Midpeninsula Regional Open Space District

Memorandum

DATE: November 30, 2015

MEMO TO: Action Plan and Budget Committee

FROM: M. Foster, Controller

SUBJECT: Mid-Year Financial Review

CONTROLLER'S REPORT

Attached are unaudited and summarized financial statements for the six months ended September 30, 2015.

Exhibit A contains the District's September 30 balance sheet compared to our audited position on March 31. The total balance of cash and short-term investments, $70.2 million, increased by $34.6 million due to the issuance of $45 million of MAA bonds plus $2.28 million of bond premium. This cash inflow was partially offset by $6.4 million of debt service payments and $9.3 million of land purchases. The bond premium will be used to reduce the MAA tax levy over the next three years. No committed reserves were utilized so general fund committed reserves continue to total $20.4 million.

Exhibit B shows our six month revenues compared to the same period a year ago and to the twelve month budget. This is a low period for tax revenue as the heavy April tax receipts are accrued into the prior fiscal year. Assessed valuation reports indicate that fiscal 2016 property tax income will be up some 8.6% and exceed the original budget by around $2.1 million (6%). Income from rental property, Santa Clara County parks, interest, and other sources should exceed budget by some $300,000 due to receipt of a $319,155 settlement on a parking lot construction claim. Revenues include $740,000 of grant income from Santa Clara County for its half of the Lyson property acquisition. Interest income will exceed the annual budget due to the shift of $9.5 million from state and county pooled funds into higher-yielding direct investments.

The proposed budgets for general fund tax revenue and interest income for the fifteen months ending June 30, 2016 will be $43.58 million and $350,000, respectively.

Exhibit C displays a summary of six month spending compared to the same period last year and to the annual budget. Operating expense spending (Opex) is up 17% over the prior year and at 44% of the annual budget. Salaries and benefits are up 13%, while services and supplies are up 33%. Salary expense was up 8% while employee benefit expense rose 25%. Benefit expense was unusually high because it included a $457,000 prepayment of PERS costs, paid in order to obtain a discount on the PERS payments for the full year. Adjusted for the PERS prepayment, first half Opex was the same percent of annual budget as in the prior year, 42%.

The increase in services and supplies was concentrated in the outside services categories, such as information systems and resource/environmental.

The District spent 21% of its annual budget for non-land capital spending, compared to 17% at the same point last year. Total spending excluding land purchases and debt service was 35% of the annual budget—down from 37% last year and within three percentage points of the six month spending percentage for each of the prior eight years. So, 35-38% continues to represent the normal first half spending pattern (versus annual budget) for the District.

The District purchased $9.27 million of land in the first six months—the most in this period since 2008 and equal to 84% of the annual budget. The five properties purchased were POST/Apple Orchard ($5.9 million), Toepfer ($1.2 million), Meyer ($1.2 million), Ashworth ($525,000), and Burton ($400,000). Total spending, including land purchases and debt service but excluding the Hawthorn endowment, $27.3 million, was up 72% over the prior year and at 49% of the annual budget. Hawthorn spending was minimal, only $15,789 against the annual budget of $379,927.

Exhibit D breaks down first half revenue and spending into two pieces—the general fund and the MAA program. The grant income is shown in the MAA table as it was used to fund MAA projects. Through September 2015, the District had spent $16.2 million on MAA projects, of which $0.9 million was funded by grants. So, between May 11, 2014 and September 30, 2015, the District spent $15.3 million of the initial tranche of $45 million of MAA bonds, or 34%. $5.3 million of the bond proceeds went back to the general fund to reimburse for MAA spending prior to the issuance of the bonds. The District spent a slightly higher percentage of its annual non-land capex budgets for MAA projects (23%) than general fund capex projects (17%).

Once the December and April tax receipts are collected, the general fund will show a positive change for the fiscal year. The county assessors are levying MAA-related property taxes at an 80 cent rate, which should yield tax revenue of $1.7 million in the fifteen months ending June 2016. The first MAA debt service payments are $955,831 in March 2016 and $1,643,938 in September 2016. These debt service payments will be partially funded out of the $2.28 million of bond premium. The proposed budget for interest income from MAA cash investments, over the final nine months of this extended fiscal year, is $175,000.

Interim assessed valuation reports from the county assessors indicate that the outlook for District property tax revenue growth in fiscal 2017, beginning July 2016, is again favorable. If the July-October 2015 trend continues through June 2016, secured property tax growth would be in the 7% range.

Overall, the financial results of the first six months are consistent with long-term financial plans as the District takes deliberate and incremental steps to implement the FOSM plan. Without the headcount additions and infrastructure enhancements outlined in the FOSM plan, expenditures and productivity will not reach the levels needed to accomplish all of the Measure AA projects within 25-30 years.

Prepared by:
Michael Foster, Controller

Exhibit A

MIDPENINSULA REGIONAL OPEN SPACE DISTRICT

Balance Sheet

(Thousands)	September 30, 2015 (Unaudited)	March 31, 2015 (Audited)	Increase
Cash/Investments-Gen Fund	$37,147	$33,871	$3,275
Cash/Investments-MAA	$31,371	$0	$31,371
Cash/Investments-Hawthorn	$1,683	$1,691	($7)
Total Cash & Investments	$70,201	$35,562	$34,639
Receivables & Prepaids	$1,930	$10,588	($8,658)
Deferred Charges	$3,495	$3,698	($203)
Net OPEB Asset	$863	$863	$0
Land	$400,065	$390,691	$9,374
Structures & Improvements	$19,843	$18,140	$1,703
Equipment	$2,586	$2,647	($61)
TOTAL ASSETS	$498,983	$462,188	$36,795
Accounts Payable	$358	$1,624	($1,266)
Accrued Liabilities	$640	$1,338	($698)
Compensated Absences	$1,673	$1,537	$136
Land Contract Debt	$2,402	$2,412	($10)
GO Bonds Payable	$47,282	$0	$47,282
Public Notes Payable	$131,001	$134,152	($3,151)
TOTAL LIABILITIES	$183,355	$141,063	$42,292
TOTAL EQUITY (*)	$315,628	$321,125	($5,498)

(*) Includes $20.4 million of committed reserves and $2.5 million of restricted reserves

Exhibit B

MIDPENINSULA REGIONAL OPEN SPACE DISTRICT

Six Month Revenue vs. Prior Year

(Thousands, Unaudited)	Six Months Ended September 30		Percent
	2015	**2014**	Increase
Property Taxes	$5,213	$4,800	9%
Acquisition Grants	$740	$0	na
Development Grants	$202	$59	243%
Rental Income	$462	$469	-2%
SCC Parks Income	$351	$314	12%
Interest Income	$73	$96	-24%
Other	$366	$97	278%
TOTAL REVENUE	**$7,406**	**$5,834**	**27%**

Six Month Revenue vs. Annual Budget

(Thousands, Unaudited)	Six Months	Annual (*)	Percent
	Actual	**Budget**	Received
Property Taxes	$5,213	$36,305	14%
Acquisition Grants	$740	$740	100%
Development Grants	$202	$451	45%
Gifts of Land	$0	$550	0%
Rental Income	$462	$1,261	37%
SCC Parks Income	$351	$326	108%
Interest Income	$73	$145	50%
Other	$366	$175	209%
TOTAL REVENUE	**$7,406**	**$39,953**	**19%**

(*) excluding GO bond-related property tax and interest income

Exhibit C

MIDPENINSULA REGIONAL OPEN SPACE DISTRICT

Six Month Spending vs. Prior Year

(Thousands, Unaudited)	Six Months Ended September 30		Percent
	2015	**2014**	Increase
Salaries & Benefits	$7,169	$6,350	13%
Services & Supplies	$2,076	$1,561	33%
Operating Expense	**$9,244**	**$7,912**	**17%**
Strategic/Vision Plan	$0	$775	-100%
Property Management	$166	$159	5%
Land Acquisition Expense	$104	$105	-1%
Capital Spending	$2,169	$854	154%
Land Acquired	$9,270	$10	92600%
Debt Service	$6,363	$6,043	5%
TOTAL SPENDING	**$27,316**	**$15,857**	**72%**

Six Month Spending vs. Annual Budget

(Thousands, Unaudited)	Six Months	Annual	Percent
	Actual	**Budget**	Spent
Salaries & Benefits	$7,169	$15,394	47%
Services & Supplies	$2,076	$5,789	36%
Operating Expense	**$9,244**	**$21,183**	**44%**
Property Management	$166	$795	21%
Land Acquisition Expense	$104	$1,309	8%
Capital Spending	$2,169	$10,414	21%
NON-LAND SPENDING	**$11,683**	**$33,701**	**35%**
Debt Service	$6,363	$11,063	58%
Land Acquired	$9,270	$11,000	84%
TOTAL SPENDING	**$27,316**	**$55,764**	**49%**
Hawthorn Endowment	$16	$380	4%

Exhibit D

MIDPENINSULA REGIONAL OPEN SPACE DISTRICT

Six Month Activity vs. Annual Budget

(Thousands) General Fund	Six Months Actual	Annual Budget	Percent Done
Property Taxes	$5,213	$36,305	14%
Other Income	$1,252	$1,907	66%
GEN FUND REVENUE	$6,465	$38,212	17%
Opex	$9,244	$21,183	44%
Non-Opex Expense	$166	$715	23%
Capital Spending	$646	$3,777	17%
Land Acquisition	$0	$1,003	0%
Debt Service	$6,363	$9,883	64%
GEN FUND SPENDING	$16,419	$36,561	45%
MAA REIMBURSMENT	$5,310	$5,310	100%
General Fund Net Position	**($4,644)**	**$6,961**	
MAA Program			
MAA BOND PROCEEDS	**$47,559**	**$44,830**	**106%**
Property Taxes	$0	$1,183	0%
Acquisition Grants/Gifts	$740	$1,290	57%
Development Grants	$202	$451	45%
Interest Income	$0	$100	0%
MAA REVENUE	**$942**	**$3,024**	**31%**
MAA Debt Service	$0	$1,183	0%
MAA Capex Labor	$254	$1,299	20%
MAA Non-Labor Capex	$1,269	$5,418	23%
MAA Land Acquisition	$9,374	$11,306	83%
MAA SPENDING	**$10,897**	**$19,206**	**57%**
MAA Spent To-Date (net) *(May 2014-Sep 2015)*	***$15,265***	***$45,000***	*34%*