



Midpeninsula Regional
Open Space District

ACTION PLAN AND BUDGET COMMITTEE MEETING

R-16-53
April 19, 2016

AGENDA ITEM 4

AGENDA ITEM

Proposed Fiscal Year 2016-17 Budget

GENERAL MANAGER'S RECOMMENDATIONS *SM*

Recommend approval of the Proposed Fiscal Year (FY) 2016-17 Budget to the Board of Directors.

SUMMARY

The Proposed FY2016-17 budget totals \$56.7 million, a 2% increase over the prior year adopted, reflecting staff growth as positions are added to deliver the projects and continue the organizational build-out outlined in the FOSM, which in turn enables the organization to increase capital expenditures as the District continues implementation of Measure AA funded projects. Offsetting these increases is a substantial reduction to the Land budget due to a change in the way land purchases are reflected in the budget. However, this change will not impact the District's ability to respond quickly to land purchase opportunities.

DISCUSSION

The District's FY2016-17 budget totals \$56.7 million and is a 2% increase over the prior year (the budget would have shown a 27.5% increase had land purchase been included in the budget as in previous years), reflecting staff growth as positions are added to deliver the projects and continue the organizational build-out outlined in the FOSM and increased capital expenditures as the District continues implementation of Measure AA funded projects. The following table provides a summary of the FY2016-17 budget by category, split out between Measure AA and General Fund.

Table 1: Budget by Category and Funding Source

DISTRICT BUDGET BY EXPENDITURE CATEGORY	FY2014-15		FY2016-17	\$ Change from	% Change from
	Actuals (Unaudited)	FY2015-16 Adopted Budget	Proposed Annual Budget	FY2015-16 Adopted	FY2015-16 Adopted
Salaries and Benefits	13,474,291	16,693,125	18,817,019	2,123,894	13%
<i>Less: MAA Reimbursable Staff Costs</i>	-	(1,299,281)	(1,037,683)	261,598	-20%
Net Salaries and Benefits	13,474,291	15,393,844	17,779,336	2,385,492	15%
Services and Supplies	4,570,128	5,789,463	8,168,018	2,378,555	41%
Total Operating Expenditures	18,044,419	21,183,307	25,947,354	4,764,047	22%
General Fund Capital	1,170,440	3,777,000	3,616,300	(160,700)	-4%
Measure AA Capital	2,092,377	6,637,311	15,066,450	8,429,139	127%
Total Capital Expenditures	3,262,817	10,414,311	18,682,750	8,268,439	79%
General Fund Land and Associated Costs	4,771,119	1,003,000	608,350	(394,650)	-39%
Measure AA Land and Associated Costs	-	11,305,640	399,750	(10,905,890)	-96%
Total Land and Associated Costs	4,771,119	12,308,640	1,008,100	(11,300,540)	-92%
General Fund Property Management	615,280	715,245	-	(715,245)	-100%
Measure AA Property Management	-	79,999	-	(79,999)	-100%
Total Property Management	615,280	795,244	-	(795,244)	-100%
Debt Service	8,893,601	11,062,744	11,084,840	22,096	0%
Total Debt Service	8,893,601	11,062,744	11,084,840	22,096	0%
TOTAL DISTRICT BUDGET	35,587,236	55,764,246	56,723,044	958,798	2%

* Effective FY 2016-17, the Property Management Program is transferred to the Land & Facilities Department and incorporated into the operating and capital budgets.

Budget by Category

Primary drivers for each category are discussed below.

- Operating Budget. The operating budget includes the annualized cost of the eight positions added as part of the FY2015-16 Midyear Adjustments as well as cost-of-living adjustments, CalPERS retirement rate increases, and an increased contribution to the District's OPEB Trust Fund unfunded liability. Services and Supplies also rose, reflecting an increased number of projects classified as operating rather than capital expenses, and costs related to new leased office space to accommodate additional staff.
- Capital Budget. The 79% capital budget increase is driven by the addition of new staffing as of 2015 to move capital projects forward into subsequent phases toward full implementation. Key projects driving this increase include those related to the opening of Mt. Umunhum to the public (\$9.6 million); projects associated with preparing Bear Creek Redwoods for public access (\$1.6 million); and road improvements, interim parking lot, trail access, and structure demolitions at La Honda Creek (\$1.3 million).
- Land and Associated Costs. For FY2016-17, land acquisitions are expected to return to more characteristic levels after the unusual number of large purchases in FY2015-16. Additionally, in the past, the land budget included the title and purchase cost, but effective FY2016-17, those costs will be excluded from the budget, resulting in an \$11.3 million decrease in the land budget. A modest budget has been included to account for appraisals and other costs associated with property purchase research and early negotiations. The land purchase costs for the proposed fee title or easement will be included as part of the Board report recommendation as a corresponding budget adjustment. This is a change in budgeting to take the large variation out of the budget from year to year and will not impact on the District's ability to respond quickly to land purchase opportunities approved by the Board.

- Property Management. Effective FY2016-17, the property management budget is no longer presented as a separate line item in the budget and has been incorporated into the Land and Facilities Department budget.
- Debt Service. Debt Service for FY2016-17 is on par with the prior year with a nominal increase of \$22,000, however, this amount may decrease as the District has the opportunity to refund its 2007 Series Notes in August 2016.

Next steps in the budget process are:

- 4/26 – ABC #3: Follow-up
- 5/25 – Board Meeting: Initial Review of Action Plan & Budget
- 5/31 – ABC #4 (if needed): Follow up on Board direction, if any
- 6/22 – Board adopts FY16-17 Action Plan & Budget

Budget by Department

A summary of budget changes by department is discussed below. As noted above, all department salaries and benefits budgets increased due to cost-of-living adjustments and CalPERS retirement rate increases. Department budgets by category are detailed in Attachment 1.

Administrative Services

The Administrative Services Department (ASD) FY2016-17 budget increased by 398% to \$12.7 million from the FY2015-16 due to the operating budget increase of 87% resulting from the transfer of 3.5 FTE in the GIS program from Planning to ASD and the annualization of the IST Manager position for a full 12 months. Partially offsetting this increase is a decrease in the services and supplies budget as the Administrative Office and AO2/AO3/AO4 budgets were transferred to the new Land and Facilities Department. The capital budget increases due to technology and GIS infrastructure implementation as recommended in the 2015 Information Systems and Technology Strategic Plan. Also, contributing to the significant ASD budget increase is the transfer in of the \$11.1 million debt service budget from the Real Property Department.

Engineering and Construction

The new Engineering and Construction (E&C) department includes the transfer of three positions from the Planning Department, one from Operations, and one from Real Property; a nominal services and supplies budget; and the transfer of capital projects entering the construction phase in FY2016-17, for a total FY2016-17 budget of \$12.7 million.

General Counsel

The General Counsel's budget increase of 10% reflects the District-wide COLA and CalPERS rate increases as well as additional merit pay.

General Manager

The 26% increase in the General Manager's Office is primarily driven by the annualization of the Chief Financial Officer and the Senior Administrative Assistant, which was added at the FY2015-16 Midyear, to a full twelve months.

Land and Facilities

The new Land and Facilities (L&F) department budget of \$10.2 million includes the transfer of three positions from the Real Property Department for the Property Management Program, maintenance and construction positions from the Operations Department, and the associated services and supplies budgets, for a total operating budget of \$7.1 million. Included in this is the transfer of staff facilities' leases and building maintenance costs from the Administrative Services and Operations Departments. The capital budget includes improvements in the Property Management Program for residences and grazing infrastructure as well as the purchase of new and replacement vehicles and equipment.

Natural Resources

The Natural Resources (NR) Department operating budget increase of 30% includes the annualization of the Water Resources Specialist position to 12 months and the reclassification of a number of Action Plan projects from capital to operating expenses. As a result of this project reclassification and changes from the prior year Action Plan, NR's capital budget dropped by 44%, resulting in net decrease of 9% for the overall department budget.

Operations Department

The Operations Department will be eliminated effective July 1, 2016 and the budget transferred to the L&F and Visitor Services Departments.

Planning

The Planning Department operating budget reflects the transfer of three positions to E&C, offset by a reduction in Measure AA reimbursable labor costs, and an increase in the services and supplies budget for feasibility studies and the Accessibility Plan update. The capital budget dropped by 72% which reflects the transfer of projects entering the construction phase to the E&C Department.

Public Affairs

The Public Affairs (PA) Department budget decrease of 10% results from the transfer of four positions to the new Visitor Services Department.

Real Property

The Real Property (RP) Department budget decrease of 93% reflects the transfer of the Property Management Program and its associated three positions to the L&F Department, the change in how land expenses are budgeted as discussed above, and the transfer of the Debt Service budget to ASD for a total Real Property FY2016-17 budget of \$1.8 million.

Visitor Services

The new Visitor Services (VS) Department budget includes the transfer of four positions from the Public Affairs Department for the Docent and Volunteer Programs, and patrol staff from the Operations Department, and the associated services and supplies budgets, for a total operating budget of \$4.9 million.

FISCAL IMPACT

The Proposed FY2016-17 Budget totals \$56.7 million and would be funded primarily from property taxes and Measure AA reimbursement funds.

PUBLIC NOTICE

Public notice was provided as required by the Brown Act. No additional notice is required.

CEQA COMPLIANCE

This proposed action is not a project under the California Environmental Quality Act and no environmental review is required.

NEXT STEPS

The ABC will hold its final meeting relating to the Proposed FY2016-17 Action Plan and Budget on April 26, 2016. Upon recommendation by the ABC, the Proposed FY2016-17 Action Plan and Budget will be presented to the full Board on May 25, 2016.

Attachments:

1. Proposed FY2016-17 Department Budget detail

Responsible Department Manager:
Stefan Jaskulak, Chief Financial Officer

Prepared by:
Kate Drayson, Special Projects Manager

Contact person:
Same as above

DISTRICT BUDGET BY EXPENDITURE CATEGORY	FY2014-15 Actuals	FY2015-16 Adopted Budget	FY2016-17 Proposed Annual Budget	\$ Change from FY2015-16 Adopted Budget	% Change from FY2015-16 Adopted Budget
Administrative Services					
Salaries and Benefits	1,520,762	1,717,624	3,219,975	1,502,351	87%
Services and Supplies	642,607	1,318,026	1,099,367	(218,659)	-17%
Total Operating Expenditures	2,163,369	3,035,650	4,319,342	1,283,692	42%
General Fund Capital	49,956	164,000	526,700	362,700	221%
Debt Service	-	-	11,084,840	11,084,840	N/A
Total Administrative Services Expenditures	2,213,325	3,199,650	15,930,882	12,731,232	398%
Engineering & Construction					
Salaries and Benefits	-	-	661,135	661,135	N/A
<i>Less: MAA Reimbursable Staff Costs</i>	-	-	(152,917)	(152,917)	N/A
Net Salaries and Benefits	-	-	508,218	508,218	N/A
Services and Supplies	-	-	59,550	59,550	N/A
Total Operating Expenditures	-	-	567,768	567,768	N/A
<i>General Fund Capital</i>	-	-	532,750	532,750	N/A
<i>Measure AA Capital</i>	-	-	11,615,042	11,615,042	N/A
Total Capital Expenditures	-	-	12,147,792	12,147,792	N/A
Total Engineering & Construction Expenditures	-	-	12,715,560	12,715,560	N/A
General Counsel					
Salaries and Benefits	419,356	462,404	518,062	55,658	12%
Services and Supplies	37,196	61,915	61,115	(800)	-1%
Total Operating Expenditures	456,552	524,319	579,177	54,858	10%
Total General Counsel Expenditures	456,552	524,319	579,177	54,858	10%
General Manager					
Salaries and Benefits	981,473	1,124,026	1,512,073	388,047	35%
Services and Supplies	1,127,762	400,425	401,790	1,365	0%
Total Operating Expenditures	2,109,235	1,524,451	1,913,863	389,412	26%
Total General Manager Expenditures	2,109,235	1,524,451	1,913,863	389,412	26%
Land & Facilities					
Salaries and Benefits	-	-	4,323,623	4,323,623	N/A
<i>Less: MAA Reimbursable Staff Costs</i>	-	-	(657,176)	(657,176)	N/A
Net Salaries and Benefits	-	-	3,666,447	3,666,447	N/A
Services and Supplies	-	-	3,244,861	3,244,861	N/A
Total Operating Expenditures	-	-	6,911,308	6,911,308	N/A
<i>General Fund Capital</i>	-	-	2,196,650	2,196,650	N/A
<i>Measure AA Capital</i>	-	-	1,049,139	1,049,139	N/A
Total Capital Expenditures	-	-	3,245,789	3,245,789	N/A
Total Land & Facilities Expenditures	-	-	10,157,097	10,157,097	N/A
Natural Resources					
Salaries and Benefits	909,239	1,169,398	1,316,287	146,889	13%
<i>Less: MAA Reimbursable Staff Costs</i>	-	(125,500)	(193,837)	(68,337)	54%
Net Salaries and Benefits	909,239	1,043,898	1,122,450	78,552	8%
Services and Supplies	382,869	735,930	1,148,720	412,790	56%
Total Operating Expenditures	1,292,108	1,779,828	2,271,170	491,342	28%
<i>General Fund Capital</i>	404,828	235,000	120,000	(115,000)	-49%
<i>Measure AA Capital</i>	314,598	1,777,500	1,053,417	(724,083)	-41%
Total Capital Expenditures	719,426	2,012,500	1,173,417	(839,083)	-42%
Total Natural Resources Expenditures	2,011,534	3,792,328	3,444,587	(347,741)	-9%

DISTRICT BUDGET BY EXPENDITURE CATEGORY	FY2014-15		FY2016-17	\$ Change from	% Change from
	Actuals (Unaudited)	FY2015-16 Adopted Budget	Proposed Annual Budget	FY2015-16 Adopted Budget	FY2015-16 Adopted Budget
Operations					
Salaries and Benefits	6,603,950	7,305,639	-	(7,305,639)	-100%
<i>Less: MAA Reimbursable Staff Costs</i>	-	(646,000)	-	646,000	-100%
Net Salaries and Benefits	6,603,950	6,659,639	-	(6,659,639)	-100%
Services and Supplies	1,472,307	2,074,427	-	(2,074,427)	-100%
Total Operating Expenditures	8,076,257	8,734,066	-	(8,734,066)	-100%
<i>General Fund Capital</i>	1,481,540	1,771,000	-	(1,771,000)	-100%
<i>Measure AA Capital</i>	223,395	760,000	-	(760,000)	-100%
Total Capital Expenditures	1,704,935	2,531,000	-	(2,531,000)	-100%
Total Operations Expenditures	9,781,192	11,265,066	-	(11,265,066)	-100%
Planning					
Salaries and Benefits	1,257,522	1,567,117	1,263,952	(303,165)	-19%
<i>Less: MAA Reimbursable Staff Costs</i>	-	(505,811)	(33,752)	472,059	-93%
Net Salaries and Benefits	1,257,522	1,061,306	1,230,200	168,894	16%
Services and Supplies	237,201	346,150	700,620	354,470	102%
Total Operating Expenditures	1,494,723	1,407,456	1,930,820	523,364	37%
<i>General Fund Capital</i>	776,630	1,607,000	240,200	(1,366,800)	-85%
<i>Measure AA Capital</i>	11,870	4,099,811	1,348,852	(2,750,959)	-67%
Total Capital Expenditures	788,500	5,706,811	1,589,052	(4,117,759)	-72%
Total Planning Expenditures	2,283,223	7,114,267	3,519,872	(3,594,395)	-51%
Public Affairs					
Salaries and Benefits	1,074,534	1,241,881	968,899	(272,982)	-22%
Services and Supplies	615,165	719,690	793,650	73,960	10%
Total Operating Expenditures	1,689,699	1,961,571	1,762,549	(199,022)	-10%
Total Public Affairs Expenditures	1,689,699	1,961,571	1,762,549	(199,022)	-10%
Real Property					
Salaries and Benefits	707,455	980,242	630,058	(350,184)	-36%
<i>Less: MAA Reimbursable Staff Costs</i>	-	(21,970)	-	21,970	-100%
Net Salaries and Benefits	707,455	958,272	630,058	(328,214)	-34%
Services and Supplies	55,021	132,900	155,870	22,970	17%
Total Operating Expenditures	762,476	1,091,172	785,928	(305,244)	-28%
<i>General Fund Land and Associated Costs</i>	279,859	1,003,000	608,350	(394,650)	-39%
<i>Measure AA Land and Associated Costs</i>	4,491,260	11,305,640	399,750	(10,905,890)	-96%
Total Land and Associated Costs	4,771,119	12,308,640	1,008,100	(11,300,540)	-92%
<i>General Fund Property Management*</i>	615,280	715,245	-	(715,245)	-100%
<i>Measure AA Property Management*</i>	-	79,999	-	(79,999)	-100%
Total Property Management*	615,280	795,244	-	(795,244)	-100%
Debt Service	8,893,601	11,142,744	-	(11,142,744)	-100%
Total Real Property Expenditures	15,042,476	25,337,800	1,794,028	(23,543,772)	-93%
Visitor Services					
Salaries and Benefits	-	-	4,402,955	4,402,955	N/A
Services and Supplies	-	-	502,475	502,475	N/A
Total Operating Expenditures	-	-	4,905,430	4,905,430	N/A
Total Visitor Services Expenditures	-	-	4,905,430	4,905,430	N/A

* Effective FY 2016-17, the Property Management Program is transferred to the Land & Facilities Department and incorporated into the operating and capital budgets.