road and Bridge Widening project and \$1.3 million each for the Crucero Park Playground Rehabilitation and the Madrid Fore Park Playground Rehabilitation.

GENERAL FUND REVENUE

General Fund Revenues/Inflows by Source			
Source	Budget	YTD Actual	%
Property Taxes	\$ 39,186,491	\$ 426,378	1%
Sales & Use Tax	20,036,432	1,615,248	8%
Other Taxes	5,301,562	273,145	5%
Licenses & Permits	2,795,904	673,261	24%
Intergovernmental	458,335	493,246	108%
Charges for Services	3,390,553	997,303	29%
Fines & Forfeitures	372,000	114,671	31%
Investment Earnings	486,356	116,454	24%
Rents & Concessions	1,151,130	378,490	33%
Other	1,650,389	136,434	8%
Transfers In	4,902,697	184,471	4%
Total	\$ 79,731,849	\$ 5,409,101	7%

(Unaudited)

- Property Taxes:** The first major apportionment distribution to the city for FY 2023-24 occurs in December 2023. The FY 2023-24 budget estimate projected growth at 4.4% from the amended FY 2022-23 budget. The actual growth rate for secured and unsecured property is 5.97% for Mission Viejo, as reported by the Orange County Assessor on July 3, 2023. Included in the property taxes line item is Property Taxes in Lieu of VLF (in-lieu) in the amount of \$11.4 million, which will be received in two installments. The first distribution for in-lieu is scheduled for January 11, 2024 in the amount of \$5.7 million. Also included in this budget category is \$525,000 for residual payments from the dissolution of the former redevelopment agency.
- Sales and Use Tax:** The City received the first monthly allocation for sales tax in September 2023. This allocation represents approximately 30% of the total sales tax allocation for the first quarter. The City received the balance of first quarter allocations in October and November. Final first quarter sales tax revenue fell below the budget projection by approximately \$371,000.
- 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 the July and August remittance for property transfer taxes and the first 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 first quarter, actual revenue is trending just under budget at 24%. Encroachment fees in this category are trending at 40%.
- **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 108% of budget at September 30. \$290,000 was received from the State of California for reimbursement of mandated claims. This amount includes reimbursement of mandated claims as far back as fiscal year 2018-19. The budget for this item was \$20,000. The City has also received \$203,000 from the County of Orange under the Waste Disposal Agreement, which is 100% of that budget item.
- **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 46% of this category and are trending at 22% after the first quarter. Recreation fees represent 52% of this category and are trending at 37% of budget after the first 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 51% of budget after the first quarter. Deposit forfeitures are budgeted at \$145,000 however, 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.

- **Rents & Concessions:** Includes rental fees on cell towers and rental and concession fees on recreational facilities. Total rental fees from cell towers represent 57% of this category and are tracking at 28% of budget. Room and field rentals are tracking at 39% of budget.
- **Other Revenue:** Includes reimbursements, donations and other miscellaneous revenue. Reimbursements represent 90% of this category and are at 4% of budget after the first quarter. This category includes \$145,000 for redevelopment dissolution administrative allowance reimbursement, \$267,000 from Waste Management under the waste franchise agreement, \$208,000 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.
- **Transfers In:** Includes anticipated transfers in during the year in the total amount of \$3.78 million from the American Rescue Plan Act (ARPA) Fund and an anticipated transfer in during the second quarter from the excess Mall Bond sales tax in the amount of \$1.1 million.

GENERAL FUND OPERATING EXPENDITURES

General Fund Operating Expenditures by Program Area			
Program Area	Budget	YTD Actual	%
General Government - Legislative	\$ 761,983	\$ 258,011	34%
General Government - Mgmt and Support	13,234,668	3,811,778	29%
Public Safety	25,449,879	5,723,262	22%
Community Development	3,790,288	554,918	15%
Engineering and Transportation	2,485,524	557,079	22%
Infrastructure Maintenance	26,642,796	4,315,289	16%
Recreation/Community/Library Services	6,229,090	1,538,899	25%
Total	\$ 78,594,228	\$ 16,759,236	21%

(Unaudited)

As of September 30, 2023, \$16.7 million or 21% of the General Fund operating budget had been expended and all but two of the seven program areas in the General Fund were at or below the expected level of 25% expended. For the General Government – Legislative program area, trending at 34%, total legal expenditures approved for litigation issues are trending at 100% of budget due to legal expenses associated with two election related lawsuits. For the General Government – Management and Support program area, trending at 29%, the entire deposit for the FY 2023-24 general liability coverage and property insurance

premium of over \$1.3 million was paid in July causing this program area to trend high.

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 2023-24 amended ARPA budget is \$4.2 million. The following chart demonstrates how the funds were budgeted in the current fiscal year and actual expenditures to date through September 30, 2023.

Source	Budget	YTD Actual	%
CIP Budget			
Crucero Playground Rehab	\$ 780,091	-	0%
Madrid Fore Playground Rehab	1,327,026	145,145	11%
Operating Budget			
Oso Creek Water Reclamation Plant	2,125,000	-	0%
Totals	\$ 4,232,117	\$ 145,145	3%

(Unaudited)

CAPITAL IMPROVEMENT PROJECTS – ALL FUNDS

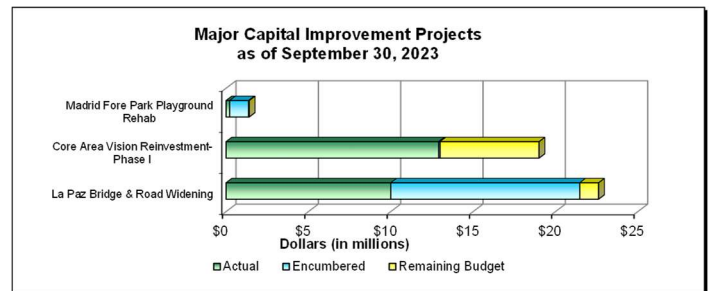
The Capital Improvement Program (CIP) budget is comprised of \$11,492,061 of appropriations approved in the FY 2023-24 budget and carryover appropriations in the amount of \$33,589,890, approved by the Council on June 27, 2023 and current year amendments of \$1,597,120 for total CIP appropriations of \$46,679,071. Approximately 7% of the CIP budget has been expended at the end of the first quarter.

Expenditures by project through September 30, 2023 are summarized in the following table:

CIP #	Project Description	Budget	YTD Actual	%
01756	La Paz Bridge & Road Widening	\$ 14,821,874	\$ 2,210,184	15%
16224	Felipe/Oso Intersection Improvements	2,495,520	28,697	1%
16226	Oso/I-5 Northbound On-Ramps Improvements	2,845,681	1,635	0%
19240	Los Alisos Traffic Signal Synchronization	23,272	-	0%
20242	I-5 Sound Wall Madrid Fore	3,727,582	-	0%
20245	Lower Curtis Park	935,315	11,293	1%
21248	Site C Grading	8,239	-	0%
21327	Bicycle Corridor Improvement Program	93,930	-	0%
22249	Civic Center EV Charging Stations	117,042	-	0%
22251	Santa Margarita Parkway TSSP	94,500	264	0%
22333	North Oso Creek Bike/Ped Open Space	63,876	3,250	5%
22336	Core Area Vision Reinvestment - Phase I	6,122,796	28,500	0%
23253	Catch Basin Notherly Area	151	-	0%
23254	Crown Valley Parkway TSSP	174,783	-	0%
23255	Audible Ped Push Button Systems	248,200	-	0%
23334	Madrid Fore Park Playground Rehab	1,327,026	145,145	11%
23335	Library Roof Underlay Replacement	460,928	-	0%
24256	Catch Basin Debris Screens North	225,000	-	0%
24257	Enhanced Pedestrian Safety Imp.	277,100	-	0%
24258	Felipe/Olympiad TSSP	880,113	-	0%
24259	Olympial Road Pedestrian Crossing	75,000	-	0%
24260	Marguerite Parkway Signal Synch	2,434,828	-	0%
24261	Irvine Blvd/Trabuco Road Signal Synch	25,020	-	0%
24339	World Cup Soccer Field Security Lights	400,000	2,505	1%
24340	Crucero Park Playground Rehab	1,347,120	-	0%
24836	Sidewalk Repair Program	100,412	-	0%
24837	Arterial Highway Resurfacing	2,341,891	646,314	28%
24838	Residential Resurfacing Program	5,011,872	21,275	0%
Total		\$ 46,679,071	\$ 3,099,062	7%

(Unaudited)

The chart below shows project-to-date (project inception) spending on the City’s three largest active non-street resurfacing capital improvement projects for FY 2023-24.



Madrid Fore Park Playground Rehabilitation – This project will include a complete replacement of the play area at Madrid Fore Park. The play area will be upgraded to meet current American Disabilities Act requirements and state Consumer Product Safety Commission guidelines. The park is located north of Oso Parkway, just east of the I-5 freeway on Via Oceano. The construction contract was awarded on April 11, 2023 with construction beginning in July 2023. Project completion is expected in the spring 2024.

Core Area Vision Reinvestment (LOS OSOS) – 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 purchase of the property was finalized on November 24, 2021. The current cost projection is approximately \$67.8 million. In October 2023, the City Council approved the LOS OSOS Go Forward Plan. This plan presented five phases to further develop the property. Phase I of the Go Forward Plan includes the design, environmental clearance and construction of the North Paseo from Marguerite Parkway to the front of the MART (formerly Stein Mart) building. The current cost estimate for this phase is \$6.2 million and will be funded with unspent bond proceeds.

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. Construction is expected to continue through February 2024.

APPROPRIATION BUDGET AMENDMENTS – ALL FUNDS

On July 11, 2023, the City Council approved an appropriation in the amount of \$19,450 for the purchase of an electric vehicle. Funding for this purchase will come from restricted Construction and Demolition Waste Diversion forfeiture monies held in the General Fund. (5-0 vote)

On August 22, 2023, the City Council approved an additional appropriation in the amount of \$1,100,400 toward the annual residential street rehabilitation program project budget (24838). Funding for this appropriation was transferred from the annual arterial pavement rehabilitation program project budget (24837). (5-0 vote)

On October 10, 2023, the City Council approved the carryover of appropriations as part of the FY 2022-23 close out process. Carryovers in the General Fund operating budget total \$4,284,644 to re-appropriate as follows: \$50,000 to supplement the intern budget across multiple programs; \$300,000 for the parking garage feasibility study; \$3,600 to supplement the employee recognition program budget; \$330,362 for various information technology projects; \$44,000 to update the City’s emergency operation plan and to replace an emergency sheltering trailer; \$43,000 for an inclusionary ordinance in-lieu study and Site 3 work;

\$4,600 to supplement the bilingual stipend program; \$25,000 for a biologist for the Lower Curtis Park project; \$100,000 for habitat restoration for the Lower Curtis Park project; \$205,482 to replace the Sycamore Room audio visual system at the NPM Community and Senior Center; \$3.0 million for the SMWD/Corp Yard Building; \$78,900 to supplement the recreation budget; \$100,000 for the performing arts theater feasibility study. The Library Fund operating budget was increased by \$17,600 for information technology projects. The CDBG operation budget was increased by \$24,760 toward the ADA restroom project at NPM. The Animal Services Fund was increased by \$179,303 for vehicle purchases and to supplement the legal budget for ongoing labor negotiations. (5-0 vote)

On October 10, 2023, the City Council also approved (5-0 vote) the following additional appropriations. From the General Fund reserves, unless otherwise noted.

- \$910,000 in the Interdepartmental program for uncertainties in the current budget year, including ongoing labor negotiations between the County and OCSD labor unions, sober living home issues, personnel issues, and outstanding litigation issues.
- \$216,000 in the Interdepartmental Program for distribution between all payroll programs within the General, Library, MVTV and Animal Services funds for the increase to the Tier 4 Fixed Monthly Contribution for non-represented employees, effective January 1, 2024.
- \$250,000 in the Median and Parkway Maintenance program to complete the Jeronimo Slope rehabilitation to Marguerite Parkway.
- \$1,321,000 to establish the Crucero Park playground CIP funded with General Fund (\$540,909) and ARPA (\$780,091) resources.

From Library Fund reserves, \$250,000 to supplement the Library Roof replacement CIP 23335. From Park Development Fee reserves, \$26,120 for the Crucero Park playground CIP.

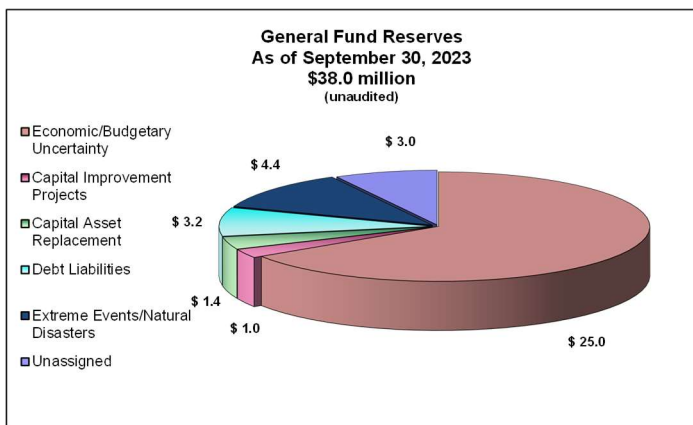
DISCRETIONARY RESERVES

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 2021-23 budget cycle or 49 percent of 2021-22 General Fund revenues. The minimum level reserve was set at \$31.5 million or 44 percent. At September 30, 2023 reserves are projected at

\$38.0 million, which are 51.3% of projected 2023-24 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, 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. The City currently has an outstanding claim with FEMA in the amount of \$472,573. 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 (\$4.4 million) – to provide resources in the event of a natural disaster.
- Debt Liabilities (\$3.2 million) - to ensure the availability of resources to make debt service payments on bond issues funded with General Fund resources.
- 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 \$3.0 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.

Revenues by Fund			
Fund	Budget	YTD Actual	%
Library	\$ 3,859,787	\$ 192,659	5%
Law Enforcement	221,861	123,626	56%
Building Homes & Jobs Act	353,526	-	0%
State Gas Tax	5,020,602	558,757	11%
Accessibility Compliance CASp	6,000	1,444	24%
Air Quality Improvement Trust	125,598	1,526	1%
Project V	312,000	-	0%
Measure M	9,871,850	1,476,957	15%
Grants	12,046,103	75,683	1%
Developer Fees	6,803,369	118	0%
Opioid Settlement	23,303	11,869	51%
ARPA	3,780,091	145,145	4%
Mall Parking Lease	934,891	-	0%
MV Television	449,960	62,286	14%
Golf	4,472,500	1,378,410	31%
Animal Services	3,803,571	1,183,376	31%
Total	\$ 52,085,012	\$ 5,211,856	10%

(Unaudited)

Expenditures by Fund			
Fund	Budget	YTD Actual	%
Library	\$ 4,690,449	\$ 1,099,519	23%
Law Enforcement	220,000	54,862	25%
Building Homes & Jobs Act	427,474	95,786	22%
State Gas Tax	8,974,422	580,358	6%
Accessibility Compliance CASp	-	-	n/a
Air Quality Improvement Trust	808,018	-	0%
Project V	312,000	20,270	6%
Measure M	11,952,493	1,246,787	10%
Grants	11,039,624	1,128,108	10%
Developer Fees	5,367,321	30,332	1%
Opioid Settlement	23,303	-	0%
ARPA	3,780,091	145,145	4%
Mall Parking Lease	934,891	-	0%
MV Television	284,158	28,943	10%
Golf	4,407,365	1,130,915	26%
Animal Services	4,084,282	755,418	18%
Total	\$ 57,305,891	\$ 6,316,443	11%

(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.