



# Measure AA Bond Annual Accountability Report

July 1, 2016 – June 30, 2017

Stephen E. Abbors, General Manager  
Stefan Jaskulak, Chief Financial Officer



FUNDED BY  
**MEASURE AA**  
2014 OPEN SPACE BOND

# Table of Contents

Letter from the General Manager	ii
Letter from the Chief Financial Officer	iii
Mission Statement	iv
Measure AA Portfolio Map	v

## Section One

Executive Summary	1
Chart 1: Portfolio Allocation to Expenditure Roll Up	2
Chart 2: Portfolio Level Expenditures to Allocations	3
Chart 3: Land Acquisition MAA Expenditures	4
Priority Portfolio Actions, by Region (from MAA Expenditure Plan)	7
Portfolio Expenditure Summary <i>Numerically, by Portfolio Number</i>	14
Financial Report by Project	68

## Section Two

Measure AA Ballot Language	
----------------------------	--

## Section Three

Annual Financial Audit Report	
-------------------------------	--



# Message from the General Manager to the Bond Oversight Committee

Midpeninsula Regional Open Space District's constituents demonstrated their support of public open space in their community by passing Measure AA in 2014. Engaging in the vision planning process, they prioritized the use of these tax dollars to protect, restore, and improve access to their public lands.

As members of the Measure AA Bond Oversight Committee, your role is to ensure that the District upholds its commitments to the public we serve. This Second Annual Measure AA Bond Accountability Report details how Measure AA dollars have been expended to date on the projects which the voters have approved.

Employing these funds, the District continues to care for the natural resources that support all life in our community. Currently we are:

- Protecting watersheds that capture and release clean water by working to purchase land from San Jose Water Company
- Managing forests at Bear Creek Redwoods Open Space Preserve that provide clean air and wildlife habitat, and will soon be open to the public
- Restoring healthy grasslands that support viable cattle grazing at La Honda Creek Open Space Preserve, where a new parking area and six miles of trail were recently opened
- Connecting these landscapes into a functioning whole with projects like the Highway 17 wildlife crossings that are currently being planned

The District is also working to protect the precious cultural resources that survive today in the open spaces we manage. Through interpretive panels and docent-led activities, we tell stories about local people and their relationship to the land, helping communities connect with their heritage. The stories of Native American traditions and Cold War history at the recently opened summit of Mount Umunhum, and the planned preservation of historic Alma College in Los Gatos are just two examples.

All of these important projects would not be possible without essential capital resources supporting them, like those provided by Measure AA. Thank you for valuing your public open spaces and serving your community by overseeing the District's Measure AA capital program; ultimately helping us fulfill our mission with the highest level of responsibility and transparency.



*Stephen E. Abbors*

Stephen E. Abbors, General Manager

# Message from the Chief Financial Officer to the Bond Oversight Committee

Bond Oversight Committee:

The Midpeninsula Regional Open Space District is pleased to present our second Measure AA Bond Annual Accountability Report. This report highlights Measure AA project progress, District activities in support of these projects, and an overview of bond expenditures for the Fiscal Year 2016-2017. As the District continues to deliver on its Measure AA vision, this report fulfills two key tenets of that legislation: transparency and accountability. The voters entrusted the District when they approved Measure AA, a \$300 million bond measure to accelerate land acquisition, environmental restoration, and public access within the District. We present this report to you to document our progress as we expend those funds according to plan.

As Committee members, your role was defined and authorized by Board Policy, adopted on August 12, 2015, which states:

The Committee has the following three responsibilities for each of the years the Measure AA general obligation tax is collected or revenues expended:

- Review Plan expenditures on an annual basis to verify conformity with the Expenditure Plan
- Review the District's Annual Audit and Annual Accountability report and present the Committee's findings to the Board at a public meeting
- Review any proposed amendments to the Expenditure Plan

The Committee Chair shall report the Committee's findings at a public meeting of the Board of Directors.

The Committee shall not have authority to recommend, advise, or direct any such matters that may fall under its responsibility to review. The Committee is not advisory to the Board of Directors and has no power to determine how General Fund monies are spent. The Board of Directors retains its authority to make such decisions and determinations.

Going into this reporting period, the District had spent a total of \$21,202,097 in Measure AA bond funds. The District spent a total of \$16,262,675 directly on Measure AA projects in the Fiscal Year 2016-2017, and a total of \$37,464,772 life-to-date as of the end of this reporting period. Projects are completed or underway in 18 of the 25 portfolios, with progress in the current reporting year on projects spanning 15 portfolios. Additional efforts in support of the Measure AA Portfolios are also noted in the Portfolio Expenditure Summary. The District has funded projects which complement the Bond Expenditure Plan in several active Measure AA Portfolios, as well as fully funding work for the current budget period in two Portfolios.

Looking ahead, the District continues to invest in projects across the 25 Priority Portfolios. The Fiscal Year 2017-18 Approved Budget includes projects in 21 portfolios funded through both Measure AA and General Fund Capital.

As you review the District's Annual Audit and Annual Accountability Report, we thank you for your time and service to your community and to the health of the environment we all share.



Sincerely,

A handwritten signature in black ink, appearing to read 'Stefan Jaskulak', written in a cursive style.

Stefan Jaskulak,  
Chief Financial Officer

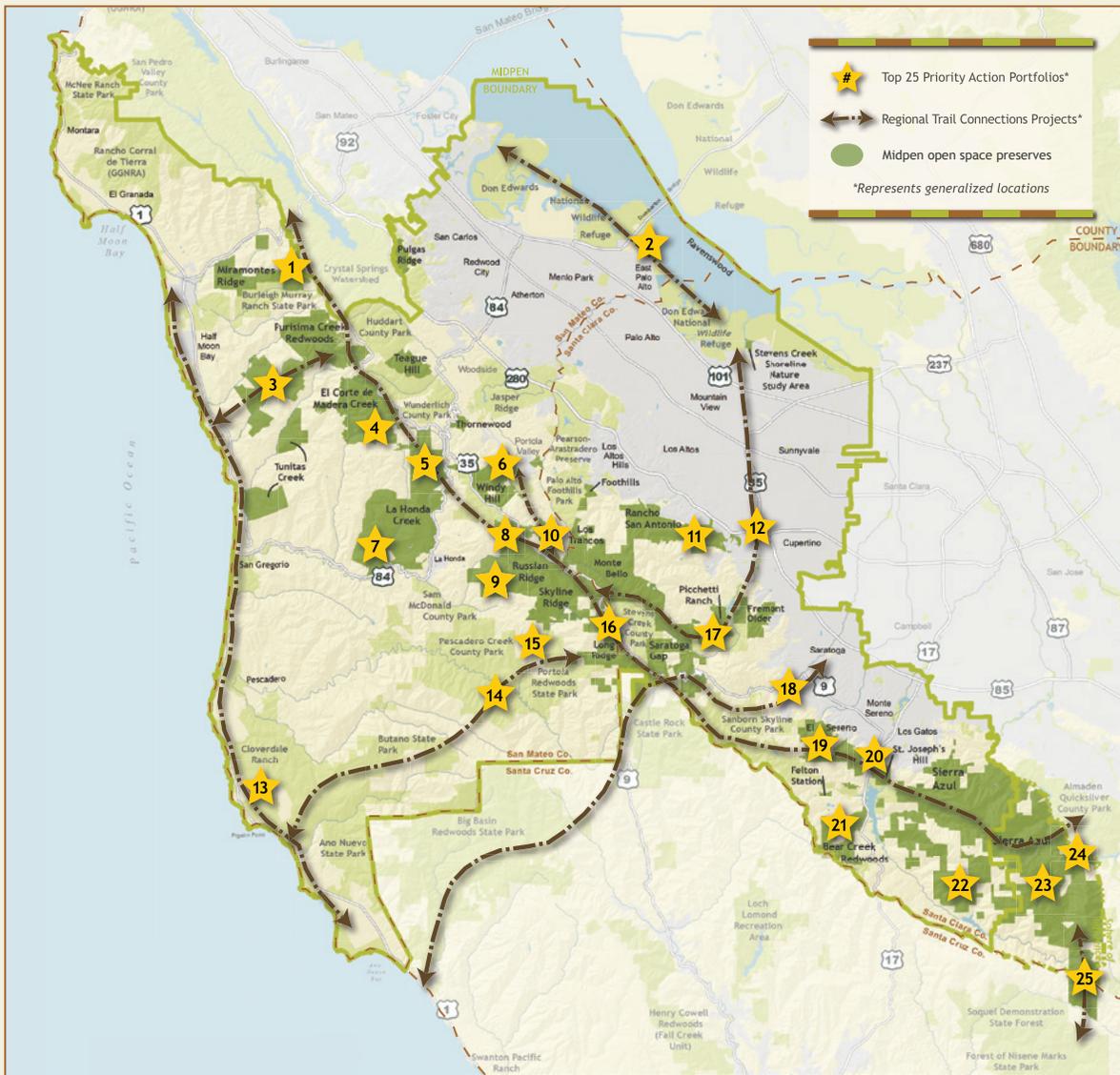
*The mission of the Midpeninsula Regional Open Space District is to acquire and preserve a regional greenbelt of open space land in perpetuity, protect and restore the natural environment, and provide opportunities for ecologically sensitive public enjoyment and education.*

*While implementing the District's overall mission of open space land preservation, resource management, and low-intensity recreation, the District's mission for the Coastal Annexation Area as defined by the Service Plan is:*

*To acquire and preserve in perpetuity open space land and agricultural land of regional significance, protect and restore the natural environment, preserve rural character, encourage viable agricultural use of land resources, and provide opportunities for ecologically sensitive public enjoyment and education.*



# Midpeninsula Regional Open Space District Measure AA Portfolio Map



- |  |  |  |
|--|--|--|
| MAA 1. Open Miramontes Ridge   | MAA 10. Re-Open Alpine Road at Coal Creek          | MAA 18. Complete Saratoga to Sea Trail                               |
| MAA 2. Build New Bayfront Trails   | MAA 11. Build Welcome Center at Rancho San Antonio | MAA 19. Open El Sereno Trails to Dogs and Complete Trail Connections |
| MAA 3. Complete the Purisima-to-the-Sea Trail                              | MAA 12. Complete Middle Stevens Creek Trail        | MAA 20. Preserve Safe Wildlife Corridors across Hwy. 17              |
| MAA 4. Build Walking, Hiking and Biking Trails at El Corte de Madera Creek | MAA 13. Expand Grazing at Cloverdale Coastal Ranch | MAA 21. Open Bear Creek Redwoods                                     |
| MAA 5. Open Upper La Honda Creek Preserve                                  | MAA 14. Open New Trails throughout the Redwoods    | MAA 22. Open Cathedral Oaks at Sierra Azul                           |
| MAA 6. Develop New Trails at Windy Hill                                    | MAA 15. Protect More Redwood Forests               | MAA 23. Open Mount Umunhum at Sierra Azul                            |
| MAA 7. Open Driscoll Ranch Area at La Honda Creek                          | MAA 16. Create New Access Facilities at Long Ridge | MAA 24. Open Rancho de Guadalupe at Sierra Azul                      |
| MAA 8. Preserve Upper San Gregorio Creek Watershed                         | MAA 17. Complete Upper Stevens Creek Trail         | MAA 25. Open Loma Prieta Area at Sierra Azul                         |
| MAA 9. Open New Trails at Russian Ridge                                    |  |  |



View from Mt. Umunhum Trail, Mount Umunhum, Sierra Azul Open Space Preserve by Erin Ashford

# Executive Summary

We are pleased to present the Midpeninsula Regional Open Space District's Second Annual Measure AA Accountability Report. The timeframe of this report spans from July 1, 2016–June 30, 2017 and reflects Measure AA expenditures during this time period. The structure of this document is guided by the Measure AA Ballot language, specifically *Priority Portfolio Actions, by Region*, which appears on page 7 of this report.

The Expenditure Plan and the 25 Priority Actions, as well as the Portfolio designations and locations, were the culmination of the Vision Planning effort that began in 2002. The public visioning process spanned 18 months and defined the strategic direction of the District for the next 40 years. The Vision Plan yielded a list of 54 priority actions that then were narrowed to the top 25 Priority Actions for the purposes of the ballot initiative. Measure AA funded the top 25 Priority Actions through their inclusion in the Measure AA Expenditure Plan. This Measure AA Accountability Report is arranged in parallel with the Measure AA Expenditure Plan to facilitate review; projects are grouped in 25 key project portfolios organized by geographic area within the District's boundaries.

No change in portfolio allocation is proposed for this reporting period. In the future, should a shift in portfolio allocations be needed, the Measure AA Bond Oversight Committee will be advised through the Committee communication process for document review as soon as we are certain that we are going to need to amend the Expenditure Plan.

## Bond Oversight Committee and Nexus with Budget and Action Plan

The Measure AA Bond Oversight Committee's role is specific to reviewing retrospective expenditures, so this Committee is not charged with reviewing the budget or other prospective information, unless it is provided as part of an explanation of a proposed Portfolio Allocation adjustment. That said, there is a synergy between the budgeted and actual expenditures, and the following information is being provided as context for, and insight into, the District's management of Measure AA spending.

Each year the District embarks upon a priority-setting and budgeting process with the Board, which begins a 5-6 month planning process. The final Budget and Action Plan is approved prior to the start of the fiscal year, which begins July 1. Within the Budget and Action Plan document, there is a Measure AA Project Budget Overview which provides a prospective view into the next year's planned spending.

## Bond Issuance, Size, and Look-Back

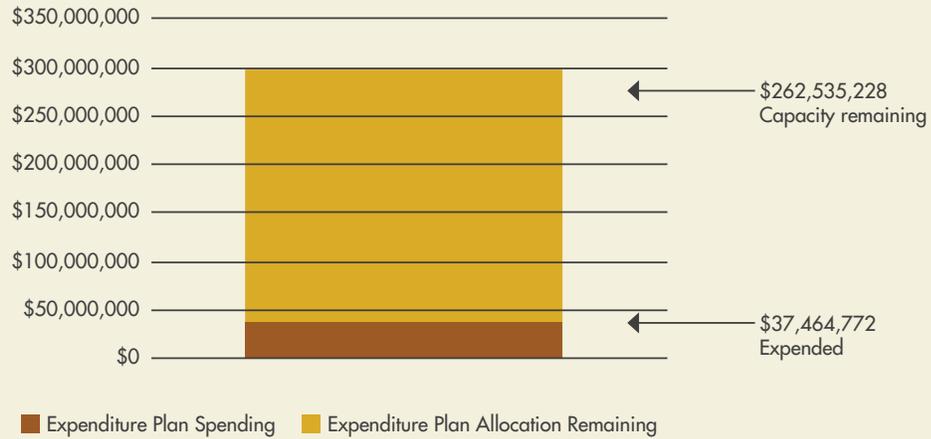
In June 2014, voters approved a \$300 million general obligation bond to be used to protect natural open space lands; open preserves or areas of preserves that are currently closed; construct public access improvements such as new trails and staging areas; and restore and enhance open space land, which includes forests, streams, watersheds, and coastal ranch areas.

In August 2015, the District issued its first tranche of \$45 million in general obligation bonds to reimburse itself for project expenses planned for approximately the next two years, as well as the legally permitted look-back period of 60 days prior to Board's Certification of election results.

## Portfolio Allocations and Expenditures

The chart below depicts a roll-up of how much of the Total Measure AA Expenditure Plan Allocation has been used on a life-to-date basis.

### Portfolio Allocation to Expenditure Roll Up

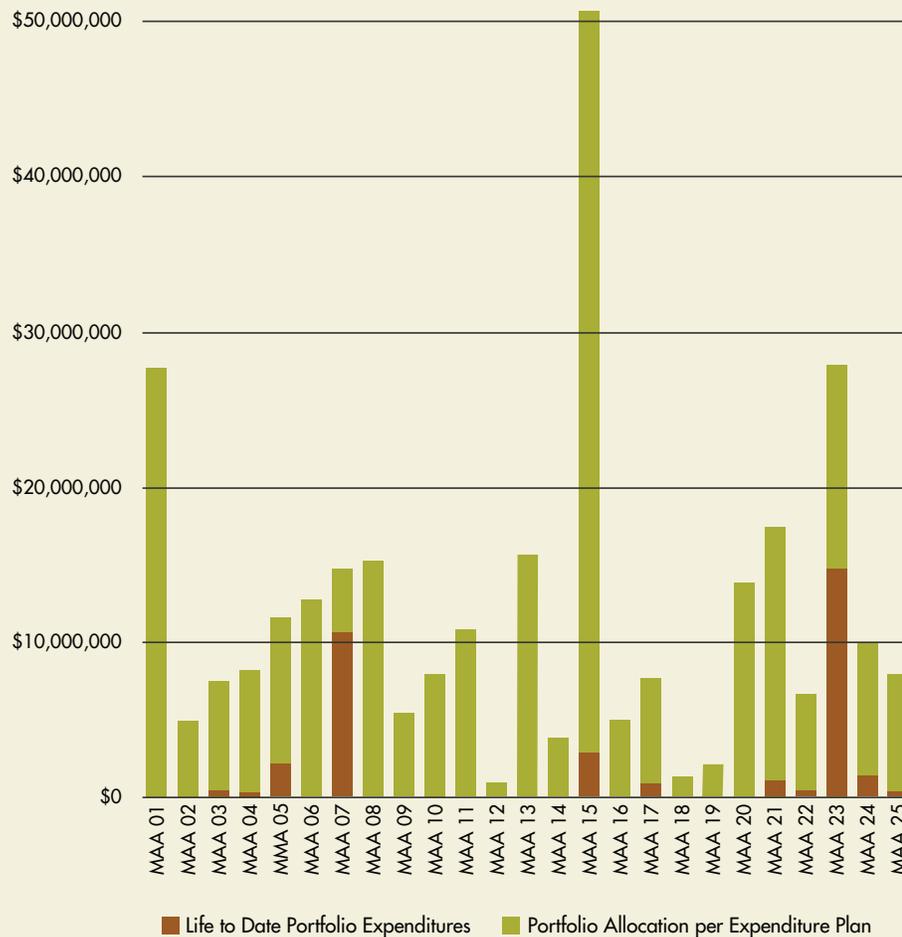


The chart on the following page shows the Expenditure Plan allocations broken down by Portfolio, with the total expenditures for each portfolio through June 30, 2017. The purpose of this chart is to show the Portfolio Allocations that were approved in the Expenditure Plan and the relative expenditures in each portfolio, life-to-date. For more details, please reference the Financial Report on page 68, which contains actual expenditure numbers and remaining allocation.



Ceremonial Circle at Mount Umunhum, Sierra Azul Open Space Preserve by Erin Ashford

## Portfolio Level Expenditures to Allocations



### Spending Trends

As of June 30, 2017, an estimated \$37.5 million has been expended from MAA Funds. The primary spending for the period July 1, 2016 – June 30, 2017 was in engineering and construction associated with opening the Mount Umunhum Summit to the public the following year. Nearly 74% of spending in this reporting period was related to activities in MAA 23. These activities included restoring the mountain summit and constructing an access road, viewpoint and summit shelter, a Native American ceremonial space, parking lots, and multi-use trails. Portfolio expenditures for the year reflect this significant progress on the Mount Umunhum project during the summer of 2017 construction season, in addition to other expenses that occurred during the summer construction season. Another area of focus was La Honda Creek Open Space Preserve, where bridge, trailhead, and new parking area plans were completed and three miles of ranch roads were repaired in anticipation of the preserve opening to the public in the fall of 2017. Other key spending areas for this reporting period included land and associated costs in Sierra Azul Open Space Preserve and other preserves, as well as planning and permitting activities for Bear Creek Redwoods Open Space Preserve.

In addition to direct spending on Measure AA projects, the District has prioritized key initiatives in support of Measure AA portfolios, including land acquisition negotiations, usage surveys, operational infrastructure improvements, environmental assessments, geotechnical studies, and habitat restorations. These are described in detail in the *Portfolio Expenditure Summary* starting on page 14.

Of the \$16.3 million expended in this reporting period, \$1.8 million was related to Land Acquisition and Related Expenses, which represents 11% of all spending for the period. A chart containing a breakdown of Land Acquisition costs to date, by Portfolio, follows:

## Land Acquisition MAA Expenditures (May 11, 2014 – June 30, 2017)

PORTFOLIOS WITH LAND ACQUISITION EXPENSES	LAND PURCHASE AND ASSOCIATED COSTS	PURPOSE	NOTES
MAA 01	<b>\$52,915</b>	Potential property purchase	Preliminary surveying of property. Opportunity to purchase the land for conservation purposes has not yet been realized
MAA 02	<b>\$108,273</b>	SFPUC easement at Ravenswood Trail	Easement property right
MAA 03	<b>\$382,288</b>	Riggs property purchase and site cleanup & remediation	Includes lot line adjustment. Includes Guisti Uplands
MAA 05	<b>\$1,756,093</b>	Toepfer and Ashworth property purchases	Land conservation purchases
MAA 07	<b>\$9,008,773</b>	Apple Orchard and Events Center property and Cunha property purchases	Land conservation purchases
MAA 15	<b>\$3,018,550</b>	POST/Alpine ranch easement	Easement property right
MAA 17	<b>\$754,552</b>	Lysons property purchase	Property expense equals purchase price minus grant income of \$740,000
MAA 22	<b>\$540,587</b>	Freudenberg land purchase	Land conservation purchase
MAA 23	<b>\$1,264,084</b>	Property purchase and associated costs	Meyer property purchase and associated costs
MAA 24	<b>\$1,591,996</b>	Barth, Peterson, Navid/Gagher, Kahn property purchases	Land conservation purchase
MAA 25	<b>\$410,150</b>	Burton property purchase	Land conservation purchase
<b>Total Land Acquisition MAA Expenditures</b>	<b>\$18,888,261</b>		



Pulgas Ridge Open Space Preserve by Karl Gohl

## Anticipated Future Trends

The Bond Oversight Committee primarily reviews expenses that have been realized retrospectively. That said, the following section provides a high-level glimpse of the District trajectory, related to anticipated expenditures based on the approved Fiscal Year Budget and Action Plan as well as operational workload. This is being provided for contextual purposes and to demonstrate the managed progress the District is making toward MAA Projects.

Next year's report, which will cover Fiscal Year 2017–2018, will represent the third Measure AA Bond Annual Accountability Report. As of the close of the next reporting period, it is estimated, based on the Approved Fiscal Year 2017–2018 Budget that the planned life to date spending will exceed \$50 million, or approximately 17% of the \$300 million bonding capacity authorized under Measure AA.

The capital program for the coming fiscal year includes many phased projects, in contrast to the concentrated effort that has been expended to open Mount Umunhum in fall of 2017. These projects include the Harkins Bridge replacement and Oljon Trail implementation; La Honda Creek Open Space Preserve Sears Ranch Road parking area and trail connection; Bear Creek Redwoods Open Space Preserve public access, water system and stables site plan, and the Alma College site rehabilitation plan. Additionally, approximately two months will be spent completing final work on the Mount Umunhum public access projects and the opening.

The Planning Department continues to make significant progress in El Sereno, La Honda, and Bear Creek Redwoods Open Space Preserves, and although the expenses for those preserves were considered planning feasibility and paid for through other funding sources, it is expected that MAA eligible expenses may start to come in to support MAA Portfolio projects in those preserves, and others in the planning phases.

Finally, Portfolio allocations include estimated land acquisition costs. Since purchases are primarily opportunity-driven, these are estimates not tied to a specific time frame, and we do not know when the properties and/or rights will be available for purchase. The Real Property Department has been actively pursuing targeted opportunities for land purchases as well as the purchase of property rights and easements, and it is anticipated that those expenses may be realized into the future, when the opportunity becomes available.



Monte Bello Open Space Preserve by Karl Gohl

# Priority Portfolio Actions, by Region

(From the Measure AA Expenditure Plan)

## South Bay Foothills

(Los Gatos, Monte Sereno, Saratoga, and Santa Cruz Mountains)

### Portfolio 18: South Bay Foothills – Saratoga-to-Sea Trail and Wildlife Corridor

- Protect wildlife corridor along Highway 9
- Connect trail to Saratoga-to-Sea Trail and Skyline-to-the-Sea Trail
- Portfolio Allocation: \$1,365,000

### Portfolio 19: El Sereno – Dog Trails and Connections

- Provide infrastructure to open trails to dogs
- Develop connections to Skyline, Sanborn County Park, and Lexington Reservoir
- Portfolio Allocation: \$2,254,000

### Portfolio 20: South Bay Foothills – Wildlife Passage and Ridge Trail Improvements

- Establish safe corridors for wildlife across Highway 17
- Establish Bay Area Ridge Trail crossing
- Portfolio Allocation: \$13,966,000

### Portfolio 21: Bear Creek Redwoods – Public Recreation and Interpretive Projects

- Open for hiking, equestrian activities
- Provide parking areas, trails, upgrade stables
- Restore and protect habitats for various species
- Repair roads and trails to reduce sediment runoff into streams
- Rehabilitate Alma College site
- Portfolio Allocation: \$17,478,000

### Portfolio 22: Sierra Azul – Cathedral Oaks Public Access and Conservation Projects

- Develop multi-use trail and plan future trails as land is available
- Develop parking
- Restore plant communities and soils
- Install trailside amenities
- Preserve additional open space and complete wildlife corridor in upper Los Gatos Creek watershed
- Portfolio Allocation: \$6,714,000

### Portfolio 23: Sierra Azul – Mount Umunhum Public Access and Interpretive Projects

- Open Mount Umunhum for multi-use public access to summit via road and trail
- Open Bay Area Ridge Trail and nearby trail connections
- Preserve additional open space and complete wildlife corridor
- Portfolio Allocation: \$27,972,000

### Portfolio 24: Sierra Azul – Rancho de Guadalupe Family Recreation

- Open Rancho de Guadalupe to public access
- Develop accessible multi-use trails with amenities such as parking and family recreation
- Restore habitat for rare species
- Protect cultural and natural resources
- Portfolio Allocation: \$10,078,000

### Portfolio 25: Sierra Azul – Loma Prieta Area Public Access, Regional Trails, and Habitat Projects

- Provide public access and recreation, including small campground
- Develop, improve, connect regional multi-use trails to Forest of Nisene Marks State Park, to protected land to the east, and to Mount Umunhum
- Protect Steelhead habitat, rare plants and grasslands, and restore Knob Cone Pine Stands
- Portfolio Allocation: \$7,986,000



View from Mount Umunhum, Sierra Azul Open Space Preserve by Erin Ashford

## Peninsula Foothills and Bay

(Cupertino, Los Altos, Los Altos Hills, Sunnyvale, Mountain View, Palo Alto, East Palo Alto, Menlo Park, Atherton, Redwood City, San Carlos, Woodside, Portola Valley, Skyline)

### Portfolio 2: Regional – Bayfront Habitat Protection and Public Access Partnerships

- Partner to complete gaps in Bay Trail and develop city-to-bay trails
- Support wetland restoration and associated interpretive facilities
- Preserve additional Bayfront open space
- Portfolio Allocation: \$5,052,000

### Portfolio 4: El Corte de Madera Creek – Bike Trail and Water Quality Projects

- Develop single-use biking/hiking trails, complete Ridge Trail gaps, and develop trail system leading to parking area
- Restore damaged trails to improve water quality
- Preserve additional open space as available
- Portfolio Allocation: \$8,376,000

### Portfolio 5: La Honda Creek – Upper Area Recreation, Habitat Restoration, and Conservation Grazing Projects

- Open upper half of the preserve to public; provide biking/hiking/equestrian trails, dog access, and staging areas
- Provide loop and connector trails
- Restore habitat for rare species
- Improve fencing, corrals, and water systems to reintroduce conservation grazing
- Portfolio Allocation: \$11,733,000

### Portfolio 6: Windy Hill – Trail Improvements, Preservation, and Hawthorns Area Historic Partnership

- Improve trails, complete pond facilities
- Increase multi-use trails, study possible improvements to increase dog use
- Open Hawthorns Area; develop trails connecting to Portola Valley and Palo Alto trails
- Partner to protect, restore, and interpret historic buildings
- Improve habitat conditions in Los Trancos Creek
- Preserve additional scenic open space as available
- Portfolio Allocation: \$12,740,000

## Portfolio 8: La Honda Creek and Russian Ridge – Preservation of Upper San Gregorio Watershed and Ridge Trail Completion

- Preserve Upper San Gregorio watershed; restore endangered species habitats
- Support opportunities to provide additional water for fisheries
- Complete Bay Area Ridge Trail multi-use connections and gaps
- Provide additional public use facilities
- Portfolio Allocation: \$15,347,000

## Portfolio 9: Russian Ridge – Public Recreation, Grazing, and Wildlife Protection Projects

- Open currently closed areas of preserve
- Construct and extend trails
- Improve fencing, corrals, and water systems to reintroduce conservation grazing
- Improve habitat for sensitive species, implement pond enhancement projects for garter snakes and red-legged frogs
- Portfolio Allocation: \$5,560,000

## Portfolio 10: Coal Creek – Reopen Alpine Road for Trail Use

- Reopen Alpine Road as trail connection between Portola Valley and Skyline Boulevard
- Reroute trails to reduce erosion and improve visitor experience
- Portfolio Allocation: \$8,017,000

## Portfolio 11: Rancho San Antonio – Interpretive Improvements, Refurbishing, and Transit Solutions

- Add welcome center
- Refurbish and add interpretive exhibits to Deer Hollow Farm
- Support of transit improvement options such as bike trails, bike share station, bus service, or additional parking
- Portfolio Allocation: \$10,811,000

## Portfolio 12: Peninsula and South Bay Cities – Partner to Complete Middle Stevens Creek Trail

- Support work by cities to develop the middle section of the Stevens Creek Trail and enhance neighborhood connections
- Support work by partners to complete stream corridor restoration and Steelhead habitat enhancement below dam
- Develop and install interpretive signage
- Portfolio Allocation: \$1,038,000

## Portfolio 16: Long Ridge – Trail, Conservation, and Habitat Restoration Projects (Saratoga)

- Improve roadside parking and provide restrooms
- Develop new trail connections to Eagle Rock and Devils Canyon
- Repair trails for year-round, multi-use access
- Protect watersheds for Steelhead
- Preserve additional open space as available
- Implement pond and habitat enhancement restoration projects to benefit rare species
- Portfolio Allocation: \$5,140,000

## Portfolio 17: Regional – Complete Upper Stevens Creek Trail

- Complete multi-use connection between the Bay Trail and Bay Area Ridge Trail above the reservoir through Picchetti Ranch Open Space Preserve and Lower/Upper Stevens Creek County Parks
- Improve Preserve trails and neighborhood connections
- Preserve additional open space as available
- Portfolio Allocation: \$7,760,000



Long Ridge Open Space Preserve by Jim Mosher

## Coast

(Half Moon Bay, San Gregorio, Pescadero, La Honda)

### Portfolio 1: Miramontes Ridge – Gateway to the Coast Public Access, Stream Restoration, and Agriculture Enhancement

- Preserve scenic open space land as available, and establish wildlife corridor
- Restore fish and red-legged frog habitats in Madonna Creek watershed
- Partner to enhance water availability for agriculture and fish
- Develop trail loop system, including Ridge Trail and neighborhood access points
- Develop staging area, repair bridges
- Portfolio Allocation: \$27,774,000

### Portfolio 3: Purisima Creek Redwoods – Purisima-to-the-Sea Trail, Watershed Protection, and Conservation Grazing

- Complete and open multi-use Purisima-to-the-Sea Trail connection between Ridge Trail and Coastal Trail, and new parking areas
- Preserve additional open space as available
- Remove fish barriers and restore Lobitos Creek
- Restore ponds for endangered species
- Portfolio Allocation: \$7,608,000

### Portfolio 7: La Honda Creek – Driscoll Ranch Public Access, Endangered Wildlife Protection, and Conservation Grazing

- Open Driscoll Ranch Area; provide biking/hiking/equestrian trails, limited dog access, parking areas, and interpretive displays
- Develop loop and connector trails
- Restore habitat for endangered species
- Restore La Honda Creek; remove fish migration barriers
- Portfolio Allocation: \$14,825,000

### Portfolio 13: Cloverdale Ranch – Wildlife Protection, Grazing, and Trail Connections

- Improve fencing, corrals, and water systems to increase conservation grazing and sustain large contiguous grasslands
- Restore habitat for endangered species
- Provide trail connections to nearby state parks
- Portfolio Allocation: \$15,712,000

## Portfolio 14: Regional – Trail Connections and Campgrounds

- Develop trails between Butano, Pescadero County Park, Russian Ridge, and between Skyline and Portola Redwoods, and Big Basin State Park
- Partner with county and state parks to improve existing campgrounds
- Portfolio Allocation: \$3,966,000

## Portfolio 15: Regional – Redwood Protection and Salmon Fishery Conservation

- Preserve additional open space as available
- Protect and enhance redwood stands, mountain scenery, various habitats, and Steelhead salmon
- Portfolio Allocation: \$50,728,000



Purisima Creek Redwoods Open Space Preserve by Kate Pittman

# Portfolio Expenditures

*Numerically, by Portfolio Number*



Russian Ridge Open Space Preserve by Chris Tracey

## Preface

The Portfolio Expenditure Summary includes a description of each of the 25 MAA Portfolio projects, which was included in the Measure AA ballot language, under the Expenditure Plan section. Included within each Portfolio Description is the Portfolio Allocation, which also was designated in the Expenditure Plan. This bond funding allocation may be shifted if needed following the Board of Director's approval, however, for this reporting period, no deviation from the original Expenditure Plan is proposed.

The Portfolio Expenditures listed in the Description section represent all project costs, which have been deemed eligible for Measure AA reimbursement from inception through June 30, 2017. These amounts tie to the numbers in Section 3, Annual Audit, page 65, Measure AA Bond Program Schedule of Program Expenditures.

Portfolios that have no incurred expenditures are included in this report to keep the continuity of the report from year to year.

Additional contextual information is included in the Notable Accomplishments, Project Challenges, and Potential Next Steps, as well as the Tables and Charts associated with each Portfolio. Though the Bond Oversight Committee review is focused on actual expenditures, additional narrative information has been included to help provide a sense of the projects, the nexus with non-MAA work or partner work, and general status. The tables and charts restate information gleaned from the District's accounting system and provide another graphical way to view the expenditures. Finally, where available, we have included actual photographs of the preserves in which the Portfolio projects occur as a visual reference.





Miramontes Ridge Open Space Preserve by Karl Gohl

## Portfolio 1: Miramontes Ridge—Gateway to the Coast Public Access, Stream Restoration, and Agriculture Enhancement

### Description

- Preserve scenic open space land as available, and establish wildlife corridor
- Restore fish and red-legged frog habitats in Madonna Creek watershed
- Partner to enhance water availability for agriculture and fish
- Develop trail loop system, including Ridge Trail and neighborhood access points
- Develop staging area, repair bridges
- Portfolio Allocation: \$27,774,000
- Portfolio Expenditures through 6/30/2017: \$52,915

### Notable Accomplishments

- Expenditures related to land acquisition activities

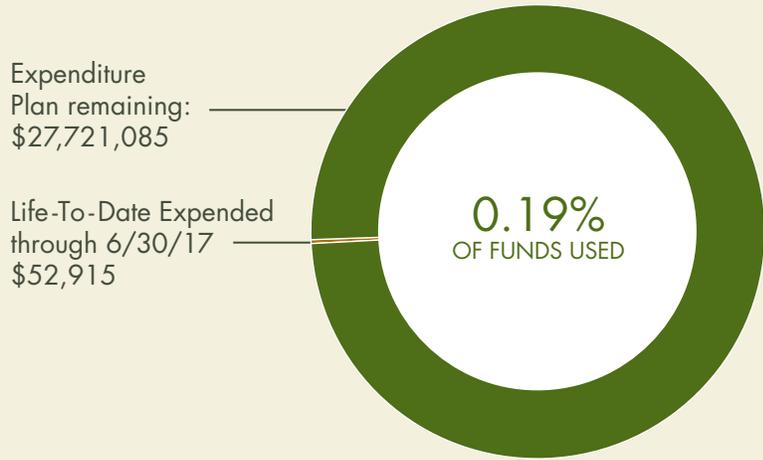
### Project Challenges

- No project challenges identified at this time

### Potential Next Steps

- Continue pursuing a potential new property purchase

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
MAA 01	<b>Miramontes Ridge:</b> Gateway to Coast Public Access, Stream Restoration, and Agriculture Enhancement Gateway to San Mateo Coast				
	01-003 Potential Property Purchase		\$52,915		
	<b>Subtotal</b>	<b>\$27,774,000</b>	<b>\$52,915</b>	<b>\$27,721,085</b>	<b>0.19%</b>



## Portfolio 2: Regional—Bayfront Habitat Protection and Public Access Partnerships

### Description

- Partner to complete gaps in Bay Trail and develop city-to-bay trails
- Support wetland restoration and associated interpretive facilities
- Preserve additional Bayfront open space
- Portfolio Allocation: \$5,052,000
- Portfolio Expenditures through 6/30/2017: \$205,433

### Notable Accomplishments

#### Bay Trail

- Completed the environmental review documentation for compliance with the California Environmental Quality Act (CEQA) for both the easement transfer and for construction of the new Bay Trail connection
- District Board of Directors approved the exchange agreement for Ravenswood Bay Trail easement in November 2016 with the City and County of San Francisco
- With consultant assistance, completed the conceptual trail design, including 30% design plans, completed the environmental review, and received Board approval for the Ravenswood Bay Trail Connection Project
- Received support for the proposed Exchange Agreement and Public Trail Easement from the San Francisco Public Utilities Commission Committee (SFPUC), who has forwarded their recommendation for approval to the City/County of San Francisco Board of Supervisors for their consideration in the fall of 2017
- Drafted a Memorandum of Agreement with the City of East Palo Alto for inter-agency coordination on the Ravenswood Bay Trail Easement
- Initiated regulatory agency consultation, attended three meetings with regulatory agencies representatives, and received regulatory agency approval for geotechnical investigations to inform the final design of the trail improvements

#### Cooley Landing

- City of East Palo Alto completed and opened the Cooley Landing Education Center

### Project Challenges

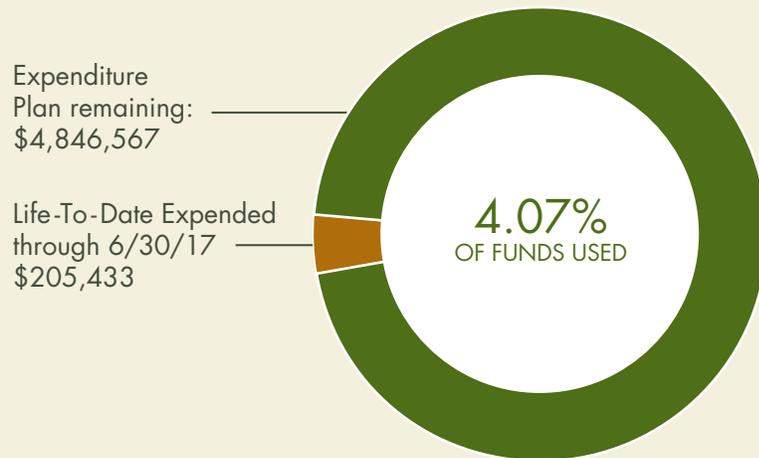
#### Bay Trail

- Requires extensive, multiple agency coordination, and permits, including coordination between cities, Association of Bay Area Governments (ABAG), SFPUC and other governmental and regulatory entities

#### Cooley Landing

- Interagency coordination between District and City of East Palo Alto
- Availability of resources for the project
- Approval of Measure AA funding and development of amendment to Partnership Agreement

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
MAA 02	<b>Regional:</b> Bayfront Habitat Protection and Public Access Partnership				
	02-002 Easement SFPUC Ravenswood Trail Less: 02-002 Grant Income		\$309,771 (\$104,338)		
	<b>Subtotal</b>	<b>\$5,052,000</b>	<b>\$205,433</b>	<b>\$4,846,567</b>	<b>4.07%</b>



### Potential Next Steps

#### Bay Trail

- Secure SFPUC approval for the easement exchange
- Complete more detailed schematic designs for the new trail
- Complete regulatory permitting and construction of new trail

#### Cooley Landing

- Complete design drawings, permitting, and construction of final phases of work

## Portfolio 3: Purisima Creek Redwoods—Purisima-to-the-Sea Trail, Watershed Protection and Conservation Grazing

### Description

- Complete and open multi-use Purisima-to-the-Sea Trail connection between Ridge Trail and Coastal Trail, and new parking areas
- Preserve additional open space as available
- Remove fish barriers and restore Lobitos Creek
- Restore ponds for endangered species
- Portfolio Allocation: \$7,608,000
- Portfolio Expenditures through 6/30/2017: \$586,104

### Notable Accomplishments

- Received two redwood parcel gifts totaling 0.5 acres to Purisima Creek Redwoods Preserve
- Entered into a Letter of Understanding with a private property owner in Purisima Creek Redwoods Preserve regarding allowable uses and property transfer terms to proceed with a lot line adjustment and secure coastal uplands as an addition to the Preserve
- Completed a survey of the Lobitos Creek Conservation Easement Area in Purisima Creek Redwoods Preserve
- Submitted Lot Line Adjustment application for Giusti (Purisima Uplands) property to San Mateo County Planning Department
- Completed Purisima Uplands cabin lead and asbestos abatement, demolition, and site cleanup assessment
- Completed corral demolition, water system installation, and fence installation at the Bluebrush grazing and residential properties at Purisima Creek Redwoods Preserve
- Repaired significant road damage on North Ridge Trail to make it accessible for emergency vehicles, completed extensive repairs on Borden-Hatch Mill Trail and Grabtown Gulch Trail for improved access and drainage, received bids for replacement of a key access bridge, and completed geotechnical work to inform the replacement of the lower parking lot restroom at Purisima Creek Redwoods Preserve
- In support of Measure AA improvements, collaborated with the United States Geological Survey (USGS) to install a fog collection experimental stations at Purisima Creek Redwoods Preserve to conduct research on the viability of fog water harvesting
- In support of Measure AA improvements in Purisima Creek Redwoods Preserve, completed mowing projects at October Farm to control brush encroachment and at Bluebrush Canyon to control invasive species and reduce wildfire fuels

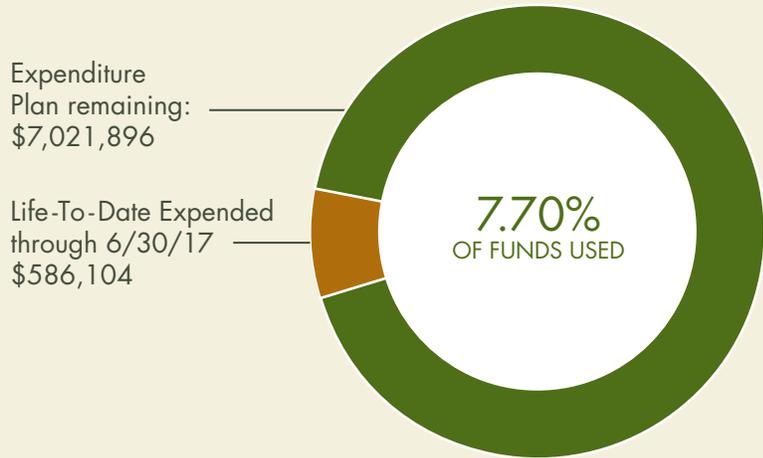
### Project Challenges

- No project challenges identified at this time

### Potential Next Steps

- Secure all necessary permits and complete construction for the Harkins Bridge Project and the Purisima uplands lot line adjustment application to San Mateo County

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
<b>MAA 03</b>	<b>Purisima Creek Redwoods:</b> Purisima-to-the-Sea Trail, Watershed Protection, and Conservation Grazing				
	03-001 Lot Line Adjustment/Riggs Property Purchase		\$402,192		
	03-002 Site Cleanup & Remediation (Guisti Uplands)		\$5,255		
	03-004 Harkins Bridge Replacement		\$178,657		
	<b>Subtotal</b>	<b>\$7,608,000</b>	<b>\$586,104</b>	<b>\$7,021,896</b>	<b>7.70%</b>





El Corte de Madera Creek Open Space Preserve by Ron Langum

## Portfolio 4: El Corte de Madera Creek—Bike Trail and Water Quality Projects

### Description

- Develop single-use biking/hiking trails, complete Ridge Trail gaps, and develop trail system leading to parking area
- Restore damaged trails to improve water quality
- Preserve additional open space as available
- Portfolio Allocation: \$8,376,000
- Portfolio Expenditures through 6/30/2017: \$368,188

### Notable Accomplishments

- Continued to make progress towards permitting the Oljon Trail at El Corte de Madera Open Space Preserve with construction expected to begin in FY 2017–18

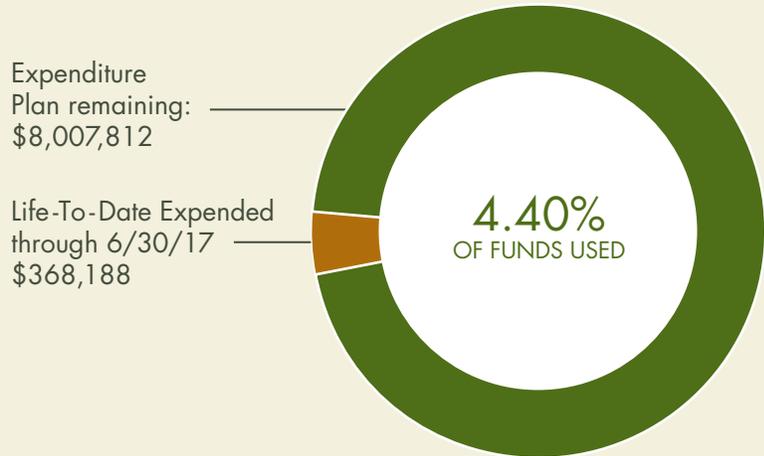
### Project Challenges

- Securing the necessary California Department of Fish and Wildlife (CDFW) permit for the next phase of trail work may result in construction delays

### Potential Next Steps

- Submit the CDFW permit application and secure the permit to construct Phase 2
- Initiate construction of the Phase 2 Oljon Trail segment

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
<b>MAA 04</b>	<b>El Corte de Madera Creek: Bike Trail and Water Quality Projects</b>				
	04-002 ECdM Watershed Protection Final Phase		\$235,934		
	04-003 ECdM Watershed Protection Re-assessment		\$83,956		
	04-004 Oljon Trail		\$48,298		
	<b>Subtotal</b>	<b>\$8,376,000</b>	<b>\$368,188</b>	<b>\$8,007,812</b>	<b>4.40%</b>





La Honda Creek Open Space Preserve by Francis Freyberg

## Portfolio 5: La Honda Creek—Upper Area Recreation, Habitat Restoration, and Conservation Grazing Projects

### Description

- Open upper half of the preserve to public; provide biking/hiking/equestrian trails, dog access, and staging areas
- Provide loop and connector trails
- Restore habitat for rare species
- Improve fencing, corrals, and water systems to reintroduce conservation grazing
- Portfolio Allocation: \$11,733,000
- Portfolio Expenditures through 6/30/2017: \$2,286,428

### Notable Accomplishments

- Completed nine preliminary technical site investigation studies, and conducted an iterative design development process resulting in two conceptual design alternatives
- Conducted focused stakeholder outreach to support concept design development. Held Planning and Natural Resources Committee meeting and Community Open House to solicit public input on Red Barn Public Access Area Concept Design Alternatives
- Conducted preliminary trail scouting from parking location

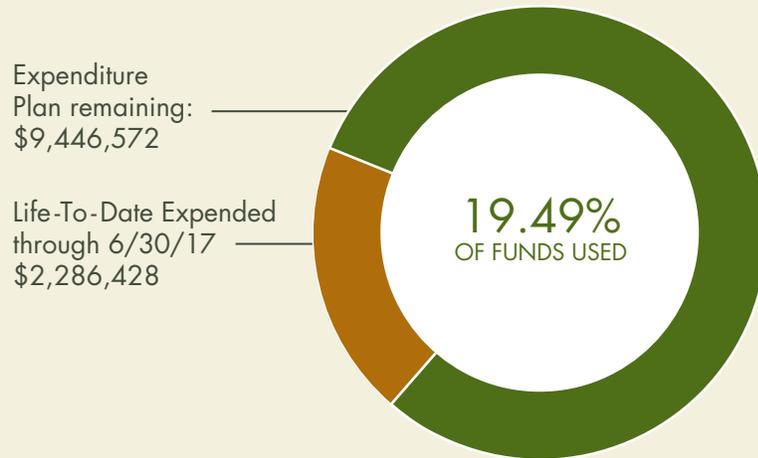
### Project Challenges

- Major landslide blocked planned connection between upper and lower La Honda

### Potential Next Steps

- Select preferred alternative for the Red Barn Site Plan for environmental review to fulfill the CEQA, conduct CEQA review, and forward to the Board for approval
- Develop Phase II trail designs for planned trail connection between Red Barn site and Sears Ranch Road parking area (lower La Honda)

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
<b>MAA 05</b>	<b>La Honda Creek:</b> Upper Recreation Area, Habitat Restoration, and Conservation Grazing Projects				
	05-001 Land Conservation		\$1,756,093		
	05-002 Grazing/Water Systems Infrastructure		\$209,765		
	05-004 Sears Ranch Interim Parking		\$5,074		
	05-005 Red Barn Parking Area		\$216,937		
	05-006 Sears Ranch Road Repair		\$98,560		
	<b>Subtotal</b>		<b>\$11,733,000</b>	<b>\$2,286,428</b>	<b>\$9,446,572</b>





Windy Hill Open Space Preserve by Matt McLean

## Portfolio 6: Windy Hill—Trail Improvements, Preservation, and Hawthorns Area Historic Partnership

### Description

- Improve trails, complete pond facilities
- Increase multi-use trails, study possible improvements to increase dog use
- Open Hawthorns Area; develop trails connecting to Portola Valley and Palo Alto trails
- Partner to protect, restore, and interpret historic buildings
- Improve habitat conditions in Los Trancos Creek
- Preserve additional scenic open space as available
- Portfolio Allocation: \$12,740,000
- Portfolio Expenditures through 6/30/2017: \$0

MAA Funds have not been expended on this Portfolio for this reporting period, therefore there are no funds in this Portfolio for the Bond Oversight Committee to validate at this time. This does not necessarily mean that work is not underway in this Preserve, it just means that if there is work in process, other funding sources are being utilized, and the scope is not what was contemplated as part of this Portfolio within the MAA Expenditure Plan, or the scope is not currently eligible for MAA funding.

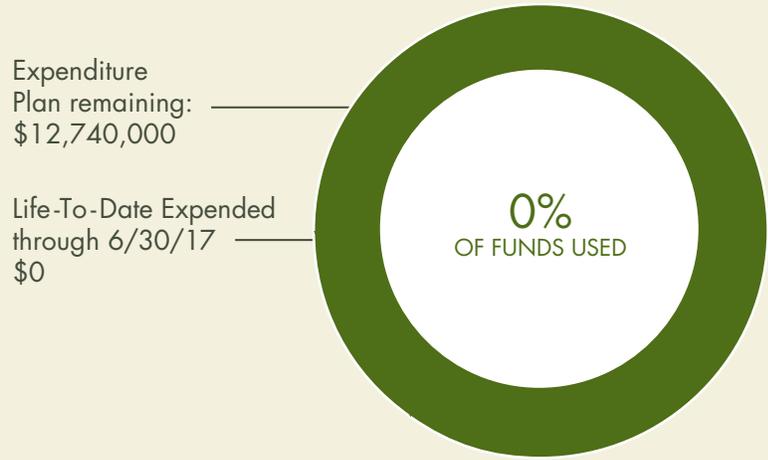
### Project Challenges

- Historic complex of structures, including the main residence and garage, require stabilization efforts to address public safety for future trail access

### Potential Next Steps

- To facilitate future public access improvements in support of Measure AA, develop a site-specific plan for new public access trails and parking area at the Hawthorns property, in coordination with the Town of Portola Valley and stakeholders
- Coordinate with Town of Portola Valley on their realignment and widening of existing trail adjacent to Alpine Road

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
MAA 06	Windy Hill: Implementation, Preservation, and Hawthorns Area Historic Partnership				
	<b>Subtotal</b>	<b>\$12,740,000</b>	<b>-</b>	<b>\$12,740,000</b>	<b>0.00%</b>



## Portfolio 7: La Honda Creek—Driscoll Ranch Public Access, Endangered Wildlife Protection, and Conservation Grazing

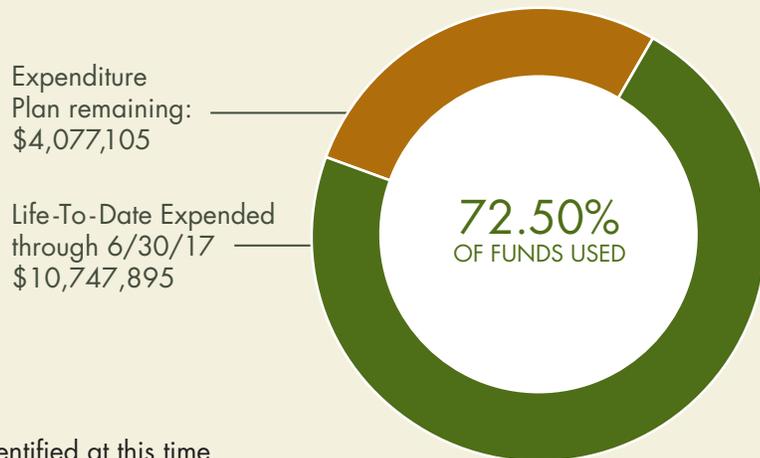
### Description

- Open Driscoll Ranch Area; provide biking/hiking/equestrian trails, limited dog access, parking areas, and interpretive displays
- Develop loop and connector trails
- Restore habitat for endangered species
- Restore La Honda Creek; remove fish migration barriers
- Portfolio Allocation: \$14,825,000
- Portfolio Expenditure through 6/30/2017: \$10,747,895

### Notable Accomplishments

- Completed invasive control work at the Apple Orchard and Driscoll Ranch properties of La Honda Creek Preserve
- Completed site clean-up and demolition of numerous dilapidated structures, including photography documentation of the structures prior to demolition, to prepare the preserve for public access
- Completed construction of a new corral system at the previous site of the Wool Ranch house to assist with grazing efforts
- Completed numerous major actions and commenced or continued other major actions toward opening lower La Honda Creek Open Space Preserve to the public in late Fall/Winter 2017, including:
  - Completed three miles of ranch road repairs, which are critical for opening the roads to public access; maintaining safe passage for patrol, maintenance, and emergency vehicle use; and providing ranch access to support the ongoing conservation grazing program
  - Finalized plans to replace the decking and install new rails on the Harrington Creek Bridge, which will allow trail users to cross a major creek
  - Completed stakeholder outreach and received Board approval for new trail names and a new loop trail in the Lower La Honda Creek area
  - Received Board approval to begin construction of the new Sears Ranch Parking Area, which will provide 22 vehicle spaces, a restroom, signage, and the main trailhead to access the trails in the southern area of the Preserve
  - Completed design and permitting of the Sears Ranch Parking Lot and the related traffic analysis for the new parking lot
  - Began preparations for a groundbreaking ceremony and a grand opening ceremony for new Sears Ranch Parking Area
  - Completed site investigations and two conceptual designs for the proposed Red Barn parking area and trailhead gateway entrance; and conducted focused stakeholder outreach to receive public input on the two designs, including a Planning and Natural Resource Committee meeting and a community open house
- Completed a District Housing Structures Assessment for the Driscoll Ranch Area of La Honda Creek Preserve and secured Board approval to build Agricultural Workforce Housing in partnership with San Mateo County
- Completed fisheries habitat enhancement project at the former Apple Orchard parcel of lower La Honda Creek, consisting of installation of 13 in-stream large woody debris structures. Project was a partnership with the San Mateo Resource Conservation District and the California Department of Fish and Wildlife through the California State Fisheries Restoration Grant Program

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
MAA 07	<b>La Honda Creek:</b> Driscoll Ranch Public Access, Endangered Wildlife Protection, and Conservation Grazing				
	07-001	Apple Orchard/Event Center Purchase		\$6,007,601	
	07-002	Fisheries Restoration Design/Permitting Less: 07-002 Grant Income		\$727,716 (\$230,970)	
	07-003	Fisheries Enhancement Apple Orchard		\$16,152	
	07-004	Fisheries Enhancement Event Center		\$20,000	
	07-005	Pond DR05 Repair/Restore		\$189,422	
	07-006	Cunha Land Purchase		\$3,080,705	
	07-007	Wool House Demolitions		\$301,774	
	07-009	Sears Ranch Parking Area		\$177,011	
	07-010	Sears Ranch Road Repair		\$458,484	
		<b>Subtotal</b>	<b>\$14,825,000</b>	<b>\$10,747,895</b>	<b>\$4,077,105</b>



### Project Challenges

- No project challenges identified at this time

### Potential Next Steps

- Develop plans for and construct Phase II roads and trails that will connect new Sears Ranch Road parking area (lower La Honda) with Red Barn parking area (upper La Honda)
- Complete permit-only equestrian parking area and equestrian-only trail segment connecting to the new Folger Ranch Loop trail



La Honda Creek Open Space Preserve by Francis Freyberg

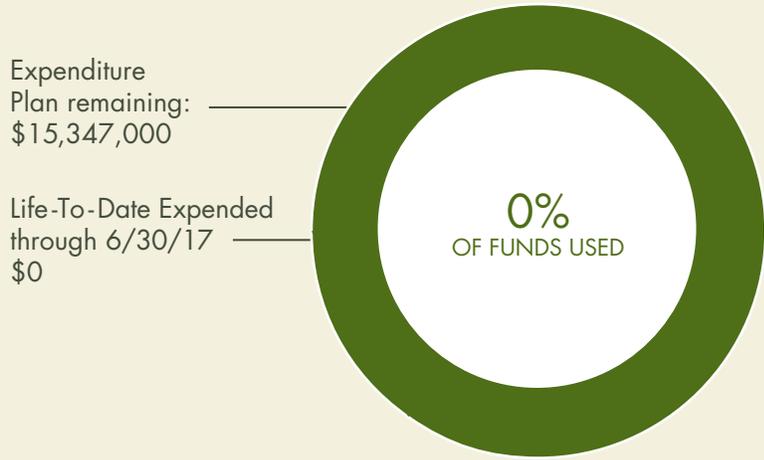
## Portfolio 8: La Honda Creek/Russian Ridge—Preservation of Upper San Gregorio Watershed and Ridge Trail Completion

### Description

- Preserve Upper San Gregorio watershed; restore endangered species habitats
- Support opportunities to provide additional water for fisheries
- Complete Bay Area Ridge Trail multi-use connections and gaps
- Provide additional public use facilities
- Portfolio Allocation: \$15,347,000
- Portfolio Expenditures through 6/30/2017: \$0

MAA Funds have not been expended on this Portfolio for this reporting period, therefore there are no funds in this Portfolio for the Bond Oversight Committee to validate at this time. This does not necessarily mean that work is not underway in this Preserve, it just means that if there is work in process, other funding sources are being utilized, and the scope is not what was contemplated as part of this Portfolio within the MAA Expenditure Plan, or the scope is not currently eligible for MAA funding.

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
MAA 08	La Honda Creek/Russian Ridge: Preservation of Upper San Gregorio Watershed and Ridge Trail				
	<b>Subtotal</b>	<b>\$15,347,000</b>	<b>-</b>	<b>\$15,347,000</b>	<b>0.00%</b>





Russian Ridge Open Space Preserve by Rich Jarvis

## Portfolio 9: Russian Ridge—Public Recreation, Grazing, and Wildlife Protection Projects

### Description

- Open currently closed areas of preserve
- Construct and extend trails
- Improve fencing, corrals, and water systems to reintroduce conservation grazing
- Improve habitat for sensitive species, implement pond enhancement projects for garter snakes and red-legged frogs
- Portfolio Allocation: \$5,560,000
- Portfolio Expenditures through 6/30/2017: \$241,819

### Notable Accomplishments

- Completed year four of the San Francisco garter snake field study and ongoing bullfrog eradication work at Mindego Ranch in Russian Ridge Preserve

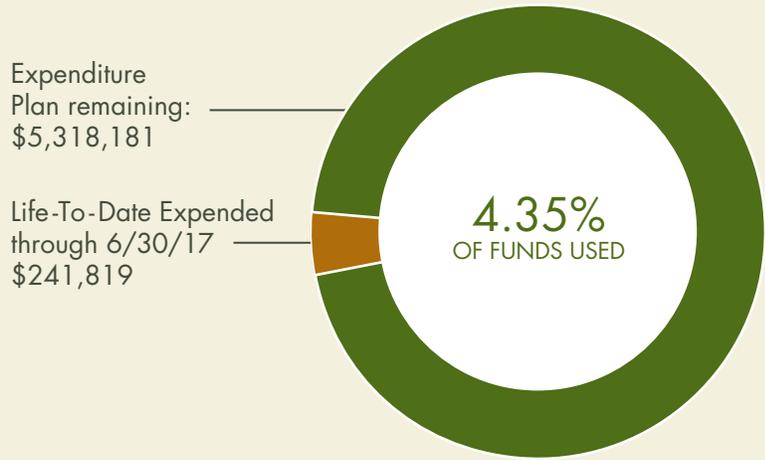
### Project Challenges

- No project challenges identified at this time

### Potential Next Steps

- Complete pond enhancement projects for California red-legged frog and San Francisco garter snake

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
<b>MAA 09</b>	<b>Russian Ridge:</b> Public Recreation, Grazing, and Wildlife Protection Projects				
	09-001 Mindego Grazing Infrastructure		\$174,416		
	09-004 Mindego Hill Trail		\$67,403		
	<b>Subtotal</b>	<b>\$5,560,000</b>	<b>\$241,819</b>	<b>\$5,318,181</b>	<b>4.35%</b>



Mindego Hill, Russian Ridge Open Space Preserve by Karl Gohl



Coal Creek Open Space Preserve by Jack Gescheidt

## Portfolio 10: Coal Creek—Reopen Alpine Road for Trail Use

### Description

- Reopen Alpine Road as trail connection between Portola Valley and Skyline Boulevard
- Reroute trails to reduce erosion and improve visitor experience
- Portfolio Allocation: \$8,017,000
- Portfolio Expenditures through 6/30/2017: \$4,286

### Notable Accomplishments

- Entered into contract to initiate an updated geotechnical evaluation of the Alpine Road Trail, owned by San Mateo County, to evaluate the ongoing landslide and drainage problems and identify potential long-term repair scenarios at Coal Creek Preserve

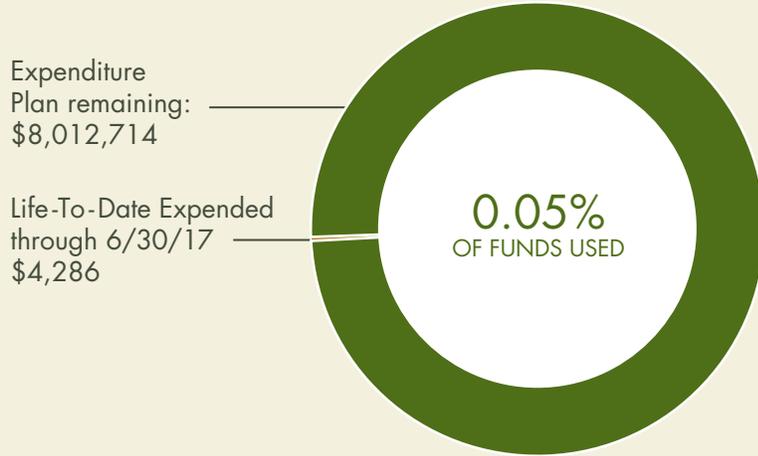
### Project Challenges

- San Mateo County has determined that they can no longer participate in the repair due to other higher priority repair issues stemming from the 2016-17 winter storms
- Alpine Road is owned in fee and easement by San Mateo County

### Potential Next Steps

- Receive and review the Road Assessment, Repair Recommendations, and 3rd Party Cost Estimations
- Request Board approval for recommended repair scope
- Upon approval, enter into negotiations and secure permits to proceed with construction plans, CEQA, permits, etc.

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
MAA 10	Coal Creek: Reopen Alpine Road for Trail Use				
	10-001 Alpine Rd Trail – Urgent Improvements		\$4,286		
	<b>Subtotal</b>	<b>\$8,017,000</b>	<b>\$4,286</b>	<b>\$8,012,714</b>	<b>0.05%</b>





Rancho San Antonio Open Space Preserve by Daniel Todd

## Portfolio 11: Rancho San Antonio—Interpretive Improvements, Refurbishing, and Transit Solutions

### Description

- Add welcome center
- Refurbish and add interpretive exhibits to Deer Hollow Farm
- Support of transit improvement options such as bike trails, bike share station, bus service, or additional parking
- Portfolio Allocation: \$10,811,000
- Portfolio Expenditures through 6/30/2017: \$728

### Notable Accomplishments

- Most work accomplished in Rancho San Antonio has an alternative funding source, and the following activities have occurred in support of MAA improvements:
  - Conducted a one-week tabling campaign for mountain lion awareness at Rancho San Antonio Preserve
  - Restored the Deer Hollow Farm white barn milk room at Rancho San Antonio Preserve, which facilitates ongoing environmental interpretation and animal husbandry support for the popular farm site
  - Completed 69 days of vehicle occupancy counts to understand the parking use patterns for Rancho San Antonio Preserve
  - Initiated stakeholder agency engagement in identifying opportunities for parking and transit improvement options
  - Coordinated with the City of Mountain View and Friends of Deer Hollow Farm to prepare for a historic and structural assessment of the White Barn at Rancho San Antonio Preserve to be conducted during FY2017-18

### Project Challenges

- No project challenges identified at this time

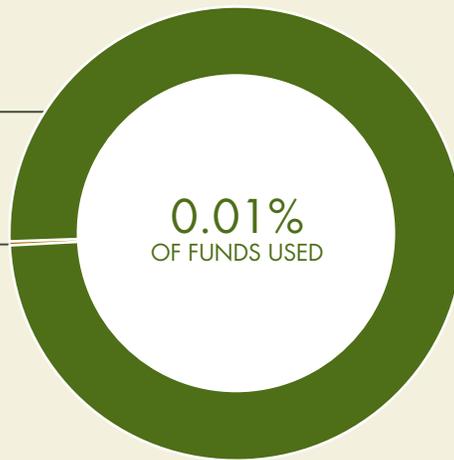
### Potential Next Steps

- In order to facilitate future MAA-eligible improvements, continue to engage stakeholder agencies and community in evaluating parking and transit improvement options
- In order to facilitate future MAA-eligible improvements, continue to collaborate with City of Mountain View and stakeholders on the rehabilitation of the Deer Hollow Farm White Barn

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
MAA 11	<b>Rancho San Antonio:</b> Interpretive Improvements, Refurbishment, and Transit Solutions				
	11-001 New Trails to Connect Quarry Trail to Black Mountain Trail		\$728		
	<b>Subtotal</b>	<b>\$10,811,000</b>	<b>\$728</b>	<b>\$10,810,272</b>	<b>0.01%</b>

Expenditure  
Plan remaining:  
\$10,810,272

Life-To-Date Expended  
through 6/30/17  
\$728





Stevens Creek Trail by Don Debold

## Portfolio 12: Peninsula/South Bay Cities—Partner to Complete Middle Stevens Creek Trail

### Description

- Support work by cities to develop the middle section of the Stevens Creek Trail and enhance neighborhood connections
- Support work by partners to complete stream corridor restoration and Steelhead habitat enhancement below dam
- Develop and install interpretive signage
- Portfolio Allocation: \$1,038,000
- Portfolio Expenditures through 6/30/2017: \$0

MAA Funds have not been expended on this Portfolio for this reporting period, therefore there are no funds in this Portfolio for the Bond Oversight Committee to validate at this time. This does not necessarily mean that work is not underway in this Preserve, it just means that if there is work in process, other funding sources are being utilized, and the scope is not what was contemplated as part of this Portfolio within the MAA Expenditure Plan, or the scope is not currently eligible for MAA funding.

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
MAA 12	Peninsula/South Bay Cities: Partner to Complete Middle Stevens Creek Trail				
	<b>Subtotal</b>	<b>\$1,038,000</b>	<b>-</b>	<b>\$1,038,000</b>	<b>0.00%</b>

Expenditure Plan remaining: \$1,038,000

Life-To-Date Expended through 6/30/17 \$0





Cloverdale ranch on the San Mateo Coast by Leigh Ann M. Gessner

## Portfolio 13: Cloverdale Ranch—Wildlife Protection, Grazing, and Trail Connections

### Description

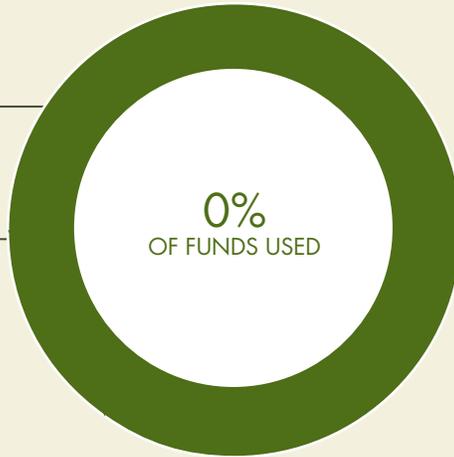
- Improve fencing, corrals, and water systems to increase conservation grazing and sustain large contiguous grasslands
- Restore habitat for endangered species
- Provide trail connections to nearby state parks
- Portfolio Allocation: \$15,712,000
- Portfolio Expenditures through 6/30/2017: \$0

MAA Funds have not been expended on this Portfolio for this reporting period, therefore there are no funds in this Portfolio for the Bond Oversight Committee to validate at this time. This does not necessarily mean that work is not underway in this Preserve, it just means that if there is work in process, other funding sources are being utilized, and the scope is not what was contemplated as part of this Portfolio within the MAA Expenditure Plan, or the scope is not currently eligible for MAA funding.

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
MAA 13	Cloverdale Ranch: Wildlife Protection, Grazing, and Trail Connections				
	<b>Subtotal</b>	<b>\$15,712,000</b>	<b>-</b>	<b>\$15,712,000</b>	<b>0.00%</b>

Expenditure Plan remaining: \$15,712,000

Life-To-Date Expended through 6/30/17 \$0





Russian Ridge Open Space Preserve by Karl Gohl

## Portfolio 14: Regional—Trail Connections and Campgrounds

### Description

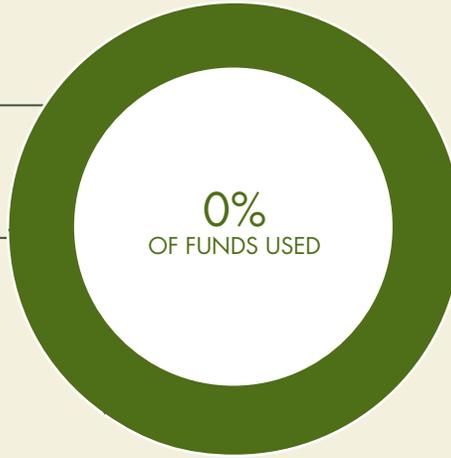
- Develop trails between Butano, Pescadero County Park, and Russian Ridge, and between Skyline, Portola Redwoods, and Big Basin State Park
- Partner with county and state parks to improve existing campgrounds
- Portfolio Allocation: \$3,966,000
- Portfolio Expenditures through 6/30/2017: \$0

MAA Funds have not been expended on this Portfolio for this reporting period, therefore there are no funds in this Portfolio for the Bond Oversight Committee to validate at this time. This does not necessarily mean that work is not underway in this Preserve, it just means that if there is work in process, other funding sources are being utilized, and the scope is not what was contemplated as part of this Portfolio within the MAA Expenditure Plan, or the scope is not currently eligible for MAA funding.

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
MAA 14	Regional: Trail Connections and Campgrounds				
	<b>Subtotal</b>	<b>\$3,966,000</b>	<b>-</b>	<b>\$3,966,000</b>	<b>0.00%</b>

Expenditure Plan remaining: \$3,966,000

Life-To-Date Expended through 6/30/17 \$0





Long Ridge Open Space Preserve by Deane Little

## Portfolio 15: Regional—Redwood Protection and Salmon Fishery Conservation

### Description

- Preserve additional open space as available
- Protect and enhance redwood stands, mountain scenery, various habitats, and Steelhead salmon
- Portfolio Allocation: \$50,728,000
- Portfolio Expenditures through 6/30/2017: \$3,018,550

### Notable Accomplishments

- Purchased 191-acre Conley property as an addition to Long Ridge Preserve to protect redwood forest and the upper Pescadero watershed

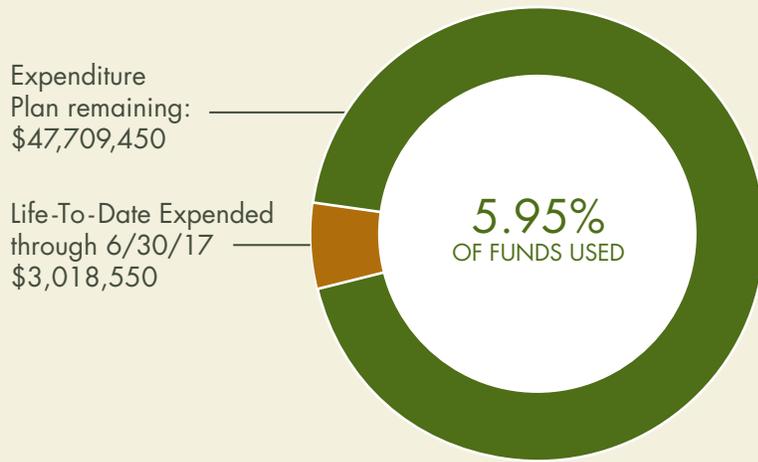
### Project Challenges

- No project challenges identified at this time

### Potential Next Steps

- No project next steps identified at this time

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
<b>MAA 15</b>	<b>Regional:</b> Redwoods Protection and Salmon Fishery Conservation				
	15-001 POST/Alpine Ranch Easement		\$2,508,695		
	15-002 Conley Property Purchase		\$509,855		
	<b>Subtotal</b>	<b>\$50,728,000</b>	<b>\$3,018,550</b>	<b>\$47,709,450</b>	<b>5.95%</b>





Long Ridge Open Space Preserve by Charlie Theodorovich

## Portfolio 16: Long Ridge—Trail, Conservation, and Habitat Restoration Projects (Saratoga)

### Description

- Improve roadside parking and provide restrooms
- Develop new trail connections to Eagle Rock and Devils Canyon
- Repair trails for year-round, multi-use access
- Protect watersheds for Steelhead
- Preserve additional open space as available
- Implement pond and habitat enhancement restoration projects to benefit rare species
- Portfolio Allocation: \$5,140,000
- Portfolio Expenditures through 6/30/2017: \$0

MAA Funds have not been expended on this Portfolio for this reporting period, therefore there are no funds in this Portfolio for the Bond Oversight Committee to validate at this time. This does not necessarily mean that work is not underway in this Preserve, it just means that if there is work in process, other funding sources are being utilized, and the scope is not what was contemplated as part of this Portfolio within the MAA Expenditure Plan, or the scope is not currently eligible for MAA funding.

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
MAA 16	Long Ridge: Trail, Conservation, and Habitat Restoration Projects (Saratoga)				
	<b>Subtotal</b>	<b>\$5,140,000</b>	<b>-</b>	<b>\$5,140,000</b>	<b>0.00%</b>

Expenditure Plan remaining: \$5,140,000

Life-To-Date Expended through 6/30/17 \$0





Stevens Creek Reservoir by Karl Gohl

## Portfolio 17: Regional—Complete Upper Stevens Creek Trail

### Description

- Complete multi-use connection between the Bay Trail and Bay Area Ridge Trail above the reservoir through Picchetti Ranch Open Space Preserve and Lower/Upper Stevens Creek County Parks
- Improve Preserve trails and neighborhood connections
- Preserve additional open space as available
- Portfolio Allocation: \$7,760,000
- Portfolio Expenditures through 6/30/2017: \$1,027,581

### Notable Accomplishments

- Evaluated Lysons Property for demolition and restoration

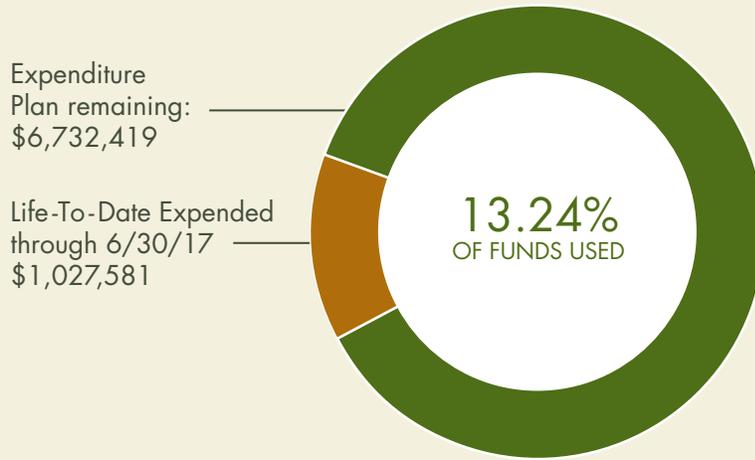
### Project Challenges

- No project challenges identified at this time

### Potential Next Steps

- Secure permits for bridges and construct bridges
- Prepare demolition bid package and permits for Lysons Property demolition and restoration

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
<b>MAA 17</b>	<b>Regional:</b> Complete Upper Stevens Creek Trail				
	17-001 Lysons Property Purchase Less: Grant Income (50% of purchase price)		\$1,494,552 (\$740,000)		
	17-002 Lobner Demolition		\$128,760		
	17-004 Lower Stevens Canyon Hiking Bridge		\$144,269		
	<b>Subtotal</b>	<b>\$7,760,000</b>	<b>\$1,027,581</b>	<b>\$6,732,419</b>	<b>13.24%</b>





Saratoga-to-Sea Trail by Midpen Staff

## Portfolio 18: South Bay Foothills—Saratoga-to-Sea Trail and Wildlife Corridor

### Description

- Protect wildlife corridor along Highway 9
- Connect trail to Saratoga-to-Sea Trail and Skyline-to-the-Sea Trail
- Portfolio Allocation: \$1,365,000
- Portfolio Expenditures through 6/30/2017: \$0

MAA Funds have not been expended on this Portfolio for this reporting period, therefore there are no funds in this Portfolio for the Bond Oversight Committee to validate at this time. This does not necessarily mean that work is not underway in this Preserve, it just means that if there is work in process, other funding sources are being utilized, and the scope is not what was contemplated as part of this Portfolio within the MAA Expenditure Plan, or the scope is not currently eligible for MAA funding.

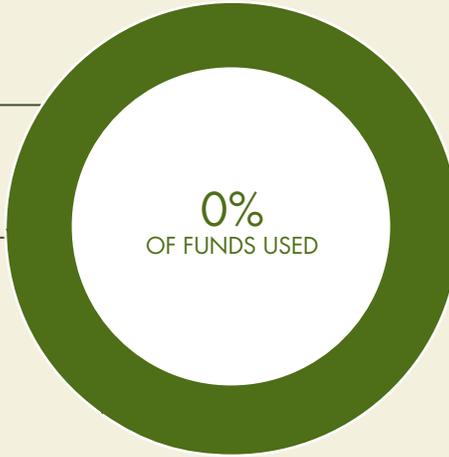
### Potential Next Steps

- Provide partnership funding and technical staff support to City of Saratoga for completion of the trail design plans, environmental review and permitting of the approximately three-mile Saratoga-to-the-Sea Trail connection from Saratoga Quarry Park and Sanborn County Park

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
MAA 18	South Bay Foothills: Saratoga-to-Sea Trail and Wildlife Corridor				
	<b>Subtotal</b>	<b>\$1,365,000</b>	<b>-</b>	<b>\$1,365,000</b>	<b>0.00%</b>

Expenditure Plan remaining: \$1,365,000

Life-To-Date Expended through 6/30/17 \$0





El Sereno Open Space Preserve by Jack Gescheidt

## Portfolio 19: El Sereno—Dog Trails and Connections

### Description

- Provide infrastructure to open trails to dogs
- Develop connections to Skyline, Sanborn County Park, and Lexington Reservoir
- Portfolio Allocation: \$2,254,000
- Portfolio Expenditures through of 6/30/2017: \$715

### Notable Accomplishments

- Completed CEQA review and a Use and Management Plan Amendment for Board approval to open existing trails to dogs on-leash
  - Added on-leash dog use to six miles of existing trail; however, this effort was funded through other funding sources. Per Generally Accepted Accounting Principles (GAAP), project did not qualify as a capital improvement project and therefore is ineligible for Measure AA Funds
- To facilitate future Measure AA trail projects, initiated site investigations for regional trail connections between Sanborn County Park, El Sereno Open Space Preserve and potential Highway 17 Bay Area Ridge Trail crossing

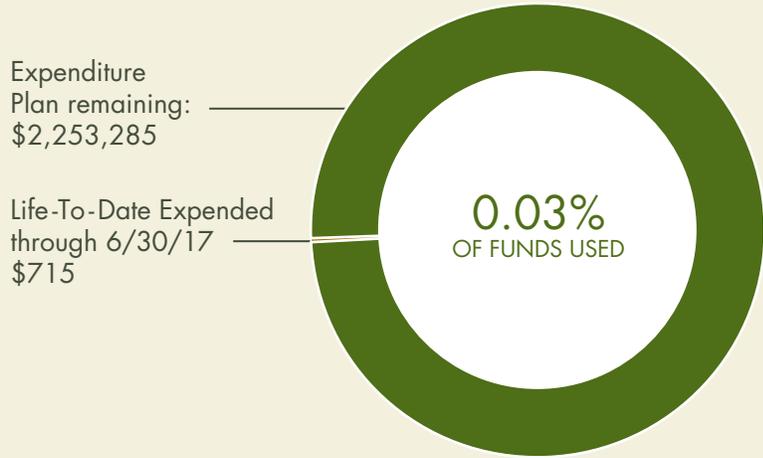
### Project Challenges

- Additional property rights are needed to provide contiguous access across all existing trailheads

### Potential Next Steps

- The predominant MAA expenditures anticipated in the future will likely be related to purchasing land rights, easements, and fee title to provide access in support of Portfolio objectives
- To facilitate future Measure AA trail projects, continue analysis of regional trail connections between Sanborn County Park, El Sereno Open Space Preserve and potential Highway 17 Bay Area Ridge Trail crossing

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
MAA 19	El Sereno: Dog Trails and Connections		\$715		
	<b>Subtotal</b>	<b>\$2,254,000</b>	<b>\$715</b>	<b>\$2,253,285</b>	<b>0.03%</b>



El Sereno Open Space Preserve ©David Weintraub, 2002



Sierra Azul Open Space Preserve by Ken Hickman

## Portfolio 20: South Bay Foothills—Wildlife Passage and Ridge Trail Improvements

### Description

- Establish safe corridors for mountain lions across Highway 17
- Establish Bay Area Ridge Trail crossing
- Portfolio Allocation: \$13,966,000
- Portfolio Expenditures through 6/30/2017: \$191,974

### Notable Accomplishments

- In coordination with a consultant team completed a Draft Project Preliminary Alternatives Report for both the Wildlife Corridor, and Regional Trails Crossing at Highway 17 for agency review
- Engaged public and stakeholders input on proposed draft preliminary alternatives and received agency comments on draft report
- Released Agency Draft Recommended Alternatives Report for both the Wildlife Corridor, and Regional Trails Crossing at Highway 17 and received agency comments
- Developed a Cooperative Agreement with Caltrans and a Caltrans Project Initiation Document

### Project Challenges

- Complex Caltrans process and coordination with numerous project partners and stakeholders
- Additional studies and coordination needed for identifying feasible trail connections linking to regional trail crossing at Highway 17, evaluating multiple scenarios for trail connections on either side of Highway 17
- Need for property rights to complete trail

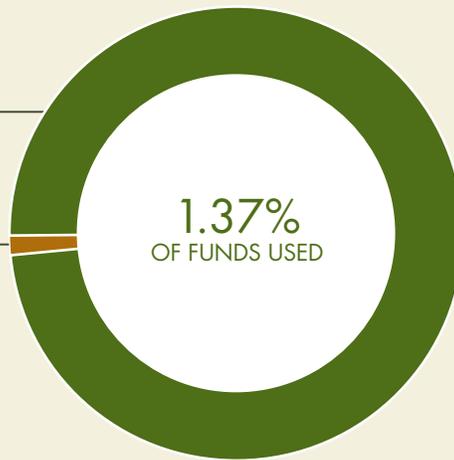
### Potential Next Steps

- Complete Project Preliminary Alternatives Report for submission to Caltrans

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
<b>MAA 20</b>	<b>South Bay Foothills:</b> Wildlife Passage and Ridge Trail Improvements				
	20-001 Highway 17 Crossing Culvert		\$191,657		
	20-002 Highway 17 Bay Area Ridge Trail Crossing		\$317		
	<b>Subtotal</b>	<b>\$13,966,000</b>	<b>\$191,974</b>	<b>\$13,774,026</b>	<b>1.37%</b>

Expenditure Plan remaining: \$13,774,026

Life-To-Date Expended through 6/30/17 \$191,974





Bear Creek Redwoods Open Space Preserve by Ken Nitz

## Portfolio 21: Bear Creek Redwoods—Public Recreation and Interpretive Projects

### Description

- Open for hiking, equestrian activities
- Provide parking areas, trails, upgrade stables
- Restore and protect habitats for various species
- Repair roads and trails to reduce sediment
- Rehabilitate Alma College site
- Portfolio Allocation: \$17,478,000
- Portfolio Expenditures through 6/30/2017: \$1,219,294

### Notable Accomplishments

- Began significant natural resources protection and restoration projects in Bear Creek Redwoods Open Space Preserve in preparation for opening the preserve to the public in late 2018, including:
  - Implemented the first year of a targeted invasive species treatment to restore native habitats throughout the Preserve
  - Completed a Pond Assessment and Management Plan to determine the water needs for wildlife and habitat values at aquatic sites
  - Completed the Bat Habitat Enhancement and Relocation Plan to protect the bat colonies at Alma College
  - Began the first year of the western pond turtle population study and developed a Western Pond Turtle Management Plan
  - Completed an Archaeological Resources Curation Guidelines Report to address cultural resources within the Preserve
  - Completed initial filings for Preserve water rights

## Notable Accomplishments (continued)

- To facilitate future Measure AA projects, completed numerous major actions and commenced or continued other major actions toward opening Bear Creek Redwoods Open Space Preserve to the public and improving Bear Creek Stables, including:
  - Received Board approval of the Bear Creek Redwoods Preserve Plan and certification of the accompanying Environmental Impact Report, which included as plan components the Alma College Cultural Landscape Rehabilitation Plan and Bear Creek Stables Site Plan
  - Completed archaeological studies in advance of ground disturbance activities as required by the project's Environmental Impact Report, prior to beginning trail construction and road improvements work
  - Began clearing roads to establish two key trail connections that will connect visitors between the future new parking area and the trails that will be opened on the west side of Bear Creek Road
  - Conducted an engineering feasibility study to identify the preferred location for a Bear Creek Road trail undercrossing as an option for connecting visitors between the new parking area near the former Alma College site and trails located west of Bear Creek Road
  - Issued a Request for Proposals and entered into contract to complete the design, engineering, and construction documents for the new, Alma College Parking Area, Bear Creek Road undercrossing, and Bear Creek Stables Site Improvements
  - Conducted initial geotechnical studies to evaluate the integrity of large retaining walls on the property that are supporting a major access road and existing structures
  - Conducted a recreation planning analysis for potential re-use of the Alma College Chapel
  - Completed an earthquake fault rupture hazard study to determine if the Alma College Chapel could be occupied
  - Completed an assessment of water source options and associated cost estimates for the Preserve, concluding that the most cost effective and secure option is to seek a direct water line connection to the San Jose Water Company (SJWC) main line
  - Executed an agreement with SJWC to initiate a water line connection to the SJWC main line as the new source of water for the Preserve and Bear Creek Stables
- Conducted numerous field investigations and trail route evaluations for a potential future regional trail crossing over Highway 17 that would become part of the Bay Area Ridge Trail near the El Sereno, St. Joseph's Hill, and Bear Creek Redwoods Open Space Preserves
- Received Board approval of a Memorandum of Understanding with the Santa Clara Valley Water District for a five year, \$1,000,000 funding agreement to complete invasive species removal at Bear Creek Redwoods Open Space Preserve, with a possible five year extension for an additional \$1,000,000
- Submitted CDFW and RWQCB permits for the Webb Creek Bridge Replacement Project
- Awarded a contract for design and engineering services for water system improvements
- Submitted application to SJWC and Santa Clara County encroachment permit for potable water connection on Bear Creek Road
- To facilitate Measure AA improvements, obtained Board approval of the Preserve Plan, including the Bear Creek Stables Site Plan, Alma College Cultural Landscape Rehabilitation Plan, and Environmental Impact Report

## Project Challenges

- Additional design revisions and input for completing modifications to parking layout to reduce potential impacts to the Western pond turtle while avoiding major impacts to the surrounding historic resources and cultural landscape
- Parking lot may also impact an adjacent, large underground culvert that extends under Bear Creek Road, which may require additional engineering work
- Complex water sources and rights issues

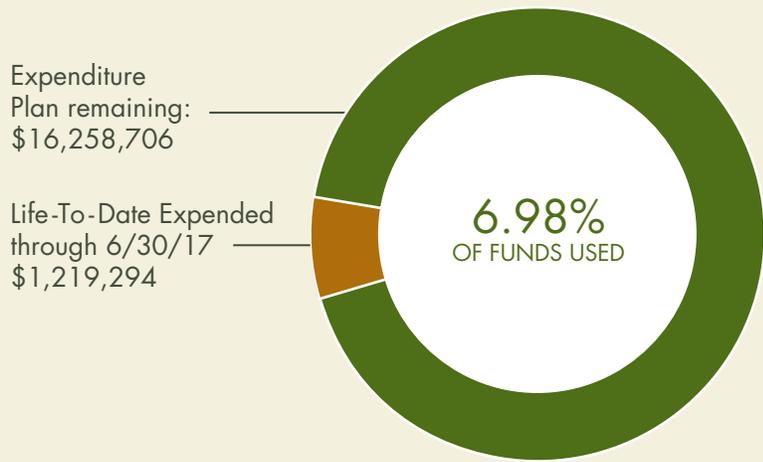
## Potential Next Steps

- Continue IPM implementation on roads and trails, shaded fuel break
- Road, trail, bridge, and retaining wall improvements
- Complete installation of water lateral to SJWC main on Bear Creek Road
- Complete the design and construction plans, permitting and construction for the new Alma College parking area and trail connections
- Complete design and construction of pond improvement projects



Bear Creek Redwoods Open Space Preserve by Karl Gohl

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED	
<b>MAA 21</b>	<b>Bear Creek Redwoods:</b> Public Recreation and Interpretive Projects					
	21-001 Moody Gulch Fence and Gate Improvements		\$848			
	21-002 Bear Creek Redwoods Preserve Plan		(\$14,369)			
	21-003 Water Infrastructure Improvements		\$102,699			
	21-004 Bear Creek Stables Site Plan (Phase I)		\$189,962			
	21-005 Bear Creek Preserve Plan (Phase I)		\$381,669			
	21-006 Alma College Rehabilitation		\$212,732			
	21-007 Bear Creek Reserve Invasive Weed Treatment		\$189,741			
	21-008 BCR Pond Restoration		\$89,998			
	21-009 Webb Creek Bridge Replacement		\$66,014			
	<b>Subtotal</b>		<b>\$17,478,000</b>	<b>\$1,219,294</b>	<b>\$16,258,706</b>	<b>6.98%</b>





Mt. Umuñum Trail, Sierra Azul Open Space Preserve by Erin Ashford

## Portfolio 22: Sierra Azul—Cathedral Oaks Public Access and Conservation Projects

### Description

- Develop multi-use trail and plan future trails as land is available
- Develop parking
- Restore plant communities and soils
- Install trailside amenities
- Preserve additional open space and complete wildlife corridor in upper Los Gatos Creek watershed
- Portfolio Allocation: \$6,714,000
- Portfolio Expenditures through 6/30/2017: \$646,225

### Notable Accomplishments

- Completed numerous natural resource protection and restoration projects in Sierra Azul Preserve, including:
  - Completed the fifth year of the coordinated monitoring effort to reduce mercury within the Guadalupe River Watershed
  - Completed the first phase of invasive plant removal and developed a partnership with the San Jose Conservation Corps for the Hendrys Creek watershed restoration effort

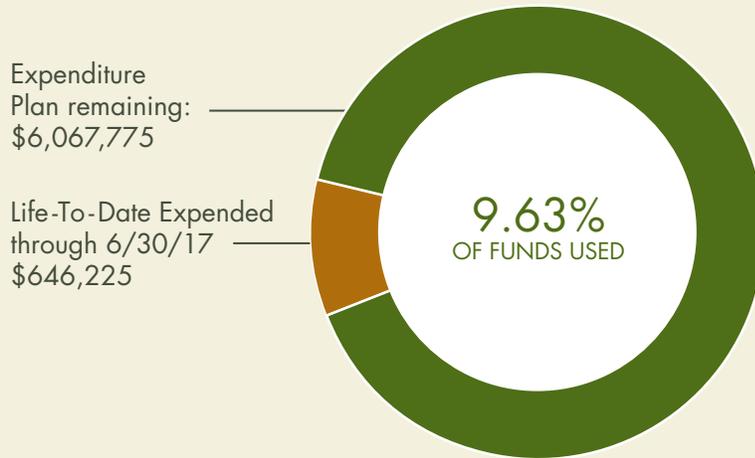
### Project Challenges

- No project challenges identified at this time

### Potential Next Steps

- No project next steps identified at this time

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
<b>MAA 22</b>	<b>Sierra Azul:</b> Cathedral Oaks Public Access and Conservation Projects				
	22-001 Hendrys Creek Restoration Less: 22-001 Grant Income		\$145,638 (\$40,000)		
	22-003 Freudenberg Land Purchase		\$540,587		
	<b>Subtotal</b>	<b>\$6,714,000</b>	<b>\$646,225</b>	<b>\$6,067,775</b>	<b>9.63%</b>



Hendrys Creek, Sierra Azul Open Space Preserve by Midpen Staff

## Portfolio 23: Sierra Azul—Mount Umunhum Public Access and Interpretation Projects

### Description

- Open Mount Umunhum for multi-use public access to summit via road and trail
- Open Bay Area Ridge Trail and nearby trail connections
- Preserve additional open space and complete wildlife corridor
- Portfolio Allocation: \$27,972,000
- Portfolio Expenditures through 6/30/2017: \$14,864,492

### Notable Accomplishments

- Created a new contract with Grassroots Ecology Native Plant Nursery to grow approximately 1,900 native plants and five pounds of native grass and forb seed for Phase One of the Mount Umunhum Revegetation Project
- Developed a habitat restoration plan for the Mount Umunhum Summit to enhance the native plant recolonization of the restored mountaintop, incorporating input from the Amah Mutsun tribal group on Native American restoration techniques
- Surveyed and mapped rare plant populations and collected native plant seeds in support of the restoration planting plan
- Completed numerous major actions and commenced or continued other major actions to prepare for the September 2017 grand public opening of the Mount Umunhum Summit at Sierra Azul Open Space Preserve, including:
  - Completed major construction milestones on the Mount Umunhum Trail, including the construction of an additional 0.5-mile trail segment, the narrowing of old abandoned road cuts into a trail, and the installation of three new pedestrian bridges
  - Completed the Guadalupe Creek Overlook vista point structure
  - Completed 75% of the road safety improvements on Mount Umunhum Road, which will be made open to public vehicular use from Hicks Road all the way to the top of the summit
  - Completed the design, permitting and construction for the Guadalupe Creek Overlook (a featured overlook along the Mount Umunhum Trail), including permitting and construction of three new trail bridges for Mount Umunhum Trail
- Purchased the 38.97-acre former Meyer/Connolly Property to protect additional open space and wildlife corridors
- In support of MAA improvements, purchased 28-acre Rosetta property to secure public access rights along Mount Umunhum Road and the Woods Trail in the Mount Umunhum area of Sierra Azul Preserve (non-MAA funds)
- Started programming of Meyer property structures for future Ranger housing

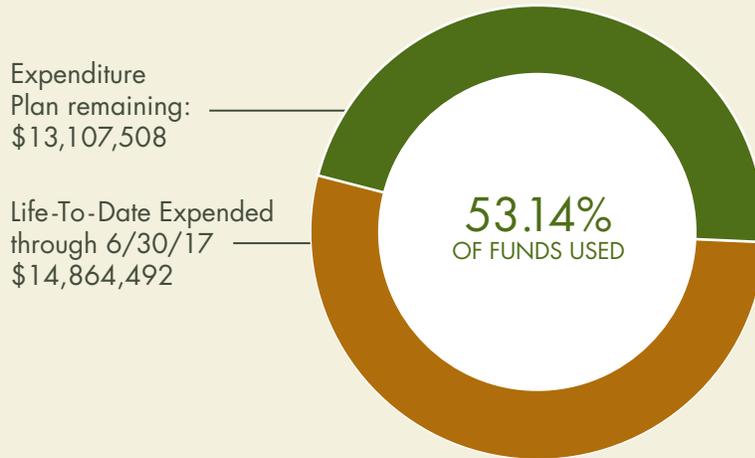
### Project Challenges

- No project challenges identified at this time

### Potential Next Steps

- Complete site and contour restoration of the summit
- Complete construction of the Summit Project, which includes new parking at the summit, ADA-accessible trails, weather shelters, restrooms, stairs, ceremonial circle, and other site amenities
- Complete construction of the Mount Umunhum Road Rehabilitation Project that improved over 5 miles of roadway for the public to safely drive to and from the summit

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED	
MAA 23	<b>Sierra Azul:</b> Mount Umunhum Public Access and Interpretive Projects					
	23-001 Property Purchase		\$1,264,084			
	23-002 Bald Mountain Staging Area to Summit Trail		\$434,604			
	23-004 Summit Restoration and Improvement Less: 23-004 Grant Income		\$8,370,004 (\$520,000)			
	23-005 Mt. Um. Trail Overlook and Bridges		\$233,804			
	23-006 Mt. Um. Road – Design/Permitting		\$5,081,996			
	<b>Subtotal</b>		<b>\$27,972,000</b>	<b>\$14,864,492</b>	<b>\$13,107,508</b>	<b>53.14%</b>



**Potential Next Steps (continued)**

- Complete and open nearly 4-miles of the new Mount Umunhum Trail to connect people to the summit
- Develop interpretive material content and completed the design and installation of new interpretive signage and exhibits
- Finalize the design, completed construction of the new trail steps and open the Mount Umunhum Trail to public use
- Complete Rosetta property site cleanup including removal of debris and access road grading
- Continue to evaluate and design Meyer property structures for future Ranger housing in support of Measure AA improvements
- Continue native plant restoration of summit area



Rancho de Guadalupe Area at Sierra Azul Open Space Preserve by Midpen Staff

## Portfolio 24: Sierra Azul—Rancho de Guadalupe Family Recreation

### Description

- Open Rancho de Guadalupe to public access
- Develop accessible multi-use trails with amenities such as parking and family recreation
- Restore habitat for rare species
- Protect cultural and natural resources
- Portfolio Allocation: \$10,078,000
- Portfolio Expenditures through 6/30/2017: \$1,591,996

### Notable Accomplishments

- Purchased three properties totaling 51 acres within the Rancho de Guadalupe area of Sierra Azul Preserve to protect grassland habitat and water quality in the Guadalupe Creek watershed

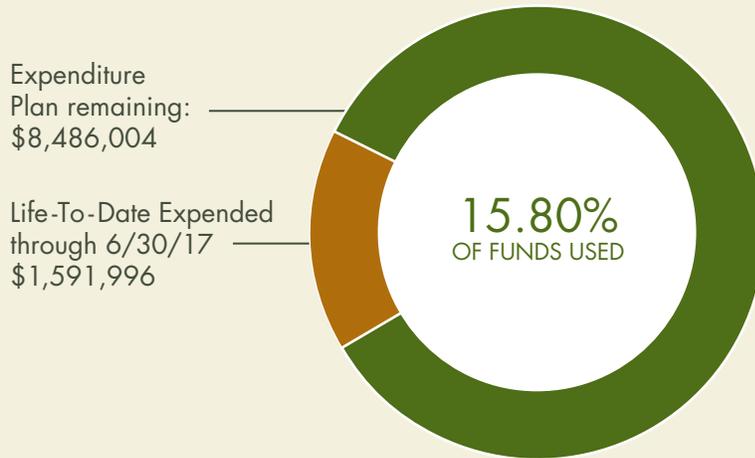
### Project Challenges

- No project challenges identified at this time

### Potential Next Steps

- No project next steps identified at this time

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
<b>MAA 24</b>	<b>Sierra Azul:</b> Rancho de Guadalupe Family Recreation				
	24-001	Barth Property Purchase		\$300,035	
	24-002RP	Peterson Property Acquisition		\$700,603	
	24-003RP	Property Exchange Navid/Bagher		\$39,184	
	24-004RP	Kahn Property Acquisition		\$552,174	
	<b>Subtotal</b>		<b>\$10,078,000</b>	<b>\$1,591,996</b>	<b>\$8,486,004</b>



Sierra Azul Open Space Preserve by Erin Ashford



Sierra Azul Open Space Preserve by Robin Lord

## Portfolio 25: Sierra Azul—Loma Prieta Area Public Access, Regional Trails, and Habitat Projects

### Description

- Provide public access and recreation, including small campground
- Develop, improve, connect regional multi-use trails to Forest of Nisene Marks State Park, to protected land to the east, and to Mount Umunhum
- Protect Steelhead habitat, rare plants and grasslands, and restore Knob Cone Pine Stands
- Portfolio Allocation: \$7,986,000
- Portfolio Expenditures through 6/30/2017: \$410,150

### Notable Accomplishments

- No accomplishments in the current reporting period

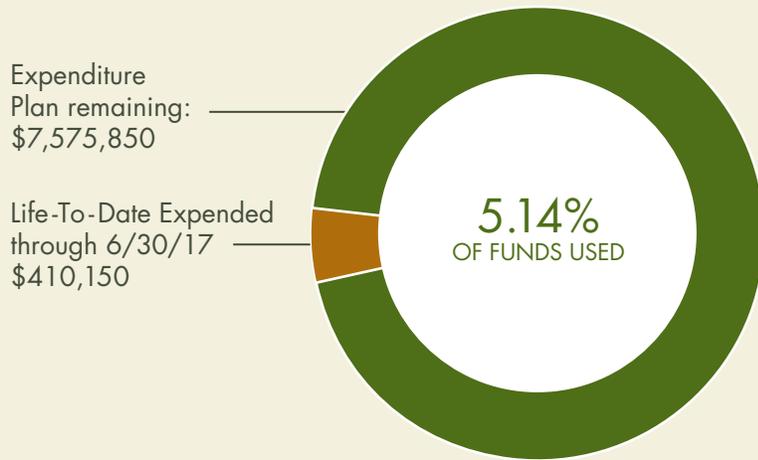
### Project Challenges

- No project challenges identified at this time

### Potential Next Steps

- No project next steps identified at this time

PORTFOLIO	PROJECT	EXPENDITURE PLAN	LIFE-TO-DATE EXPENDED THROUGH 6/30/2017	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
MAA 25	Sierra Azul: Loma Prieta Area Public Access, Regional Trails, and Habitat Projects				
	25-001 Burton Property Purchase		\$410,150		
	<b>Subtotal</b>	<b>\$7,986,000</b>	<b>\$410,150</b>	<b>\$7,575,850</b>	<b>5.14%</b>



View toward Mount Umunhum and Loma Prieta by Karl Gohl

# Financial Report by Project

## Measure MAA Expenditures

PORT. #	PROJECT	EXPENDITURE PLAN	TOTAL THROUGH PRIOR PERIOD 6/30/16	CURRENT PERIOD 7/1/16 THROUGH 6/30/17	TOTAL LIFE TO DATE THROUGH 6/30/17	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
MAA 01	<b>Miramontes Ridge:</b> Gateway to Coast Public Access, Stream Restoration, and Agriculture Enhancement						
	Gateway to San Mateo Coast 01-003 Zions Property Purchase		\$6,315	\$46,600	\$52,915		
	<b>Subtotal</b>		<b>\$27,774,000</b>	<b>\$6,315</b>	<b>\$46,600</b>	<b>\$52,915</b>	<b>\$27,721,085</b>
MAA 02	<b>Regional:</b> Bayfront Habitat Protection and Public Access Partnership						
	Habitat Protection and Public Access 02-002 Easement SFPUC Ravenswood Trail Less: 02-002 Grant Income		\$97,437	\$212,334 (\$104,338)	\$309,771 (\$104,338)		
	<b>Subtotal</b>		<b>\$5,052,000</b>	<b>\$ 97,437</b>	<b>\$107,996</b>	<b>\$205,433</b>	<b>\$4,846,567</b>
MAA 03	<b>Purisima Creek Redwoods:</b> Purisima to Sea Trail, Watershed Protection, and Conservation Grazing						
	03-001 Lot Line Adjustment/Riggs Property Purchase		\$382,288	\$19,904	\$402,192		
	03-002 Site Cleanup & Remediation (Guisti Uplands)		-	\$5,255	\$5,255		
	03-004 Harkins Bridge Replacement		\$121,680	\$56,977	\$178,657		
	<b>Subtotal</b>		<b>\$7,608,000</b>	<b>\$503,968</b>	<b>\$82,136</b>	<b>\$586,104</b>	<b>\$7,021,896</b>
MAA 04	<b>El Corte de Madera Creek:</b> Bike Trail and Water Quality Projects						
	04-002 ECdM Watershed Protection Final Phase		\$247,563	(\$11,629)	\$235,934		
	04-003 ECdM Watershed Protection Re-assessment		\$83,956	-	\$83,956		
	04-004 Oljon Trail		\$26,602	\$21,696	\$48,298		
	<b>Subtotal</b>		<b>\$8,376,000</b>	<b>\$358,121</b>	<b>\$10,067</b>	<b>\$368,188</b>	<b>\$8,007,812</b>
MAA 05	<b>La Honda Creek:</b> Upper Recreation Area, Habitat Restoration, and Conservation Grazing Projects						
	05-001 Land Conservation		\$1,756,093	-	\$1,756,093		
	05-002 Grazing/Water Systems Infrastructure		\$209,765	-	\$209,765		
	05-004 Sears Ranch Interim Parking		\$5,074	-	\$5,074		
	05-005 Red Barn Parking Area		\$13,562	\$203,375	\$216,937		
	05-006 Sears Ranch Road Repair		\$86,930	\$11,629	\$98,560		
	<b>Subtotal</b>		<b>\$11,733,000</b>	<b>\$2,071,424</b>	<b>\$215,004</b>	<b>\$2,286,428</b>	<b>\$9,446,572</b>

PORT. #	PROJECT	EXPENDITURE PLAN	TOTAL THROUGH PRIOR PERIOD 6/30/16	CURRENT PERIOD 7/1/16 THROUGH 6/30/17	TOTAL LIFE TO DATE THROUGH 6/30/17	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
MAA 06	Windy Hill: Trail Implementation, Preservation, and Hawthorns Area Historic Partnership						
	<b>Subtotal</b>	<b>\$12,740,000</b>				<b>\$12,740,000</b>	<b>0.00%</b>
MAA 07	La Honda Creek: Driscoll Ranch Public Access, Endangered Wildlife Protection, and Conservation Grazing						
	07-001 Apple Orchard/Event Center Purchase		\$6,008,068	(\$467)	\$6,007,601		
	07-002 Fisheries Restoration Design/Permitting Less: 07-002 Grant Income		\$727,716 (\$230,970)	- -	\$727,716 (\$230,970)		
	07-003 Fisheries Enhancement – Apple Orchard		-	\$16,152	\$16,152		
	07-004 Fisheries Enhancement Event Center		\$20,000	-	\$20,000		
	07-005 Pond DR05 Repair/Restore		\$150,682	\$38,740	\$189,422		
	07-006 Cunha Land Purchase		\$3,080,705	-	\$3,080,705		
	07-007 Wool House Demolitions		\$38,606	\$263,168	\$301,774		
	07-009 Sears Ranch Parking Area		\$37,499	\$139,512	\$177,011		
	07-010 Sears Ranch Road Repair		\$2,564	\$455,920	\$458,484		
	<b>Subtotal</b>	<b>\$14,825,000</b>	<b>\$9,834,870</b>	<b>\$913,025</b>	<b>\$10,747,895</b>	<b>\$4,077,105</b>	<b>72.50%</b>
	MAA 08	La Honda Creek/Russian Ridge: Preservation of Upper San Gregorio Watershed and Ridge Trail					
<b>Subtotal</b>		<b>\$15,347,000</b>	-	-	-	<b>\$15,347,000</b>	<b>0.00%</b>
MAA 09	Russian Ridge: Public Recreation, Grazing, and Wildlife Protection Projects						
	09-001 Mindego Grazing Infrastructure		\$169,078	\$5,338	\$174,416		
	09-004 Mindego Hill Trail		\$67,107	\$296	\$67,403		
	<b>Subtotal</b>	<b>\$5,560,000</b>	<b>\$236,185</b>	<b>\$5,634</b>	<b>\$241,819</b>	<b>\$5,318,181</b>	<b>4.35%</b>
MAA 10	Coal Creek: Reopen Alpine Road for Trail Use						
	10-001 Alpine Road Trail – Urgent Improvements		-	\$4,286	\$4,286		
	<b>Subtotal</b>	<b>\$8,017,000</b>	-	<b>\$4,286</b>	<b>\$4,286</b>	<b>\$8,012,714</b>	<b>0.05%</b>

PORT. #	PROJECT	EXPENDITURE PLAN	TOTAL THROUGH PRIOR PERIOD 6/30/16	CURRENT PERIOD 7/1/16 THROUGH 6/30/17	TOTAL LIFE TO DATE THROUGH 6/30/17	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
MAA 11	<b>Rancho San Antonio:</b> Interpretive Improvements, Refurbishing, and Transit Solutions						
	11-001 New Trails to Connect Quarry Trail to Black Mountain Trail		\$728	-	\$728		
	<b>Subtotal</b>	<b>\$10,811,000</b>	<b>\$728</b>	<b>-</b>	<b>\$728</b>	<b>\$10,810,272</b>	<b>0.01%</b>
MAA 12	<b>Peninsula/South Bay Cities:</b> Partner to Complete Middle Stevens Creek Trail						
	<b>Subtotal</b>	<b>\$1,038,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$1,038,000</b>	<b>0.00%</b>
MAA 13	<b>Cloverdale Ranch:</b> Wildlife Protection, Grazing, and Trail Connections						
	<b>Subtotal</b>	<b>\$15,712,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$15,712,000</b>	<b>0.00%</b>
MAA 14	<b>Regional:</b> Trail Connections and Campgrounds						
	<b>Subtotal</b>	<b>\$3,966,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$3,966,000</b>	<b>0.00%</b>
MAA 15	<b>Regional:</b> Redwoods Protection and Salmon Fishery Conservation						
	15-001 POST/Alpine Ranch Easement		\$2,495,713	\$12,982	\$2,508,695		
	15-002 Conley Property Purchase		-	\$509,855	\$509,855		
	<b>Subtotal</b>	<b>\$50,728,000</b>	<b>\$2,495,713</b>	<b>\$522,837</b>	<b>\$3,018,550</b>	<b>\$47,709,450</b>	<b>5.95%</b>
MAA 16	<b>Long Ridge:</b> Trail, Conservation, and Habitat Restoration Projects (Saratoga)						
	<b>Subtotal</b>	<b>\$5,140,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$5,140,000</b>	<b>0.00%</b>
MAA 17	<b>Regional:</b> Complete Upper Stevens Creek Trail						
	17-001 Lysons Property Purchase Less: Grant Income (50% of purchase price)		\$1,494,552 (\$740,000)	- -	\$1,494,552 (\$740,000)		
	17-002 Lobner Demolition		\$128,760	-	\$128,760		
	17-004 Lower Stevens Canyon Hiking Bridge		\$133,032	\$11,237	\$144,269		
	<b>Subtotal</b>	<b>\$7,760,000</b>	<b>\$1,016,344</b>	<b>\$11,237</b>	<b>\$1,027,581</b>	<b>\$6,732,419</b>	<b>13.24%</b>
MAA 18	<b>South Bay Foothills:</b> Saratoga-to-Sea Trail and Wildlife Corridor						
	<b>Subtotal</b>	<b>\$1,365,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$1,365,000</b>	<b>0.00%</b>

PORT. #	PROJECT	EXPENDITURE PLAN	TOTAL THROUGH PRIOR PERIOD 6/30/16	CURRENT PERIOD 7/1/16 THROUGH 6/30/17	TOTAL LIFE TO DATE THROUGH 6/30/17	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
MAA 19	El Sereno: Dog Trails and Connections		\$715	-	\$715		
	<b>Subtotal</b>	<b>\$2,254,000</b>	<b>\$715</b>	<b>-</b>	<b>\$715</b>	<b>\$2,253,285</b>	<b>0.03%</b>
MAA 20	South Bay Foothills: Wildlife Passage and Ridge Trail Improvements						
	20-001 Highway 17 Crossing Culvert		\$89,721	\$101,936	\$191,657		
	20-002 Highway 17 Bay Area Ridge Trail Crossing		\$317	-	\$317		
	<b>Subtotal</b>	<b>\$13,966,000</b>	<b>\$90,038</b>	<b>\$101,936</b>	<b>\$191,974</b>	<b>\$13,774,026</b>	<b>1.37%</b>
MAA 21	Bear Creek Redwoods: Public Recreation and Interpretive Projects						
	21-001 Moody Gulch Fence and Gate Improvements		\$848	-	\$848		
	21-002 Bear Creek Redwoods Preserve Plan		(\$14,369)	-	(\$14,369)		
	21-003 Water Infrastructure Improvements		\$85,742	\$16,957	\$102,699		
	21-004 Bear Creek Stables Site Plan (Phase I)		\$6,125	\$183,837	\$189,962		
	21-005 Bear Creek Preserve Plan (Phase I)		\$53,809	\$327,860	\$381,669		
	21-006 Alma College Rehabilitation		\$155,082	\$57,650	\$212,732		
	21-007 Bear Creek Reserve Invasive Weed Treatment		\$43,174	\$146,567	\$189,741		
	21-008 BCR Pond Restoration		-	\$89,998	\$89,998		
	21-009 Webb Creek Bridge Replacement		-	\$66,014	\$66,014		
	<b>Subtotal</b>	<b>\$17,478,000</b>	<b>\$330,411</b>	<b>\$888,883</b>	<b>\$1,219,294</b>	<b>\$16,258,706</b>	<b>6.98%</b>
MAA 22	Sierra Azul: Cathedral Oaks Public Access and Conservation Projects						
	22-001 Hendrys Creek Restoration Less: 22-001 Grant Income		\$66,107 (\$40,000)	\$79,531 -	\$145,638 (\$40,000)		
	22-003 Freudenberg Land Purchase		\$540,587	-	\$540,587		
	<b>Subtotal</b>	<b>\$6,714,000</b>	<b>\$566,694</b>	<b>\$79,531</b>	<b>\$646,225</b>	<b>\$6,067,775</b>	<b>9.63%</b>

PORT. #	PROJECT	EXPENDITURE PLAN	TOTAL THROUGH PRIOR PERIOD 6/30/16	CURRENT PERIOD 7/1/16 THROUGH 6/30/17	TOTAL LIFE TO DATE THROUGH 6/30/17	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
<b>MAA 23</b>	<b>Sierra Azul: Mount Umunhum Public Access and Interpretive Projects</b>						
	23-001	Property Purchase	\$1,264,084	-	\$1,264,084		
	23-002	Bald Mountain Staging Area to Summit Trail	\$121,489	\$313,115	\$434,604		
	23-004	Summit Restoration and Improvement Less: 23-004 Grant Income	\$978,058 -	\$7,391,946 (\$520,000)	\$8,370,004 (\$520,000)		
	23-005	Mt. Um. Trail Overlook and Bridges	195,764	38,040	233,804		
	23-006	Mt. Um. Road – Design/Permitting	\$323,533	\$4,758,463	\$5,081,996		
		<b>Subtotal</b>	<b>\$27,972,000</b>	<b>\$2,882,928</b>	<b>\$11,981,564</b>	<b>\$14,864,492</b>	<b>\$13,107,508</b>
<b>MAA 24</b>	<b>Sierra Azul: Rancho de Guadalupe Family Recreation</b>						
	24-001	Barth Property Purchase	\$300,056	(\$21)	\$300,035		
	24-002RP	Peterson Property Acquisition	-	\$700,603	\$700,603		
	24-003RP	Property Exchange Navid/Bagher	-	\$39,184	\$39,184		
	24-004RP	Kahn Property Acquisition	-	\$552,174	\$552,174		
	<b>Subtotal</b>	<b>\$10,078,000</b>	<b>\$300,056</b>	<b>\$1,291,940</b>	<b>\$1,591,996</b>	<b>\$8,486,004</b>	<b>15.80%</b>
<b>MAA 25</b>	<b>Sierra Azul: Loma Prieta Area Public Access, Regional Trails, and Habitat Projects</b>						
	25-001	Burton Property Purchase	\$410,150	-	\$410,150		
	<b>Subtotal</b>	<b>\$7,986,000</b>	<b>\$410,150</b>	<b>-</b>	<b>\$410,150</b>	<b>\$7,575,850</b>	<b>5.14%</b>
	<b>Grand Total</b>	<b>\$300,000,000</b>	<b>\$21,202,097</b>	<b>\$16,262,675</b>	<b>\$37,464,772</b>	<b>\$262,535,228</b>	<b>12.49%</b>

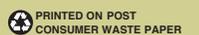


*Photo on front cover  
Sierra Azul Open Space Preserve by Karl Gohl*



**Midpeninsula Regional Open Space District**

330 Distel Circle  
Los Altos, California 94022-1404  
Phone: 650-691-1200 • Fax: 650-691-0485  
E-mail: [info@openspace.org](mailto:info@openspace.org)  
Web site: [www.openspace.org](http://www.openspace.org)



## **EXHIBIT A Expenditure Plan**

**TITLE:** To improve access to hiking and biking opportunities, protect and preserve redwood forests, natural open spaces, the scenic beauty of the region and coastline, critical wildlife habitat, restore creeks to protect water quality, and reduce forest fire risk.

### **1. SUMMARY**

Founded by voters in 1972, the Midpeninsula Regional Open Space District ("District") has protected, in perpetuity, 62,000 acres of open space containing 26 preserves and more than 220 miles of trails that serve Santa Clara, San Mateo, and a portion of Santa Cruz counties. The District's preserves provide a scenic backdrop to the region offering residents places for hiking, biking, horseback riding, or simply connecting with nature, close to home. Throughout its 41-year history the District has used taxpayer dollars wisely, leveraging funds to bring in state, federal, and private grant money, and providing annual audits in a transparent public process. The District is governed by a publicly elected board of directors.

Over the years, the number of acres and miles of trails the District owns and maintains have steadily increased, as have the number of visitors and the cost of land. Expanding public access, restoring sensitive environments and purchasing land are costly, yet are high priorities for the public.

To reinforce and expand these types of services and resources, the Board of Directors is placing this funding measure on the June 3, 2014 ballot.

\$300 million in General Obligation Bonds will be sold. The bond repayment would be financed by an annual property tax override based on a tax rate not to exceed \$3.18 per \$100,000 of assessed value of property owned per year.

This Expenditure Plan outlines priority actions identified by the public and proposed by the District to be funded with bond proceeds. Part B describes each priority action and describes what goals it will achieve. Part C of the Expenditure Plan describes the establishment of an independent Citizen Oversight Committee.

## 2. PRIORITY ACTIONS

The priority actions listed below are the result of a process that combined scientific analysis with broad public engagement to create a shared vision for the future of the District and the region's open space. Each priority action may address one or more of the following as more specifically described in the table **Priority Actions, By Region** attached to this Expenditure Plan:

- Improved hiking, biking, and equestrian opportunities
- Protection and preservation of redwoods, natural open spaces, the scenic beauty of the region and coastline, critical habitats
- Restoration of creeks to protect water quality
- Reduction of forest fire risk

Priority actions are distributed throughout the District as depicted on the map attached to this Expenditure Plan.

If approved, the bond proceeds would be allocated to fund the capital improvements necessary to implement the priority actions listed below. Note: the number associated with each priority action does not denote its priority level, but is only used for identification purposes to correlate with the locations depicted on the map.

The estimates associated with each priority action are in 2014 dollars. These are estimates only, and the actual costs may change in implementation.

The District may annually review and propose amendments to the Expenditure Plan to provide for the use of additional federal, state and local funds, to account for unexpected revenues, or to take into consideration unforeseen circumstances. The District shall act on no more than one package of amendments each fiscal year. The District shall establish a process for proposed Expenditure Plan amendment(s) which ensures that the Citizen Oversight Committee is included in the development. Upon completion of this process, amendments(s) to the Expenditure Plan must be passed by a two-thirds majority of the District Board in a publicly noticed meeting.

## PRIORITY ACTIONS, BY REGION

<b>South Bay Foothills</b> (Los Gatos, Monte Sereno, Saratoga, and Santa Cruz Mountains)	
<b>18</b>	<b>South Bay Foothills: Saratoga-to-Sea Trail and Wildlife Corridor</b> Protect wildlife corridor along Highway 9. Connect trail to Saratoga-to-Sea Trail and Skyline-to-Sea Trail. <b>\$1,365,000</b>
<b>19</b>	<b>El Sereno: Dog Trails and Connections</b> Provide infrastructure to open trails to dogs. Develop connections to Skyline, Sanborn County Park, & Lexington Reservoir. <b>\$2,254,000</b>
<b>20</b>	<b>South Bay Foothills: Wildlife Passage and Ridge Trail Improvements</b> Establish safe corridors for mountain lions across Highway 17. Establish Bay Area Ridge Trail crossing. <b>\$13,966,000</b>
<b>21</b>	<b>Bear Creek Redwoods: Public Recreation and Interpretive Projects</b> Open for hiking, equestrian activities. Provide parking areas, trails; upgrade stables. Restore & protect habitats for various species. Repair roads & trails to reduce sediment. Rehabilitate Alma College site. <b>\$17,478,000</b>
<b>22</b>	<b>Sierra Azul: Cathedral Oaks Public Access and Conservation Projects</b> Develop multi-use trail & plan future trails as land is available. Develop parking. Restore plant communities and soils. Install trailside amenities. Preserve additional open space and complete wildlife corridor in upper Los Gatos Creek watershed. <b>\$6,714,000</b>
<b>23</b>	<b>Sierra Azul: Mt. Umunhum Public Access and Interpretation Projects</b> Open Mt. Umunhum for multi-use public access to summit via road and trail. Open Bay Area Ridge Trail and nearby trail connections. Preserve additional open space and complete wildlife corridor. <b>\$27,972,000</b>
<b>24</b>	<b>Sierra Azul: Rancho de Guadalupe Family Recreation</b> Open Rancho de Guadalupe to public access. Develop accessible multi-use trails with amenities such as parking and family recreation. Restore habitat for rare species. Protect cultural and natural resources. <b>\$10,078,000</b>
<b>25</b>	<b>Sierra Azul: Loma Prieta Area Public Access, Regional Trails and Habitat Projects</b> Provide public access and recreation, including small campground. Develop, improve, connect regional multi-use trails to Forest of Nisene Marks State Park, to protected land to east, and to Mt. Umunhum. Protect Steelhead habitat, rare plants and grasslands, restore Knobcone Pine stands. <b>\$7,986,000</b>

## Peninsula Foothills and Bay

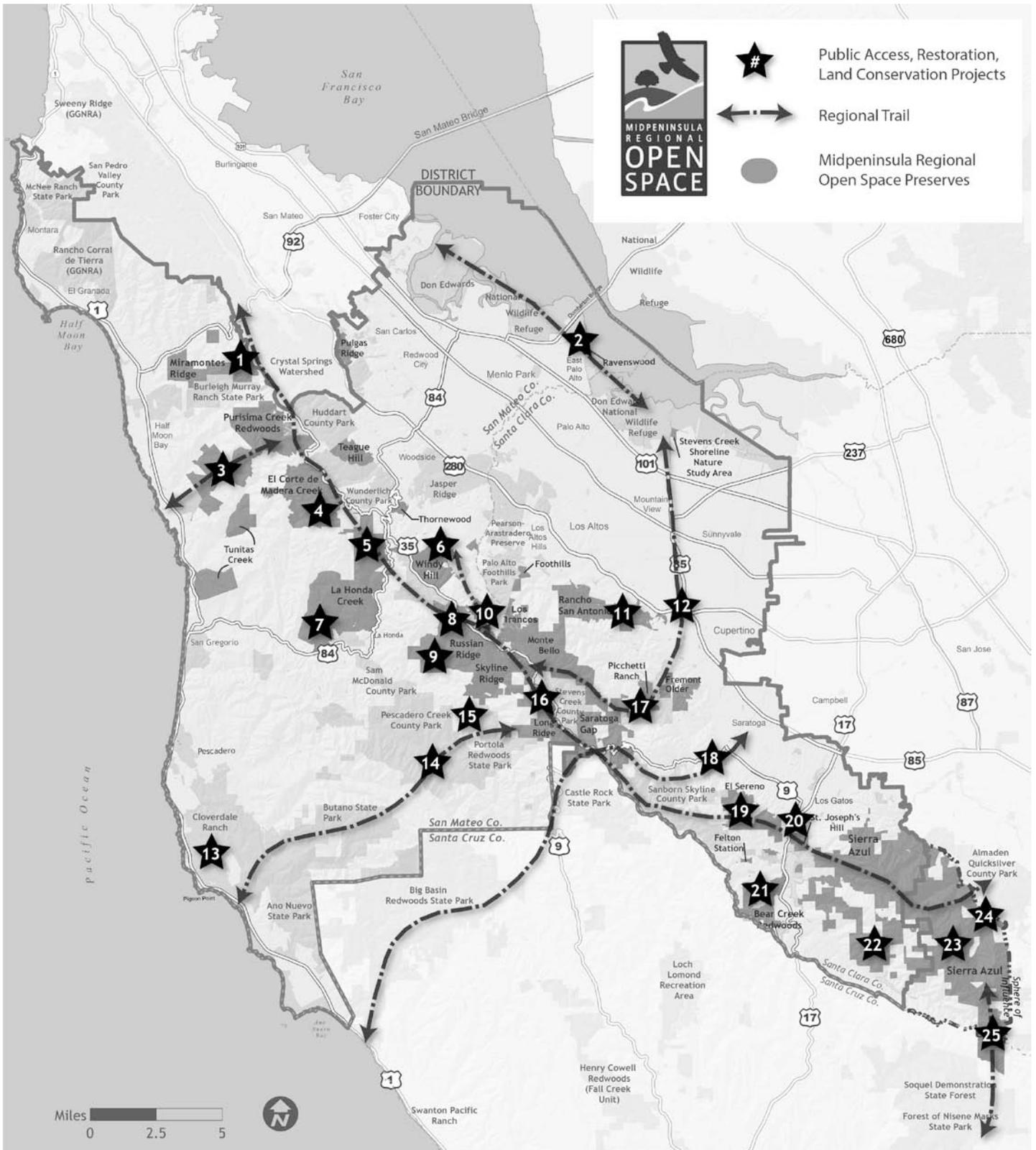
(Cupertino, Los Altos, Los Altos Hills, Sunnyvale, Mountain View, Palo Alto, East Palo Alto, Menlo Park, Atherton, Redwood City, San Carlos, Woodside, Portola Valley, Skyline)

<b>2</b>	<b>Regional: Bayfront Habitat Protection and Public Access Partnerships</b> Partner to complete gaps in Bay Trail and develop city-to-bay trails. Support wetland restoration and associated interpretive facilities. Preserve additional bayfront open space. <b>\$5,052,000</b>
<b>4</b>	<b>El Corte de Madera Creek: Bike Trail and Water Quality Projects</b> Develop single-use biking/hiking trails, complete Ridge Trail gaps, and develop trail system leading to parking area. Restore damaged trails to improve water quality. Preserve additional open space as available. <b>\$8,376,000</b>
<b>5</b>	<b>La Honda Creek: Upper Area Recreation, Habitat Restoration and Conservation Grazing Projects</b> Open upper half of the preserve to public; provide biking/hiking/equestrian trails, dog access, and staging areas. Provide loop & connector trails. Restore habitat for rare species. Improve fencing, corrals, and water systems to reintroduce conservation grazing. <b>\$11,733,000</b>
<b>6</b>	<b>Windy Hill: Trail Improvements, Preservation and Hawthorns Area Historic Partnership</b> Improve trails, complete pond facilities. Increase multi-use trails, study possible improvements to increase dog use. Open Hawthorns Area; develop trails connecting to Portola Valley and Palo Alto trails. Partner to protect, restore, and interpret historic buildings. Improve habitat conditions in Los Trancos Creek. Preserve additional scenic open space as available. <b>\$12,740,000</b>
<b>8</b>	<b>La Honda Creek/Russian Ridge: Preservation of Upper San Gregorio Watershed &amp; Ridge Trail Completion</b> Preserve upper San Gregorio watershed; restore endangered species habitats. Support opportunities to provide additional water for fisheries. Complete Bay Area Ridge Trail multi-use connections and gaps. Provide additional public use facilities. <b>\$15,347,000</b>
<b>9</b>	<b>Russian Ridge: Public Recreation, Grazing and Wildlife Protection Projects</b> Open currently closed areas of preserve. Construct and extend trails. Improve fencing, corrals, and water systems to reintroduce conservation grazing. Improve habitat for sensitive species, implement pond enhancement projects for garter snakes and red-legged frogs. <b>\$5,560,000</b>
<b>10</b>	<b>Coal Creek: Reopen Alpine Road for Trail Use</b> Reopen Alpine Road as trail connection between Portola Valley & Skyline Blvd. Reroute trails to reduce erosion and improve visitor experience. <b>\$8,017,000</b>
<b>11</b>	<b>Rancho San Antonio: Interpretive Improvements, Refurbishing, and Transit Solutions</b> Add welcome center, refurbish and add interpretive exhibits to Deer Hollow Farm. Support of transit improvement options such as bike trails, bikeshare station, bus service, or additional parking. <b>\$10,811,000</b>
<b>12</b>	<b>Peninsula/South Bay Cities: Partner to Complete Middle Stevens Creek Trail</b> Support work by cities to develop the middle section of the Stevens Creek Trail and enhance neighborhood connections. Support work by partners to complete stream corridor restoration and steelhead habitat enhancement below dam. Develop and install interpretive signage. <b>\$1,038,000</b>
<b>16</b>	<b>Long Ridge: Trail, Conservation and Habitat Restoration Projects (Saratoga)</b> Improve roadside parking and provide restrooms. Develop new trail connections to Eagle Rock and Devils Canyon. Repair trails for year-round multi-use access. Protect watersheds for steelhead. Preserve additional open space as available. Implement pond and habitat enhancement restoration projects to benefit rare species. <b>\$5,140,000</b>
<b>17</b>	<b>Regional: Complete Upper Stevens Creek Trail</b> Complete multi-use connection between the Bay Trail & Bay Area Ridge Trail above the reservoir through Picchetti Ranch Open Space Preserve & Lower/Upper Stevens Creek County Parks. Improve Preserve trails and neighborhood connections. Preserve additional open space as available. <b>\$7,760,000</b>

## Coast

### (Half Moon Bay, San Gregorio, Pescadero, La Honda,)

<b>1</b>	<b>Miramontes Ridge: Gateway to the Coast Public Access, Stream Restoration and Agriculture Enhancement</b> Preserve scenic open space land as available, and establish wildlife corridor. Restore fish and red-legged frog habitats in Madonna Creek watershed. Partner to enhance water availability for agriculture and fish. Develop trail loop system, including Ridge Trail and neighborhood access points. Develop staging area, repair bridges. <b>\$27,774,000</b>
<b>3</b>	<b>Purisima Creek Redwoods: Purisima-to-Sea Trail, Watershed Protection and Conservation Grazing</b> Complete and open multi-use Purisima-to-Sea trail connection between Ridge Trail and Coastal Trail, and new parking areas. Preserve additional open space as available. Remove fish barriers and restore Lobitos Creek. Restore ponds for endangered species. <b>\$7,608,000</b>
<b>7</b>	<b>La Honda Creek: Driscoll Ranch Public Access, Endangered Wildlife Protection and Conservation Grazing</b> Open Driscoll Ranch Area; provide biking/hiking/equestrian trails, limited dog access, parking areas, and interpretive displays. Develop loop & connector trails. Restore habitat for endangered species. Restore La Honda Creek; remove fish migration barriers. <b>\$14,825,000</b>
<b>13</b>	<b>Cloverdale Ranch: Wildlife Protection, Grazing and Trail Connections</b> Improve fencing, corrals, and water systems to increase conservation grazing and sustain large contiguous grasslands. Restore habitat for endangered species. Provide trail connections to nearby State parks. <b>\$15,712,000</b>
<b>14</b>	<b>Regional: Trail Connections and Campgrounds</b> Develop trails between Butano, Pescadero County Park, Pescadero, Russian Ridge, and between Skyline and Portola Redwoods, Big Basin State Park. Partner with County and State Parks to improve existing campgrounds. <b>\$3,966,000</b>
<b>15</b>	<b>Regional: Redwood Protection and Salmon Fishery Conservation</b> Preserve additional open space as available. Protect and enhance redwood stands, mountain scenery, various habitats and steelhead salmon. <b>\$50,728,000</b>



### **3. INDEPENDENT CITIZEN OVERSIGHT COMMITTEE**

An Independent Citizen Oversight Committee will be formed to verify expenditures of bond proceeds. The Independent Citizen Oversight Committee will consist of seven at-large members, all of whom shall be District residents. The Citizen Oversight Committee will be selected by the Board and interviewed and approved in open session, and will be subject to the conflict of interest constraints of the California Political Reform Act.

The responsibilities of the Committee include:

- Review Plan expenditures on an annual basis to verify conformity with the Expenditure Plan.
- Review District's Annual Audit and Annual Accountability report and present the Committee's findings to the Board at a public meeting.
- Review any proposed amendments to the Expenditure Plan.

**EXHIBIT B  
TAX RATE STATEMENT**

An election will be held in the Midpeninsula Regional Open Space District (the "District") on June 3, 2014, to authorize the sale of up to \$300 million in bonds of the District to provide public access and acquire, restore, and preserve open space throughout the District as described in the ballot measure. If the bonds are approved, the District expects to sell the bonds in several series over time. Principal and interest on the bonds will be payable from the proceeds of tax levies made upon the taxable property in the District. The information contained in numbered paragraphs 1 - 3 below is provided in compliance with sections 9400-9404 of the Elections Code of the State of California.

1. The best estimate of the tax which would be required to be levied to fund this bond issue during the *first* fiscal year after the sale of the first series of bonds, based on estimated assessed valuations available at the time of filing of this statement, is \$1.00 per \$100,000 of assessed valuation in fiscal year 2015-16.

2. The best estimate of the tax rate which would be required to be levied to fund this bond issue during the first fiscal year after the sale of the *last* series of bonds, based on estimated assessed valuations available at the time of filing of this statement, is \$2.90 per \$100,000 of assessed valuation in fiscal year 2044-45.

3. The best estimate of the *highest* tax rate which would be required to be levied to fund this bond issue, based on estimated assessed valuations available at the time of filing of this statement, is \$3.18 per \$100,000 of assessed valuation in fiscal year 2034-35.

Voters should note that the estimated tax rates are based on the estimated *ASSESSED VALUE* of taxable property on the respective County's official tax rolls, not on a property's market value. Property owners should consult their own property tax bills to determine their property's assessed value and any applicable tax exemptions.

Attention of all voters is directed to the fact that the foregoing information is based upon the District's projections and estimates only, which are not binding upon the District. The actual tax rates and the years in which they will apply may vary from those presently estimated, due to variations from these estimates in the timing of bond sales, the amount of bonds sold and market interest rates at the time of each sale, and actual assessed valuations over the term of repayment of the bonds. The dates of sale and the amount of bonds sold at any given time will be determined by the District based on its needs for funds and other factors. The actual interest rates at which the bonds will be sold will depend on the bond market at the time of each sale. Actual future assessed valuation will depend upon the amount and value of taxable property within the District as determined by the respective County Assessor in the annual property value assessment process.

Dated: \_\_\_\_\_, 2014.

\_\_\_\_\_  
General Manager  
Midpeninsula Regional Open Space District

**MIDPENINSULA REGIONAL  
OPEN SPACE DISTRICT**

ANNUAL FINANCIAL AUDIT REPORT

JUNE 30, 2017



**CHAVAN & ASSOCIATES, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS  
1475 SARATOGA AVE., SUITE 180  
SAN JOSE, CA 95129

**Midpeninsula Regional Open Space District**  
Santa Clara County

Table of Contents

<b>TITLE</b>	<b>PAGE</b>
<b>FINANCIAL SECTION:</b>	
Independent Auditor’s Report.....	4 - 6
Management’s Discussion and Analysis .....	8 - 13
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	16
Statement of Activities.....	17
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds .....	20
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	21
Notes to the Basic Financial Statements .....	22 - 53
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP) General Fund .....	56
Schedule of Pension Plan Contributions.....	57
Schedule of Net Pension Liability Proportionate Shares .....	58
Schedule of Funding Progress – Other Postemployment Benefits .....	59
<b>SUPPLEMENTARY INFORMATION:</b>	
Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP) Measure AA Capital Projects Fund .....	62
Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP) GF Capital Projects Fund.....	63
Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP) Debt Service Fund .....	64
Measure AA Bond Program – Schedule of Program Expenditures .....	65
Notes to Supplementary Information.....	66
<b>OTHER INDEPENDENT AUDITOR’S REPORTS:</b>	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	68 - 69

**FINANCIAL  
SECTION**



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Midpeninsula Regional Open Space District  
Los Altos, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major funds, and the aggregate remaining fund information for Midpeninsula Regional Open Space District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds, and the aggregate remaining fund information of the District, as of June 30, 2017, and the respective changes in



financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of a Matter**

#### *Basis of Presentation*

On July 1, 2016, the District separated the capital projects fund into two funds in order to account for resources restricted by the Measure AA General Obligation (GO) Bond from other sources. To separate the capital projects fund, the District recorded a prior period adjustment of \$307,137 to account for projects reported in the capital projects fund which were related to other sources beyond the Measure AA GO Bond. See page 20 to review the impact on the governmental funds. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules and other postemployment benefit information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



## **Chavan & Associates, LLP**

Certified Public Accountants

---

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*C & A LLP*

October 13, 2017  
San Jose, California

*Management's Discussion and Analysis*

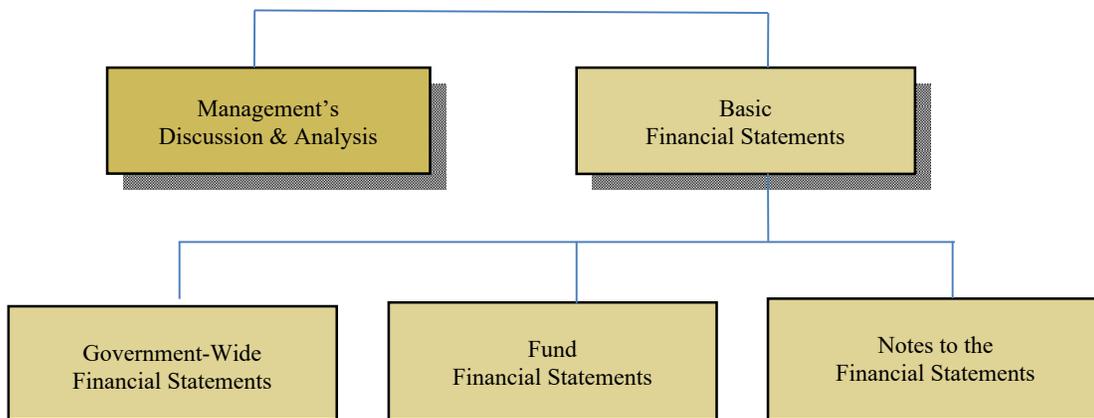
# Midpeninsula Regional Open Space District

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2017

### INTRODUCTION

The purpose of the Management's Discussion and Analysis (MD&A) is to present a discussion and analysis of the District's financial performance during the year ended on June 30, 2017. During period ending June 30, 2016 in order to align with best practices of public agencies, the District's Board adopted Resolution 15-32 on July 22, 2015, changing the District's fiscal year end to June 30 from the prior March 31 and thereby extending the 2015-2016 fiscal year to fifteen months. This report will (1) focus on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity. This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the District's operations and financial standing.

### Required Components of the Annual Financial Report



### OVERVIEW AND USE OF THE FINANCIAL STATEMENTS

This annual report consists of a series of basic financial statements and notes. The statements are organized so the reader can understand the District as an entire operating entity by providing an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities is comprised of the government-wide financial statements and provides information about the activities of the District as a whole, presenting both an aggregate view of the District's finances as well as a longer-term view of those finances. Fund Financial Statements provide the next level of detail. For governmental funds, these statements reflect how services were financed in the short-term as well as what remains for future spending. The Basic Financial Statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, the Management's Discussion and Analysis. The three sections together provide a comprehensive financial overview of the District. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, government-wide and fund statements.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.

# Midpeninsula Regional Open Space District

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2017

---

- Notes to the financial statements, provide more detailed data and provide explanations to some of the information in the statements. The required supplementary information section provides further explanations and additional support for the financial statements.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS - STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES**

The view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2016-2017?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, whether the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in California restricting revenue growth, facility conditions and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities which reflect the District's programs and services. The District does not have any business type activities.

### **FINANCIAL HIGHLIGHTS**

District tax revenue and other metrics will not be comparable to the prior period due to the fifteen-month period of the prior period financial statements. As the overall economy continued to grow throughout the Silicon Valley, the District witnessed further strong growth in the assessed valuation of both secured and unsecured property within its boundaries. The 2017-18 assessed valuation reports released in June 2017 showed District-wide assessed values increasing by 8.7% (8.4% in Santa Clara and 9.5% in San Mateo). The District received 66% of its tax revenue from Santa Clara County and 34% from San Mateo County.

Other financial highlights included:

- Tax revenue related to the GO bonds amounted to \$1.57 million
- Program revenues decreased \$0.7 million due to the 15 month period of the prior year
- The District issued \$57.4 million in Refunding Bonds to refund the 2007 Series A Refunding Bonds and the 2011 Lease Revenue Bonds.
- Purchased \$1.8 million land and associated structures funded through Measure AA GO bond proceeds. In addition, the District spent a further \$12.5 million of bond proceeds on the road and summit restoration for the grand opening of the Mt. Umunhum Summit to the general public which occurred on September 18, 2017.

District expenditures were over the annual budget for the Measure AA Capital Projects Fund and Debt Service Fund. The Measure AA Capital Projects Fund was over budget by \$1.1 million and the Debt Service Fund was over budget by \$1.3 million. However, it should be noted that the General Fund was under budget by \$2.9 million. In fiscal year 2017, the District separated the budget to account for expenditures budgeted for each fund. As in most recent years, a large majority of the budget variance was due to delays and deferrals of capital projects; the District spent 97% of its General Fund budget for salaries and benefits (including a \$1 million pre-payment to CalPERS), and 69% of the budget for services and supplies.

The assets of the District exceeded liabilities at the close of the 2017 fiscal year by \$337 million. Of this total net position, \$308.6 million, or 92%, was the District's net investment in capital assets (capital assets net of related debt).

# Midpeninsula Regional Open Space District

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017

## REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

The analysis of the District's fund financial statements begins on page 16. Fund financial reports provide detailed information about the District's major funds. The District uses one operating fund, the General Fund, to account for a multitude of financial transactions, two capital project funds to account for capital projects, and one debt service fund to account for debt service payments.

### Governmental Funds

The General Fund is a governmental fund type and is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

## THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as compared to last period:

<b>Table 1 - Summary of Statement of Net Position</b>				
	2017	2016	Change	Percentage Change
<b>Assets</b>				
Current Assets	\$ 77,668,537	\$ 83,335,071	\$ (5,666,534)	-6.80%
Noncurrent Assets	448,446,221	430,311,829	18,134,392	4.21%
<b>Total Assets</b>	<b>\$ 526,114,758</b>	<b>\$ 513,646,900</b>	<b>\$ 12,467,858</b>	<b>2.43%</b>
<b>Total Deferred Outflows of Resources</b>				
	\$ 15,636,983	\$ 9,274,127	\$ 6,362,856	68.61%
<b>Liabilities</b>				
Current Liabilities	\$ 8,787,223	\$ 4,496,132	\$ 4,291,091	95.44%
Noncurrent Liabilities	193,890,182	193,612,099	278,083	0.14%
<b>Total Liabilities</b>	<b>\$ 202,677,405</b>	<b>\$ 198,108,231</b>	<b>\$ 4,569,174</b>	<b>2.31%</b>
<b>Total Deferred Inflows of Resources</b>				
	\$ 2,071,424	\$ 3,352,133	\$ (1,280,709)	-38.21%
<b>Net Position</b>				
Net Investment in Capital Assets	\$ 308,600,974	\$ 276,394,511	\$ 32,206,463	11.65%
Restricted	4,570,997	5,786,321	(1,215,324)	-21.00%
Unrestricted	23,830,941	39,279,831	(15,448,890)	-39.33%
<b>Total Net Position</b>	<b>\$ 337,002,912</b>	<b>\$ 321,460,663</b>	<b>\$ 15,542,249</b>	<b>4.83%</b>

Total net position increased by \$15.5 million, as revenues exceeded expenditures. Noncurrent assets increased due mostly to \$18.1 million of capital expenditures. Current liabilities increased \$4.2 million due to an increase in accounts payable.

## Midpeninsula Regional Open Space District

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017

Table 2 shows the changes in net position for 2017 as compared to period 2016.

<b>Table 2 - Summary of Changes in Net Position</b>				
	2017	2016	Change	Percentage Change
<b>Revenues</b>				
Program revenues	\$ 2,130,301	\$ 2,829,519	\$ (699,218)	-24.71%
General revenues:				
Property taxes	43,860,976	44,980,497	(1,119,521)	-2.49%
Investment earnings	462,618	647,839	(185,221)	-28.59%
Miscellaneous	783,977	810,250	(26,273)	-3.24%
<b>Total Revenues</b>	<b>47,237,872</b>	<b>49,268,105</b>	<b>(2,030,233)</b>	<b>-4.12%</b>
<b>Program Expenses</b>				
Land preservation	21,783,483	26,079,919	(4,296,436)	-16.47%
Interest	8,327,042	9,751,674	(1,424,632)	-14.61%
Depreciation	1,585,098	1,311,272	273,826	20.88%
<b>Total Expenses</b>	<b>31,695,623</b>	<b>37,142,865</b>	<b>(5,447,242)</b>	<b>-14.67%</b>
<b>Change in Net Position</b>	<b>15,542,249</b>	<b>12,125,240</b>	<b>3,417,009</b>	<b>28.18%</b>
<b>Adjustment to Beginning Net Position</b>	<b>-</b>	<b>(11,789,641)</b>	<b>11,789,641</b>	<b>100.00%</b>
<b>Beginning Net Position</b>	<b>321,460,663</b>	<b>321,125,064</b>	<b>335,599</b>	<b>0.10%</b>
<b>Ending Net Position</b>	<b>\$ 337,002,912</b>	<b>\$ 321,460,663</b>	<b>\$ 15,542,249</b>	<b>4.83%</b>

Program revenues increased because the District had a decrease in land preservation and interest expenses in fiscal year 2017.

### THE DISTRICT'S FUND BALANCE

Table 3 provides an analysis of the District's fund balances and the total change in fund balances from the prior year.

<b>Table 3 - Summary of Fund Balance (All Governmental Funds)</b>						
	2017				2016	Percentage Change
	General Fund	Measure AA Capital Projects Fund	Debt Service Fund	Total		
Nonspendable for prepaid expenditure	\$ 55,093	\$ -	\$ -	\$ 55,093	\$ -	100%
Restricted for debt service	-	-	2,193,934	2,193,934	3,116,266	-30%
Restricted for Measure AA Projects	-	7,344,797	-	7,344,797	23,778,047	-69%
Restricted for Hawthorne maintenance	1,971,040	-	-	1,971,040	1,971,040	0%
Committed for infrastructure	30,000,000	-	-	30,000,000	30,000,000	0%
Committed for equipment replacement	2,400,000	-	-	2,400,000	2,400,000	0%
Committed for natural disasters	3,000,000	-	-	3,000,000	3,000,000	0%
Unassigned	23,872,450	-	-	23,872,450	16,857,586	42%
<b>Total Fund Balance</b>	<b>\$ 61,298,583</b>	<b>\$ 7,344,797</b>	<b>\$ 2,193,934</b>	<b>\$ 70,837,314</b>	<b>\$ 81,122,939</b>	<b>-13%</b>

Following the completion of its new thirty-year strategic plan, the Board of Directors committed a majority of the unassigned fund balance during fiscal year 2017 to reserves for infrastructure, equipment replacement and natural disasters. See page 28 of the audit report for a description of each commitment.

## Midpeninsula Regional Open Space District

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017

### GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to California law and in the modified accrual basis of accounting.

During the course of 2017, the District revised its General Fund budget, which resulted in an increase in budgeted expenditures of \$122 thousand from the original to final budget. The final budgeted revenue estimate was \$45.6 million. A summary of the original and final budget is presented below:

<b>Table 4 - Summary of Original to Final Budgets</b>				
	Original Budget	Final Budget	Variance	Percent Variance
<b>Revenues</b>				
Property taxes	\$ 42,785,000	\$ 42,785,000	\$ -	0.00%
Grant revenues	841,600	841,600	-	0.00%
Property management	1,209,000	1,209,000	-	0.00%
Investment earnings	450,000	450,000	-	0.00%
Other revenues	332,440	332,440	-	0.00%
<b>Total Revenues</b>	<b>45,618,040</b>	<b>45,618,040</b>	<b>-</b>	<b>0.00%</b>
<b>Expenditures</b>				
Salaries and employee benefits	19,174,332	19,333,953	159,621	0.83%
Services and supplies	8,168,018	8,130,731	(37,287)	-0.46%
<b>Total Expenses</b>	<b>27,342,350</b>	<b>27,464,684</b>	<b>122,334</b>	<b>0.45%</b>
<b>Net Change in Fund Balance</b>	<b>\$ 18,275,690</b>	<b>\$ 18,153,356</b>	<b>\$ (122,334)</b>	<b>-0.67%</b>

### CAPITAL ASSETS

Table 4 shows 2017 capital asset balances as compared to 2016.

<b>Table 5 - Summary of Capital Assets Net of Depreciation</b>				
	2017	2016	Change	Percentage Change
Land	\$ 407,986,151	\$ 403,773,365	\$ 4,212,786	1.04%
Construction-in-Progress	19,020,245	7,223,594	11,796,651	163.31%
Structure and Improvements	6,715,297	7,115,767	(400,470)	-5.63%
Infrastructure	10,474,326	7,551,992	2,922,334	38.70%
Equipment	804,552	945,829	(141,277)	-14.94%
Vehicles	2,133,268	1,844,343	288,925	15.67%
<b>Total Capital Assets - Net</b>	<b>\$ 447,133,839</b>	<b>\$ 428,454,890</b>	<b>\$ 18,678,949</b>	<b>4.36%</b>

# Midpeninsula Regional Open Space District

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017

---

## LONG TERM LIABILITIES

Table 5 summarizes the changes in long-term liabilities from 2017 to 2016.

<b>Table 6 - Summary of Long-term Liabilities</b>				
	2017	2016	Change	Percentage Change
Promissory Notes	\$ 65,095,264	\$ 65,176,664	\$ (81,400)	-0.12%
Bonds	116,855,465	115,198,421	1,657,044	1.44%
Net Pension Obligation	10,121,906	11,420,125	(1,298,219)	-11.37%
Compensated Absences	1,817,547	1,816,889	658	0.04%
<b>Total Long-term Liabilities</b>	<b>\$ 193,890,182</b>	<b>\$ 193,612,099</b>	<b>\$ 278,083</b>	<b>0.14%</b>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board of Directors adopted the District's budget for year 2017-2018 on June 14, 2017. This budget assumes \$50.6 million in revenues and a growth in general fund property tax income of 7% over the prior period. This budget funds \$19.2 million of capital spending, of which \$12.6 million is expected to qualify for reimbursement from Measure AA GO bond funds. Operating expenditures and general fund and debt service are budgeted at \$30.4 million and \$11.7 million, respectively. If all revenues, expenditure (including debt service) occur as budgeted, the District's overall cash balances would increase by \$2 million.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Office, Midpeninsula Regional Open Space District, 330 Distel Circle, Los Altos, California 94022.

*Page Intentionally Left Blank*

*Basic Financial Statements*

# Midpeninsula Regional Open Space District

## Statement of Net Position

June 30, 2017

### Assets

#### Current assets:

Cash and investments	\$ 77,020,898
Accounts receivable:	
Deposits	587,047
Interest	5,278
Due from other governments:	
Taxes receivable	221
Other current assets	55,093
Total current assets	<u>77,668,537</u>

#### Noncurrent assets:

Notes receivable	134,317
Unamortized issuance costs	772,042
Net OPEB asset	406,023
Non-depreciable capital assets	427,006,396
Capital assets, net of depreciation	20,127,443
Total noncurrent assets	<u>448,446,221</u>

#### Total Assets

\$ 526,114,758

### Deferred Outflows of Resources

Pension change to adjustments	\$ 8,659,986
Deferred loss on early retirement of long-term debt	6,976,997

#### Total Deferred Outflows of Resources

\$ 15,636,983

### Liabilities

#### Current liabilities:

Accounts payable	\$ 5,220,064
Deposits payable	104,932
Payroll and other liabilities	1,506,227
Accrued interest	1,956,000
Total current liabilities	<u>8,787,223</u>

#### Noncurrent liabilities:

Due within one year	7,423,614
Due after one year	186,466,568
Total noncurrent liabilities	<u>193,890,182</u>

#### Total Liabilities

\$ 202,677,405

### Deferred Inflows of Resources

Pension adjustments	\$ 2,071,424
---------------------	--------------

### Net Position

Net investment in capital assets \$ 308,600,974

#### Restricted for:

Debt service	2,193,934
Hawthorne maintenance	1,971,040
OPEB	406,023
Total restricted	<u>4,570,997</u>

#### Unrestricted

23,830,941

#### Total Net Position

\$ 337,002,912

The notes to the financial statements are an integral part of this statement.

## Midpeninsula Regional Open Space District

### Statement of Activities

For the Fiscal Year Ended June 30, 2017

	Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	
Governmental activities:			
Land preservation	\$ 21,783,483	\$ 1,479,462	\$ 650,839
Interest and fiscal charges	8,327,042	-	-
Depreciation	1,585,098	-	-
Total governmental activities	\$ 31,695,623	\$ 1,479,462	\$ 650,839
General revenues:			
Property taxes			43,860,976
Investment earnings			462,618
Other revenues			783,977
Total general revenues and special items			45,107,571
Change in net position			15,542,249
Net position beginning			321,460,663
Net position ending			\$ 337,002,912

The notes to the financial statements are an integral part of this statement.

**Midpeninsula Regional Open Space District**

Balance Sheet  
Governmental Funds  
June 30, 2017

	General Fund	Measure AA Capital Projects Fund	GF Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 59,483,747	\$ 15,337,024	\$ -	\$ 2,200,127	\$ 77,020,898
Receivables:					
Deposits	587,047	-	-	-	587,047
Interest	5,278	-	-	-	5,278
Due from other governments:					
Taxes receivable	221	-	-	-	221
Other current assets	55,093	-	-	-	55,093
Due from other funds	4,278,820	330,196	674,707	-	5,283,723
Notes receivable	134,317	-	-	-	134,317
<b>Total Assets</b>	<b>\$ 64,544,523</b>	<b>\$ 15,667,220</b>	<b>\$ 674,707</b>	<b>\$ 2,200,127</b>	<b>\$ 83,086,577</b>
<b>Liabilities</b>					
Liabilities:					
Accounts payable	\$ 754,058	\$ 4,102,458	\$ 363,548	\$ -	\$ 5,220,064
Deposits payable	104,932	-	-	-	104,932
Due to other funds	746,406	4,219,965	311,159	6,193	5,283,723
Payroll and other liabilities	1,506,227	-	-	-	1,506,227
<b>Total Liabilities</b>	<b>3,111,623</b>	<b>8,322,423</b>	<b>674,707</b>	<b>6,193</b>	<b>12,114,946</b>
<b>Deferred Inflows Of Resources</b>					
Unavailable revenues	134,317	-	-	-	134,317
<b>Fund Balance</b>					
Nonspendable:					
Prepaid expenditures	55,093	-	-	-	55,093
Restricted for:					
Debt service	-	-	-	2,193,934	2,193,934
Measure AA capital projects	-	7,344,797	-	-	7,344,797
Hawthorne maintenance	1,971,040	-	-	-	1,971,040
Committed for:					
Infrastructure	30,000,000	-	-	-	30,000,000
Equipment replacement	2,400,000	-	-	-	2,400,000
Natural disasters	3,000,000	-	-	-	3,000,000
Unassigned	23,872,450	-	-	-	23,872,450
<b>Total Fund Balance</b>	<b>61,298,583</b>	<b>7,344,797</b>	<b>-</b>	<b>2,193,934</b>	<b>70,837,314</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 64,544,523</b>	<b>\$ 15,667,220</b>	<b>\$ 674,707</b>	<b>\$ 2,200,127</b>	<b>\$ 83,086,577</b>

The notes to the financial statements are an integral part of this statement.

**Midpeninsula Regional Open Space District**

Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Position  
June 30, 2017

Total fund balance - governmental funds \$ 70,837,314

Amounts reported in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital assets at cost	\$ 462,547,391	
Accumulated depreciation	<u>(15,413,552)</u>	447,133,839

Principal on notes receivables are recorded as unearned revenue in the funds, which upon collection is a current financial resource. In the government-wide financial statements, repayment of the principal amount does not generate revenue in the statement of activities; therefore, unearned revenue is not recorded. 134,317

The difference between projected and actual earnings from pension plan assets is not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows of resources in the statement of net position. 6,588,562

Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds. (1,956,000)

Discounts and premiums related to bond issues are recorded as other financing sources and uses in the fund financial statements but are recorded as assets or liabilities and amortized over the life of the bond in the statement of net position:

Premium	\$ 20,475,002	
Issuance cost	<u>(772,042)</u>	(19,702,960)

Deferred loss on early retirement of long-term debt is recorded in the Statement of Net Position as a deferred outflow of resources and amortized on a straight line basis over the original life of the defeased bond. 6,976,997

Long-term liabilities are not due and payable in the current year and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:

Bonds	\$ 102,715,000	
Net pension obligations	10,121,906	
Promissory notes	58,760,727	
Compensated absences	1,817,547	
Annual net OPEB obligation	<u>(406,023)</u>	<u>(173,009,157)</u>

Total net position - governmental activities \$ 337,002,912

The notes to the financial statements are an integral part of this statement.

**Midpeninsula Regional Open Space District**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2017

	General Fund	Measure AA Capital Projects Fund	GF Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>Revenues:</b>					
Property taxes	\$ 42,281,739	\$ -	\$ -	\$ 1,579,237	\$ 43,860,976
Grant income	650,839	-	-	-	650,839
Property management	1,479,462	-	-	-	1,479,462
Investment earnings	313,397	163,483	-	2,846	479,726
Other revenues	608,558	-	-	-	608,558
<b>Total revenues</b>	<b>45,333,995</b>	<b>163,483</b>	<b>-</b>	<b>1,582,083</b>	<b>47,079,561</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Land preservation:</b>					
Salaries and employee benefits	18,890,179	320,482	-	-	19,210,661
Services and supplies	5,612,468	36,837	946,845	-	6,596,150
Capital outlay	-	16,529,694	3,431,732	-	19,961,426
<b>Debt service:</b>					
Principal	-	-	-	5,193,104	5,193,104
Interest	-	-	-	6,403,845	6,403,845
Issuance cost	-	-	-	786,497	786,497
<b>Total expenditures</b>	<b>24,502,647</b>	<b>16,887,013</b>	<b>4,378,577</b>	<b>12,383,446</b>	<b>58,151,683</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>20,831,348</b>	<b>(16,723,530)</b>	<b>(4,378,577)</b>	<b>(10,801,363)</b>	<b>(11,072,122)</b>
<b>Other financing sources (uses):</b>					
Transfers in	-	1,030,287	4,685,714	10,122,821	15,838,822
Transfers out	(13,761,391)	(1,047,144)	-	(1,030,287)	(15,838,822)
Payment to refunded bond escrow agent	-	-	-	(68,187,161)	(68,187,161)
Proceeds of refunding bond	-	-	-	57,410,000	57,410,000
Premium from bond issuances	-	-	-	11,563,658	11,563,658
<b>Total other financing sources (uses)</b>	<b>(13,761,391)</b>	<b>(16,857)</b>	<b>4,685,714</b>	<b>9,879,031</b>	<b>786,497</b>
<b>Net changes in fund balance</b>	<b>7,069,957</b>	<b>(16,740,387)</b>	<b>307,137</b>	<b>(922,332)</b>	<b>(10,285,625)</b>
Fund balance beginning	54,228,626	23,778,047	-	3,116,266	81,122,939
Prior period adjustment - see note 12	-	307,137	(307,137)	-	-
Fund balance beginning - as adjusted	54,228,626	24,085,184	(307,137)	3,116,266	81,122,939
<b>Fund balance ending</b>	<b>\$ 61,298,583</b>	<b>\$ 7,344,797</b>	<b>\$ -</b>	<b>\$ 2,193,934</b>	<b>\$ 70,837,314</b>

The notes to the financial statements are an integral part of this statement.

**Midpeninsula Regional Open Space District**  
Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balance  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2017

Total net change in fund balance - governmental funds		\$(10,285,625)
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Expenditures capitalized as capital assets	\$ 20,264,047	
Depreciation expense	<u>(1,585,098)</u>	18,678,949
<p>Repayment of notes receivable is reported as revenue in the governmental funds because financial resources were received and available during the fiscal year. In the statement of net position, the payment reduces the principal balance of notes receivable and does not generate revenue in the statement of activities.</p>		
		(17,108)
<p>Accreted interest on capital appreciation bonds is not recorded in the governmental funds but is required to be recorded under the accrual basis of accounting in the government wide financial statements.</p>		
		(1,125,509)
<p>The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term debt and related items is as follows:</p>		
Proceeds from the issuance of general obligation bonds	\$ (57,410,000)	
Bond premium capitalized	(11,563,658)	
Deferred loss on early retirement of refunded bonds	5,032,161	
Advance refunding of bonds	63,155,000	
Repayment of bond principal	4,130,000	
Repayment of promissory notes principal	<u>1,063,104</u>	4,406,607
<p>Deferred loss on early retirement of long-term debt is amortized over the life of the debt in the statement of activities. Amortization expense is not reported in the governmental funds.</p>		
		(339,192)
<p>Prepaid issuance costs, discounts and premiums related to bond issues are recorded as other financing sources and uses in the fund financial statements but are recorded as assets or liabilities and amortized over the life of the bond in the statement of net position:</p>		
Amortization of issuance costs and premiums - net		(59,038)
<p>In the Statement of Activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year, vacation earned exceeded the amounts used.</p>		
		(658)
<p>In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.</p>		
		4,248,815
<p>In the Statement of Activities, the net postemployment benefit asset is the amount by which the contributions toward the OPEB plan were more than the annual required contribution as actuarially determined. The net postemployment benefit is not recorded in the governmental fund statements. The change in the net OPEB was recorded in the Statement of Activities in the amount of:</p>		
		(292,992)
<p>Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
		<u>328,000</u>
Change in net position of governmental activities		<u><u>\$ 15,542,249</u></u>

The notes to the financial statements are an integral part of this statement.

# Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

---

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

### A. General

The Midpeninsula Regional Open Space District (the District) was formed in 1972 to acquire and preserve public open space land in northern and western portions of Santa Clara County. In June 1976, the southern and eastern portions of San Mateo County were annexed to the District. The District annexed a small portion of the northern tip of Santa Cruz County in 1992. In September 2004, the District completed the Coastside Protection Program, which extended the District boundaries to the Pacific Ocean in San Mateo County, from the southern borders of Pacifica to the San Mateo/Santa Cruz County line.

### B. Accounting Principles

The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

### C. Reporting Entity

As required by generally accepted accounting principles, these basic financial statements present the Midpeninsula Regional Open Space District and its component unit. The component unit discussed in the following paragraph is included in the District's reporting entity because of the significance of their operational or financial relationships with the District.

**Blended Component Unit.** The District and the County of Santa Clara entered into a joint exercise of powers agreement dated May 1, 1996, creating the Midpeninsula Regional Open Space District Financing Authority (the Authority), pursuant to the California Government Code. The District is financially accountable for the Authority, as it appoints a voting majority of the governing board; is able to impose its will in the Authority; and the Authority provides specific financial benefits to, and imposes specific financial burdens on, the District. The Authority was formed for the sole purpose of providing financing assistance to the District to fund the acquisition of land to preserve and use as open space. As such, the Authority is an integral part of the District, and accordingly, all of the Authority's activity is blended within the accompanying debt service fund.

### D. Reporting Period

In order to improve the transparency over reporting financial transactions and overall operations, during the fiscal period ending June 30, 2016 the District changed its reporting period from April 1<sup>st</sup> through March 31<sup>st</sup> to July 1<sup>st</sup> through June 30<sup>th</sup>. The financial statements and the related note disclosures included in the prior year's report covers the fifteen month period ended June 30, 2016. The information covered in this financial statement covers the year ending June 30, 2017, thus information may not be comparable between the financial statements and note disclosures included in each of these reports.

# Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

---

## E. Basis of Presentation

### **Government-wide Financial Statements:**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the District. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include the reconciliation with brief explanations to better identify the relationship between the government wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

### **Fund Financial Statements:**

Fund financial statements report detailed information about the District. The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows, current liabilities and deferred inflows are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

## F. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

### **Revenues - Exchange and Non-exchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal period in which the resources are measurable and

## Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

---

become available. "Available" means the resources will be collected within the current fiscal period or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal period. For the District, "available" means collectible within the current period or within 90 days after period-end.

Non-exchange transactions, in which the District receives value *without* directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal period for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are to be used or the fiscal period when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

### Deferred Outflows/Deferred Inflows:

A deferred outflow of resources is defined as a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. A deferred inflow of resources is defined as an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time.

When applicable, unamortized portions of the gain and loss on refunding debt are reported as deferred inflows and deferred outflows of resources, respectively. Deferred outflows and inflows of resources are reported for the changes related to pensions from the implementation of GASB Statement No. 68.

In addition, when an asset is recorded in governmental fund financial statements but the revenue is not available, a deferred inflow of resources is reported until such time as the revenue becomes available.

### Unearned Revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue. In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows from unearned revenue.

### Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when

# Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

---

payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

## G. Fund Accounting

The accounts of the District are organized into two funds with a separate set of self-balancing accounts that comprise of the District's assets, deferred outflows, liabilities, deferred inflows, fund balance, revenues, and expenditures.

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

The District reported all of its funds as major governmental funds in the accompanying financial statements:

**General Fund.** The General Fund is the general operating fund of the District. It is used to account for all financial resources. The major revenue sources for this fund are property taxes, grant revenues and interest income. Expenditures are made for land preservation and other operating expenditures.

**Measure AA Capital Projects Fund.** The Measure AA Capital Projects Fund is used to account for resources from bond proceeds and expenditures for capital projects related to the Measure AA GO Bond.

**GF Capital Projects Fund.** GF Capital Projects Fund is used to account for expenditures for capital projects not related to any other capital projects funds.

**Debt Service Fund.** The Debt Service Fund is used to account for accumulation of resources for, and the payment of long-term debt principal, interest and related costs. Resources are provided by General Fund transfers and interest income on unspent funds.

## H. Budgets and Budgetary Accounting

The District's Board of Directors adopts an annual operating budget for the District by major fund, on or before June 30, for the ensuing fiscal period. The Board of Directors may amend the budget by resolution during the fiscal period. The legal level of control, the level at which expenditures may not legally exceed the budget, is at the category level.

## I. Assets, Liabilities, and Equity

### 1. Cash and Cash Equivalents

The District's cash deposits are considered to be cash on hand and cash in banks. Cash and Cash Equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

## Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

---

### 2. Investments

Investments are recorded at fair value in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. This statement changed the definition of fair value and is effective for periods beginning after June 15, 2015.

The following is a summary of the definition of fair value:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

### 3. Prepaid Expenditures

The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

### 4. Deposits Receivable

During the fiscal year ending June 30, 2017, the District, determined that a prior deposit receivable was no longer collectable. The original deposit receivable was \$1,045,000, some of which was returned in a prior year. The remaining balance of \$691,454 was written off in current year.

### 5. Capital Assets

Capital assets, which include land, buildings and improvements, furniture, equipment, and construction in progress, are reported in the government-wide financial statements. Such assets are valued at historical cost or estimated historical cost unless obtained by annexation or

# Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

---

donation, in which case they are recorded at estimated market value at the date of receipt. The District utilizes a capitalization threshold of \$1 for land, \$25,000 for equipment, fixtures and vehicles, \$50,000 for infrastructure, improvements, buildings and structures.

Projects under construction are recorded at cost as construction in progress and transferred to the appropriate asset account when substantially complete. Costs of major improvements and rehabilitation of buildings are capitalized. Repair and maintenance costs are charged to expense when incurred. Equipment disposed of, or no longer required for its existing use, is removed from the records at actual or estimated historical cost, net of accumulated depreciation.

All capital assets, except land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Structures/Improvements	50
Public Access Infrastructure	20 - 50
Equipment/Fixtures	5 - 20
Vehicles	5
Software	5 - 10

## 6. Compensated Absences

In accordance with the District's memorandum of understanding with various employee groups, employees accrue fifteen days of vacation during the first nine years of service, twenty days between service years 10 and fourteen, twenty-one days between service years fifteen and nineteen, twenty-three days between service years twenty and twenty-four, and twenty-five days after twenty-five years of service. An employee may accumulate vacation time earned to a maximum of two times the amount of his/her annual vacation accrual.

Full-time employees accrue twelve days of sick leave: annually from the date of employment. An employee may accumulate sick leave time earned on an unlimited basis. Upon resignation, separation from service, or retirement from District employment, workers in good standing with ten or more years of District employment shall receive a cash payment of the equivalent cash value of accrued sick leave as follows:

<u>Years of Employment</u>	<u>Percentage of equivalent cash value of accrued sick leave</u>
15-20	20%
16-20	25%
21 or more	30%

An employee hired before June 30, 2006, who retires from the District shall receive a cash payment of the percentage of equivalent cash value or accrued sick leave based on years of employment as described above, and apply the remainder of the equivalent cash value toward his/her cost of retiree medical plan premiums and/or other qualified medical expenses. Upon

## Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

---

retirement, the amount qualified and designated for retiree medical costs shall be deposited in the Retiree Health Savings (RHS) plan, set up by the District. The cost for maintaining the retiree's RHS account and the annual fee for the reimbursement process of qualified medical expenses will be paid for by the retiree.

An employee hired on or after July 1, 2006, who retires from the District may elect to receive only a cash payment of the percentage of equivalent cash value of accrued sick leave based on years of employment as described above.

In all cases the equivalent cash value of accrued sick leave will be based on current rate of pay as of the date of separation from District employment.

The District accrues for all salary-related items in the government-wide statements for which they are liable to make a payment directly and incrementally associated with payments made for compensated absences on termination.

### 7. Long-Term/Noncurrent Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

### 8. Debt Discount and Issuance Costs

Debt discounts, premiums, and prepaid issuance costs are capitalized as an offset to long-term debt and amortized using the straight line method over the life of the related debt. Issuance costs for the District's tax-exempt commercial paper short-term borrowings are expensed as incurred.

### 9. Fund Balance Classifications

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- *Nonspendable* fund balance includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- *Committed* fund balances includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at period-end. Committed fund balances were imposed by the District's board of directors as follows:
  - Infrastructure: \$30 million; projected minimum requirement for expansion of field and office facilities over the next five years.

## Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

---

- Equipment Replacement: \$2.4 million; projected requirement for equipment and vehicle replacement based on the amount of accumulated depreciation recorded on capital assets in service.
- Natural Disasters: \$3.0 million; projected emergency expenditures required to respond quickly to a major fire, earthquake or flood.
- *Assigned* fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the General Manager.
- *Unassigned* fund balance includes positive amounts within the general fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

### 10. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

*Unrestricted net position* reflect amounts that are not subject to any donor-imposed restrictions. This class also includes restricted contributions whose donor-imposed restrictions were met during the fiscal period. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

### 11. Property Taxes

The District receives property tax revenue from Santa Clara and San Mateo Counties (the Counties). The Counties are responsible for assessing, collecting and distributing property taxes in accordance with state law. Secured property taxes are recorded as revenue when

## Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

---

apportioned, in the fiscal period of the levy. The counties apportion secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year. Taxes are levied annually on July 1st, and one-half are due by November 1st and one-half by February 1st. Taxes are delinquent after December 10th and April 10th, respectively. Supplemental property taxes are levied on a pro-rata basis when changes in assessed valuation occur due to the completion of construction or sales transactions. Liens on real property are established on January 15th for the ensuing fiscal period.

On June 30, 1993, the Board of Supervisors adopted the "Teeter" method of property tax allocation. This method allocates property taxes based on the total property tax billed. At year-end, the Counties advances cash to each taxing jurisdiction equal to its current year delinquent taxes. Once the delinquent taxes are collected, the revenue from penalties and interest remains with each County and is used to pay the interest cost of borrowing the cash used for the advances.

### 12. Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### J. Implemented New Accounting Pronouncements

**GASB Statement No. 77, *Tax Abatement Disclosures*** - Effective date: the requirements of this Statement are effective for reporting periods beginning after December 15, 2015 (earlier application was encouraged and was applied at the District). This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the District under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The implementation of this statement did not have a significant impact on the District's financial statements and did not result in any prior period restatements or adjustments.

**GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*** - The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension

## Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

---

plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this GASB 78, the requirements of GASB 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that statement.

GASB 78 amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The implementation of this statement did not have a significant impact on the District's financial statements and did not result in any prior period restatements or adjustments

### K. Upcoming Accounting and Reporting Changes

#### ***GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.***

**The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.** The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified

## Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

---

criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The District is in the process of determining the impact this statement will have on the financial statements.

**GASB Statement No. 81, Irrevocable Split-Interest Agreements** - The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

The District does not believe this statement will have a significant impact on the District's financial statements.

**GASB Statement No. 82, Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73** - The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions*

## Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

---

of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of GASB 82 for selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. The District does not believe this statement will have a significant impact on the District's financial statements.

**GASB Statement No. 83, *Certain Asset Retirement Obligations*** - This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018. Earlier application is encouraged. The District does not believe this statement will have a significant impact on the District's financial statements.

**GASB Statement No. 84, *Fiduciary Activities*** - The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. Earlier application is encouraged. The District does not believe this statement will have a significant impact on the District's financial statements.

**GASB Statement No. 86, *Certain Debt Extinguishment Issues*** - The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Earlier application is encouraged. The District does not believe this statement will have a significant impact on the District's financial statements.

# Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

## NOTE 2 - CASH AND INVESTMENTS

### Summary of Cash and Investments

The following summarizes deposits as of June 30, 2017:

Cash and Investments	Cash and Cash Equivalents Available		
	for Operations	Restricted	Total
Cash Deposits:			
Cash in Banks	\$ 212,857	\$ 45,000	\$ 257,857
Petty Cash	1,500	-	1,500
<b>Total Cash Deposits</b>	<b>214,357</b>	<b>45,000</b>	<b>259,357</b>
Investments:			
California Local Agency Investment Fund	360,549	-	360,549
CalTRUST	-	1,535,871	1,535,871
Brokerage Accounts/Cash with Fiscal Agents	17,070,055	15,965,865	33,035,920
Santa Clara County Pool	40,257,915	1,571,286	41,829,201
<b>Total Investments</b>	<b>57,688,519</b>	<b>19,073,022</b>	<b>76,761,541</b>
<b>Total Cash and Investments</b>	<b>\$ 57,902,876</b>	<b>\$ 19,118,022</b>	<b>\$ 77,020,898</b>

### Cash in Banks

Cash balances in banks are insured up to \$250,000 per insured bank by the Federal Deposit Insurance Corporation ("FDIC"). The District's accounts are held with various banks. As of June 30, 2017, the District's bank balances exceeded FDIC coverage by \$940,047.

### Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

## Midpeninsula Regional Open Space District

### Notes to the Basic Financial Statements

June 30, 2017

The District has the following investments with recurring fair value measurements as of June 30, 2017:

Investment Type	Rating	Fair Value	Input Level	Maturities				Concentrations
				12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months	
Money Market Accounts	n/a	\$ 36,973	n/a	\$ 36,973	\$ -	\$ -	\$ -	0.05%
Mutual Funds	n/a	2,935,216	Level 2	2,935,216	-	-	-	3.82%
Municipal Bonds	AA+/A-	7,194,638	Level 2	357,923	3,483,177	2,073,272	1,280,266	9.37%
Corp/Gov Bonds	AAA/A-	20,628,037	Level 1	13,331,164	6,698,535	598,338	-	26.87%
LAIF	n/a	360,167	Level 2	360,167	-	-	-	0.47%
CalTrust	A+f	1,535,871	Level 2	-	-	1,535,871	-	2.00%
Santa Clara County Pool	n/a	41,829,201	Level 2	20,523,034	7,315,449	13,990,718	-	54.49%
U.S. Obligations	AA+	2,241,056	Level 1	2,241,056	-	-	-	2.92%
<b>Total Investments</b>		<b>\$ 76,761,159</b>		<b>\$ 39,785,533</b>	<b>\$ 17,497,161</b>	<b>\$ 18,198,199</b>	<b>\$ 1,280,266</b>	<b>100.00%</b>

### Cash in Santa Clara County Treasury

Santa Clara County is a fiscal agent of the District. The fair value of the District's investment in the county pool is reported at amounts based on the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized costs basis. Santa Clara County investment pool funds were available for withdrawal on demand and had an average maturity date of less than one year.

All cash and investments are stated at fair value. Pooled investment earnings are allocated monthly based on the average cash and investment balances of the various funds of the County.

### California Local Agency Investment Fund

The District is a participant in the Local Agency investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2017, these investments had an average maturity date of less than one year.

### Investment Trust of California

The District is a participant in the Investment Trust of California (CalTRUST) which is a California joint powers authority that has been established by its members pursuant to an agreement. The California Government Code provides that Public Agencies may purchase shares of beneficial interest issues by a joint powers authority, such as CalTRUST, organized pursuant to the Section 6500 of the Act. The District reports its investment in CalTRUST at the fair value amount provided by CalTRUST. The District participates in the Medium-Term Fund with CalTRUST. The balance in this Medium-Term Fund is available for withdrawal once a week (on Wednesdays), and is based on the net asset value per share on the Wednesday of each week. Included in CalTRUST's investment portfolio for the Medium-Term Fund are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored

# Midpeninsula Regional Open Space District

## Notes to the Basic Financial Statements

June 30, 2017

enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2017, these investments had an average maturity date of 1 to 3 years.

### Investments Authorized by Debt Agreements

The District must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are used if the District fails to meet its obligations under these debt issues.

### Restricted for Debt Service

As of June 30, 2017, the District had \$628,841 held by Zions bank as trustee, pledged to the payment or security of its outstanding bond issues. The District also had money held by the Bank of New York during the period (zero balance at period-end) which was pledged to the payment or security of its outstanding bonds. All transactions associated with debt service were administered by the Bank.

### Cash Restricted for Hawthorne Property Maintenance

On November 10, 2011, the District received the gift of the 79 acre Hawthorne property, in Portola Valley, California, and an endowment of \$2,018,445 to manage the property in perpetuity. The cash balance restricted for this purpose at June 30, 2017 was \$1,535,871.

### Policies and Practices

The District's Investment Policy and the California Government Code allow the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the District's Investment Policy where it is more restrictive:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
Medium Term Notes	5 years	30%	No Limit
Money Market and Mutual Funds	N/A	20%	10%
U.S. Treasury Obligations	5 years	No Limit	No Limit
Federal Agency Securities	5 years	No Limit	No Limit
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	No Limit
Repurchase Agreements	1 year	No Limit	No Limit
Reverse Repurchase Agreements	92 days	20%	No Limit
Local Agency Investment Fund (LAIF)	N/A	\$40 million per account	No Limit

#### a) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The District manages its exposure to interest rate

## Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

---

risk by investing in the Santa Clara County investment pool and LAIF, which had fair values of approximately \$6.7 billion and \$75.9 billion, respectively as of June 30, 2017, and diversifying its investments, as noted above, through the utilization of brokers.

### **b) Credit Risk**

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the County's investment pool is governed by the County's general investment policy. The County's investments in 2017 included U.S. government securities or obligations explicitly guaranteed by the U.S. government that are not considered to have credit risk exposure. See the schedule above for a summary of the District's ratings by investment type.

### **c) Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

### **d) Concentration of Credit Risk**

The District was not exposed to concentration of credit risk because it had no investments in any one issuer that exceeded 5% of its total investment portfolio.

# Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

## NOTE 3 - INTERFUND TRANSACTIONS

### Interfund Receivables and Payables

Interfund transactions are reported as loans or transfers. The District utilizes interfund transactions to account for funding received by the General Fund which is then distributed to the other funds for special uses, such as payment of debt or capital project and to supplement other funding sources. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation.

The following interfund loans were outstanding at fiscal year end June 30, 2017:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 4,278,820	\$ 746,406
Measure AA Capital Projects Fund	330,196	4,219,965
GF Capital Projects Fund	674,707	311,159
Debt Service Fund	-	6,193
Total	<u>\$ 5,283,723</u>	<u>\$ 5,283,723</u>

At June 30, 2017, interfund transfers consisted of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 13,761,391
Measure AA Capital Projects Fund	1,030,287	1,047,144
GF Capital Projects Fund	4,685,714	-
Debt Service Fund	10,122,821	1,030,287
Total	<u>\$ 15,838,822</u>	<u>\$ 15,838,822</u>

## NOTE 4 - NOTES RECEIVABLE

On December 17, 1997, the District sold the title to and possession of a 50-year fee determinable estate 10-acre parcel near the Skyline Ridge Open Space Preserve. The District financed the purchase in the amount of \$288,800 over 25 years at a rate of 10% per annum. Monthly principal and interest payments of \$2,634 are due on the 1st of each month and late if not paid by the 10th, with the final payment scheduled December 1, 2022. The outstanding balance at June 30, 2017 was \$134,317.

## Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

### NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the period ended June 30, 2017 is shown below:

Capital Assets	Balance June 30, 2016	Additions	Deletions/ Adjustments	Balance June 30, 2017
<b>Non-depreciable:</b>				
Land	\$ 403,773,365	\$ 4,212,786	\$ -	\$ 407,986,151
Construction in Progress	7,223,594	15,248,007	(3,451,356)	19,020,245
Total Non-Depreciable	410,996,959	19,460,793	(3,451,356)	427,006,396
<b>Depreciable:</b>				
Structure and Improvements	15,604,717	-	-	15,604,717
Infrastructure	9,981,800	3,451,355	-	13,433,155
Equipment	1,993,815	-	-	1,993,815
Vehicles	3,706,053	803,255	-	4,509,308
Total Depreciable	31,286,385	4,254,610	-	35,540,995
<b>Less Accumulated Depreciation for:</b>				
Structure and Improvements	(8,488,950)	(400,470)	-	(8,889,420)
Infrastructure	(2,429,808)	(529,021)	-	(2,958,829)
Equipment	(1,047,986)	(141,277)	-	(1,189,263)
Vehicles	(1,861,710)	(514,330)	-	(2,376,040)
Total Accumulated Depreciation	(13,828,454)	(1,585,098)	-	(15,413,552)
Total Depreciable Capital Assets - Net	17,457,931	2,669,512	-	20,127,443
Total Capital Assets - Net	\$ 428,454,890	\$ 22,130,305	\$ (3,451,356)	\$ 447,133,839

### NOTE 6 - LONG-TERM DEBT

The following is a summary of the changes in long-term debt for the period ended June 30, 2017:

Long-term Obligations	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Promissory Notes:</b>					
Current Interest	\$ 39,234,170	\$ -	\$ 1,063,104	\$ 38,171,066	\$ 1,126,067
Capital Appreciation	15,474,708	-	-	15,474,708	-
Accreted interest	3,989,444	1,125,509	-	5,114,953	-
Unamortized Bond Premium	6,478,342	-	143,805	6,334,537	-
Subtotal Promissory Notes	65,176,664	1,125,509	1,206,909	65,095,264	1,126,067
<b>Bonds:</b>					
Current Interest	112,590,000	57,410,000	67,285,000	102,715,000	4,480,000
Unamortized Bond Premium	2,608,421	11,563,658	31,614	14,140,465	-
Subtotal Bonds	115,198,421	68,973,658	67,316,614	116,855,465	4,480,000
Net Pension Obligation	11,420,125	-	1,298,219	10,121,906	-
Compensated Absences	1,816,889	1,182,992	1,182,334	1,817,547	1,817,547
Total Long-term Obligations	\$ 193,612,099	\$ 71,282,159	\$ 71,004,076	\$ 193,890,182	\$ 7,423,614

## Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

---

### Promissory Notes

#### *Daloia Land Purchase Contract Promissory Note*

During the fiscal year ending 2003 the District entered into a land purchase contract promissory note in the amount of \$240,000. The promissory note bears interest at a fixed rate of 6.25% and matured October 10, 2017.

#### *Hunt Living Trust Promissory Note*

On April 1, 2003, the District entered into a \$1,500,000 promissory note with the Hunt Living Trust as part of a lease and management agreement. The note is due in full on April 1, 2023 and bears interest at 5.5% semi-annually through April 1, 2013 and 5.0% per annum until the maturity, or prior redemption, of the note.

#### *2012 Refunding Promissory Notes*

On January 19, 2012, the District advance refunded \$34,652,643 in 1999 lease revenue bonds by issuing \$31,264,707 in promissory notes. The 2012 notes bear interest rates ranging from 2.00% to 6.04%. The notes are a blend of current interest and capital appreciation notes maturing through 2042. The net proceeds of \$33,295,663 (after payment of \$278,683 in underwriting fees, insurance, and other issuance costs and a premium of \$2,309,638) were used to purchase U.S government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1999 Series bonds. As a result, the 1999 Series bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt in the financial statements.

#### *2015 Refunding Promissory Notes*

On January 22, 2015, the District advance refunded \$29,986,962 in 2004 Revenue Bonds by issuing \$28,578,500 in promissory notes. The 2015 notes bear interest rates ranging from 2.00% to 5.00%. The notes are current interest notes maturing through 2035. The net proceeds of \$28,325,491 (after payment of \$253,009 in underwriting fees, insurance, and other issuance costs and a premium of \$4,948,500) were used to purchase U.S government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2004 Revenue Bonds. As a result, the 2004 Revenue Bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt in the financial statements.

### Revenue and General Obligation Bonds

#### *2007 Series A Revenue Refunding Bonds and Series B-T Taxable Revenue Refunding Bonds*

On December 15, 2006 the District issued six series of promissory notes (2007 District Notes) for the purpose of refunding its 1996 Project Lease, 1996 Promissory Notes, 1999 Project Lease, and 1999 Promissory Notes. On December 15, 2006 the Authority, on behalf of the District, issued \$52,415,000 of 2007 Series A Revenue Refunding Bonds and \$6,785,000 of 2007 Series B-T Taxable Revenue Refunding Bonds for the purpose of defeasing the aggregate purchase price of the 2007 District Notes. The Series A bonds bear interest from 4.0% to 5.0% and Series B-T bonds bear interest at 5.15%. Interest for both series A and B-T are due semi-annually on March 1 and

## Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

---

September 1. Principal payments for the Series A bonds began September, 2012 and are due annually, thereafter. Principal payments for the Series B-T bonds are due annually on September 1. This Bond was fully defeased during fiscal year 2017 with issuance of the 2016 Refunding Series A and B Green Bonds as noted below.

### *2011 Revenue Bonds*

On May 19, 2011, the Authority, on behalf of the District, issued \$20,500,000 of 2011 Revenue Bonds for the purpose of acquiring land to preserve and use as open space and pay bond issue and related costs. The Bonds are not general obligations. Each period, the District will appropriate revenues-mainly limited properly tax collections that Santa Clara County and San Mateo County allocate to the District – to pay its obligations under a Lease Agreement for use and occupancy of District land in addition to other District debt and lease obligations unrelated to this financing. The Current Interest Bonds bear interest at 2.0% to 6.0% and are due semi-annually on March 1 and September 1. Principal payments on the Current Interest Bonds are due annually September 1. This Bond was partially defeased during fiscal year 2017 with issuance of the 2016 Refunding Series A and B Green Bonds as noted below.

### *2015A and 2015B General Obligation Bonds*

On July 29, 2015, the District issued \$40,000,000 of 2015A general obligation bonds and \$5,000,000 of 2015B federally taxable general obligation bonds to finance certain projects authorized by voters. The bonds bear interest from 1.5% to 5% and are due semi-annually on March 1 and September 1. The bonds were issued at a premium of \$2,559,224 with an underwriter's discount of \$107,599 and issuance costs of \$170,000.

### *2016A and 2016B Refunding Green Bonds*

On September 8, 2016 the District issued \$54,490,000 of 2016 Refunding Series A and \$2,920,000 2016 Refunding Series B Green Bonds for the purpose of refunding its outstanding obligations under the 2007 Series A Revenue Refunding Bonds and prepay a portion of its obligations under the 2011 Lease Revenue Bonds. As a result the 2007 Series A Revenue Refunding Bonds and the 2011 Lease Revenue Bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide financial statement of net position.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$5,032,161, which is reported as a deferred outflow on the government-wide statement of net position. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through fiscal year 2036 using the straight line method. The District completed the refunding to obtain an economic gain (difference between the present value of the old and the new debt service payments) of \$12,694,440.

The 2016 Refunding Green Bonds Series A bears interest from 2.0% to 5.0% and the Series B bears interest of 0.73%. Interest for both Series A and B are due semi-annually on March 1 and September 1. Principal payments for Series A begins September 2017 and are due annually thereafter until September 2036. Series B has only one principal payment in September 2017.

## Midpeninsula Regional Open Space District

### Notes to the Basic Financial Statements

June 30, 2017

The following schedule summarizes the District's outstanding promissory notes and bonds as of June 30, 2017:

Long Term Debt	Original Issue	Beginning Balance	Additions	Retirements	Ending Balance
<b>Promissory Notes:</b>					
Dalioia Note	\$ 240,000	\$ 34,171	\$ -	\$ 23,104	\$ 11,067
Hunt Note	1,500,000	1,500,000	-	-	1,500,000
2012 Refunding Note Current Int.	15,790,000	14,474,999	-	365,000	14,109,999
2012 Refunding Note Cap Apprec.	15,474,707	15,474,708	-	-	15,474,708
2015 Refunding Note	23,630,000	23,225,000	-	675,000	22,550,000
<b>Subtotal Promissory Notes</b>	<b>56,634,707</b>	<b>54,708,878</b>	<b>-</b>	<b>1,063,104</b>	<b>53,645,774</b>
<b>Bonds:</b>					
2007 Series A Refunding	52,415,000	47,300,000	-	47,300,000	-
2011 Lease Revenue	20,500,000	20,290,000	-	19,210,000	1,080,000
2015A General Obligation Bonds	40,000,000	40,000,000	-	-	40,000,000
2015B General Obligation Bonds	5,000,000	5,000,000	-	775,000	4,225,000
2016 Refunding Bond	57,410,000	-	57,410,000	-	57,410,000
<b>Subtotal Bonds</b>	<b>175,325,000</b>	<b>112,590,000</b>	<b>57,410,000</b>	<b>67,285,000</b>	<b>102,715,000</b>
<b>Accreted Interest:</b>					
2012 Refunding Note		3,989,444	1,125,509	-	5,114,953
<b>Subtotal Accreted Interest</b>		<b>3,989,444</b>	<b>1,125,509</b>	<b>-</b>	<b>5,114,953</b>
<b>Unamortized Bond Premium</b>		<b>9,086,763</b>	<b>11,563,658</b>	<b>175,419</b>	<b>20,475,002</b>
<b>Total Long Term Debt</b>	<b>\$ 231,959,707</b>	<b>\$ 180,375,085</b>	<b>\$ 70,099,167</b>	<b>\$ 68,523,523</b>	<b>\$ 181,950,729</b>

The promissory notes future debt service requirements as of June 30, 2017 were as follows:

Year Ending June 30,	Principal	Remaining Accretion	Interest	Total
2018	\$ 1,126,067	\$ -	\$ 1,816,384	\$ 2,942,451
2019	1,200,000	-	1,765,775	2,965,775
2020	1,285,000	-	1,707,675	2,992,675
2021	1,370,000	-	1,654,925	3,024,925
2022	1,445,000	-	1,600,525	3,045,525
2023-2027	10,800,000	-	6,518,950	17,318,950
2028-2032	20,273,894	-	2,872,575	23,146,469
2033-2037	11,112,188	10,811,786	326,375	22,250,349
2038-2042	5,033,625	16,660,661	-	21,694,286
2043-2047	-	17,998,052	-	17,998,052
<b>Total Debt Service</b>	<b>\$ 53,645,774</b>	<b>\$ 45,470,499</b>	<b>\$ 18,263,184</b>	<b>\$ 117,379,457</b>

## Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

The bonds future debt service requirements as of June 30, 2017 were as follows:

Year Ending June 30,	Principal	Remaining Accretion	Interest	Total
2018	\$ 4,590,000	\$ -	\$ 4,188,152	\$ 8,778,152
2019	4,480,000	-	4,097,488	8,577,488
2020	4,145,000	-	3,959,988	8,104,988
2021	4,550,000	-	3,802,076	8,352,076
2022	4,755,000	-	3,626,063	8,381,063
2023-2027	27,195,000	-	14,362,440	41,557,440
2028-2032	15,525,000	-	8,778,027	24,303,027
2033-2037	15,400,000	-	5,983,245	21,383,245
2038-2042	12,640,000	-	3,002,400	15,642,400
2043-2047	9,435,000	-	773,500	10,208,500
Total Debt Service	<u>\$102,715,000</u>	<u>\$ -</u>	<u>\$ 52,573,379</u>	<u>\$155,288,379</u>

Amortization of the deferred loss on early retirement of long-term debt for the fiscal period ended June 30, 2017 was as follows:

Beginning Balance	\$ 2,284,026
Addition	5,032,163
Amortization	<u>(339,192)</u>
Ending Balance	<u>\$ 6,976,997</u>

### NOTE 7 - RENTAL INCOME

The District rents certain land and structures to other entities under operating leases with terms generally on a month-to-month basis. Rental income of \$1,122,022 was received during the period ended June 30, 2017.

### NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS

#### Pension Plan

##### *General Information about the Pension Plans*

**Plan Description** - The District provides benefits to eligible employees through cost-sharing multiple employer defined benefit pension plans (the Plan(s)) administered by the California Public Employees' Retirement System (CalPERS). Members of the Plan include all permanent employees working full-time. Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time

## Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

employment. Members with five years of total service are eligible to retire at age 55 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<b>Miscellaneous</b>		
	Tier 1	Tier 2	PEPRA
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	55	60	62
Monthly benefits as a % of eligible compensation	2.0% to 2.5%	2.0% to 2.5%	2.00%
Required employee contribution rates	7.944%	7.944%	6.313%
Required employer contribution rates	10.069%	10.069%	6.555%

**Employees Covered** – At June 30, 2017, the following employees were covered by the benefit terms for the Plan:

	<u>Miscellaneous</u>
Active	134
Transferred	48
Separated	62
Retired	62
Total	<u>306</u>

**Contributions** - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017, the contributions recognized as part of pension expense for the Plan were as follows:

	<u>Miscellaneous</u>
Contributions - employer	\$ 4,788,977
Contributions - employee	691,005
Total	<u>\$ 5,479,982</u>

## Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

### *Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions*

As of June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 10,121,906

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 using standard procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions in to the pension plan relative to the projected contributions of all participating employers, as actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

	Miscellaneous
Proportion - June 30, 2015	0.4163%
Proportion - June 30, 2016	0.2914%
Change in Proportions	-0.1249%

For the year ended June 30, 2017, the District recognized pension expense of \$1,718,954. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,529,862	\$ -
Changes in assumptions	-	(492,935)
Differences between expected and actual experiences	52,102	(11,938)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	1,945,906	-
Net differences between projected and actual earnings on plan investments	4,132,116	(1,566,551)
Total	\$ 8,659,986	\$ (2,071,424)

## Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

---

The District reported \$2,529,862 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending:	Deferred Outflows/(inflows) of Resources
2018	\$ 843,970
2019	892,951
2020	1,657,267
2021	664,512
Total	\$ 4,058,700

**Actuarial Assumptions** - The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
<b>Actuarial Assumptions:</b>	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

- (1) Varies by age and service
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using CalPERS' membership data for all funds

**Discount Rate** - The discount rate used to measure the total pension liability was 7.65 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

## Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

CalPERS was scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that was scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	<u>100.00%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

## Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.65%
Net Pension Liability	\$ 17,266,599
Current Discount Rate	7.65%
Net Pension Liability	\$ 10,121,906
1% Increase	8.65%
Net Pension Liability	\$ 4,217,172

**Pension Plan Fiduciary Net Position** - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

### Other Postemployment Benefits (OPEB)

#### *Plan Description*

The District joined the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by CalPERS, consisting of an aggregation of single-employer plans. The District Board authorized a deposit of \$1,900,000 in CERBT on June 5, 2008, to begin funding its OPEB liability. By Board resolution and through agreements with its labor unit, the District provides certain health care benefits for retired employees (spouse and dependents are not included) under third-party insurance plans. A summary of eligibility and retiree contribution requirements are shown below:

Eligibility	Retire directly from the District under CalPER (age 50 and 5 years of service) Continue participation in PEMHCA
Retiree Medical Benefit	District pays retiree medical premiums up to: => \$300/month effective 1/1/07 => \$350/month effective 1/1/09 Must be at least equal to statutory PEMHCA minimum (\$122 in 2015, \$125 in 2016)
PEMHCA Administrative Fee	District pays CalPERS administrative fees (0.32% of premiums for 2015/16)
Surviving Spouse Continuation	Retiree benefit continues to surviving spouse if retiree elects survivor annuity under CalPERS retirement plan
Other OPEB	None

## Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

---

### *Funding Policy*

In accordance with the District's budget, the Annual Required Contribution (ARC) is to be funded throughout the period as a percentage of payroll. Concurrent with implementing Statement No. 45, the District's Board of Directors passed a resolution to participate in CERBT, an irrevocable trust established to fund OPEB. CERBT is managed by an appointed board not under the control of the District. This Trust is not considered a component unit by the District and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

### *Annual OPEB Cost and Net OPEB Obligation*

The District's annual OPEB cost is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each period and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the period, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Description	Balance
Annual required contribution	\$ 572,000
Interest on net OPEB asset	(43,000)
Adjustment to annual required contribution	62,000
Annual OPEB cost (expense)	591,000
Contributions made	(298,008)
Increase in net OPEB asset	292,992
Net OPEB obligation (asset) - beginning	(699,015)
Net OPEB obligation (asset) - ending	<u>\$ (406,023)</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 was as follows:

Period Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation/ (Asset)
March 31, 2015	298,000	53%	(863,176)
June 30, 2016	386,000	57%	(699,015)
June 30, 2017	591,000	50%	(406,023)

## Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

---

### *Funded Status and Funding Progress*

The most recent actuarial valuation date was June 30, 2015. The following summarizes the funded status of the plan as of June 30, 2017:

Description	Balance
Actuarial accrued liability (AAL)	\$ 5,119,000
Value of plan assets	3,262,927
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,856,073</u>
Funded ratio (actuarial value of plan assets/AAL)	64%
Projected covered payroll (active Plan members)	\$ 9,789,000
UAAL as a percentage of covered payroll	19%

### *Actuarial Methods and Assumptions*

The ARC was determined as part of the actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 6.04% to 7.25% investment rate of return, (b) 3.25% projected annual salary increase, and (c) health inflation increases of 0% for 1 year, 1.5% for the next 5 years, and 3% thereafter. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least bi-annually as results are compared to past expectations and new estimates are made about the future. The District's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year open amortization period.

### **NOTE 9 - JOINT VENTURES (JOINT POWERS AGREEMENTS)**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. Prior to July 1, 2002, the District managed and financed these risks by purchasing commercial insurance. On July 1, 2002, the District joined the California Joint Powers Insurance Authority (CAL JPIA). CAL JPIA is composed of 119 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et seq. The purpose of CAL JPIA is to arrange and administer programs for the pooling of self-insurance losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverages. CAL JPIA's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine member Executive Committee.

During the past three fiscal periods, none of the programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior period.

## Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

---

### Self-Insurance Programs of the CAL JPIA

#### *General and Automobile Liability*

Each government member pays a primary deposit to cover estimated losses for a fiscal year (claims year). General liability (GL) coverage includes bodily injury, personal injury, or property damage to a third party resulting from a member activity. The GL program also provides automobile liability coverage. Six months after the close of a fiscal period, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Costs are spread to members as follows: the first \$30,000 to \$750,000 are pooled based on member's share of costs under \$30,000; costs in excess of \$750,000 are shared by the members based upon each individual member's payroll. Costs of covered claims above \$5,000,000 are currently paid by reinsurance. The protection for each member is \$50,000,000 per occurrence, up to \$50,000,000.

#### *Worker's Compensation*

The District also participates in the Worker's Compensation program administered by CAL JPIA. Pool deposits and retrospective adjustments are valued in a manner similar to the General Liability pool. The District is charged for the first \$50,000 of each claim. Costs from \$50,000 to \$100,000 per claim are pooled based on the member's losses under its retention level. Costs between \$100,000 and \$2,000,000 per claim are pooled based on payroll. Costs from \$2,000,000 to \$5,000,000 are paid by excess insurance purchased by CAL JPIA. The excess insurance provides coverage to statutory limits.

### Purchased Insurance

#### *Environmental Insurance*

The District participates in the Pollution and Remediation Legal Liability Program, which is available through CAL JPIA. The policy provides coverage for both first and third party damages, including certain types of cleanups; fuel spill or hazmat incidents; member listed non-owned disposal sites; above ground and underground storage tanks; and for sudden and gradual pollution at or from property, streets, sanitary sewer trunk lines and storm drain outfalls owned by the District. Coverage is on a claims-made basis. There is a \$50,000 deductible. CAL JPIA has a limit of \$50,000,000 for the three-year coverage period. The current coverage period is July 2017 through July 1, 2020. Each member of CAL JPIA has a \$10,000,000 aggregate limit during the three-year period. The current coverage period is July 2017 through July 1, 2020.

#### *Property Insurance*

The District participates in the All-Risk property program of CAL JPIA which includes all-risk coverage for real and personal property (such as scheduled buildings, office furniture, equipment, vehicles, etc). This insurance is underwritten by several insurance companies. Property is currently insured according to a schedule of covered property submitted by the District to CAL JPIA. The All-Risk deductible is \$5,000 per occurrence; \$1,000 for non-emergency vehicles. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

## Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

---

### *Boiler & Machinery Insurance*

The District participates in the optional coverage for boiler and machinery, which is purchased separately under the property program. Coverage is for physical damage for sudden and accidental breakdown of boilers and machinery, and electrical injury. There is a \$5,000 per accident or occurrence deductible.

### *Crime Insurance*

The District participates in the crime program of CAL JPIA in the amount of \$1,000,000 per claim, with a \$2,500 per occurrence deductible. Insurance provides coverage for employee dishonesty, failure to faithfully perform duties, forgery, counterfeiting, theft, robbery, burglary, and computer fraud. Premiums are paid annually and are not subject to retroactive adjustments.

### *Special Event Tenant User Liability Insurance*

The District participates in the special events program of CAL JPIA which provides liability insurance when District premises are used for special events. The insurance premium is paid by the tenant user to the District according to a schedule. The District then pays the insurance arranged through CAL JPIA. There is no deductible and the District is added as additional insured. Liability limits are purchased in \$1 million per occurrence increments.

### *Vendors/Contractors Program*

General liability coverage with or without professional liability is offered through CAL JPIA to vendors/contractors who otherwise could not meet the District's minimum insurance requirement: \$1 million per occurrence, \$2 million in aggregate.

### *Cyber Liability Program*

The cyber liability program is partially covered under the liability program, and partially held through a stand-alone coverage program. Cyber liability provides coverage for both first- and third-party claims. First party coverage includes privacy, regulatory claims, security breach response, business income loss, dependent business income loss, digital asset restoration costs, and cyber-extortion threats, while third-party coverage includes privacy liability, network security liability, and multimedia liability. Members work directly with the reinsurer to investigate and respond to claims. There is a \$1 million per occurrence limit of coverage, \$1 million aggregate limit per policy period per member, and a \$10 million aggregate limit of coverage for all members per policy period.

## **NOTE 10 - COMMITMENTS AND CONTINGENCIES**

The District may be exposed to various claims and litigation during the normal course of business. However, management believes there were no matters that would have a material adverse effect on the District's financial position or results of operations as of June 30, 2017.

## **NOTE 11 - SUBSEQUENT EVENTS**

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally

## Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2017

---

accepted accounting principles. On July 18, 2017, the District made a \$3.1 million deposit to purchase a new administrative office building. The full cost of the building is estimated at \$31.5 million. On October 2, 2017, the District closed on the purchase of an industrial building/yard in the amount of \$3.1 million.

### **NOTE 12 - PRIOR PERIOD ADJUSTMENT**

The District recorded a prior period adjustment for fiscal year 2017 to record the separation of the Capital Projects Fund from fiscal year 2016 into two funds for fiscal year 2017. The District now has two capital projects funds, Measure AA Capital Projects Fund and the GF Capital Projects Fund. See note 1 for a description of each of the funds.

The District analyzed the revenue sources and expenditures from fiscal year 2016, when the Capital Projects Fund was originally set up, to determine the ending fund balance for each new capital projects fund. Based on this analysis, the Measure AA Capital Projects Fund and the GF Capital Projects Fund, had each been separated in fiscal year 2016, would have had an ending fund balances for fiscal year 2016 of \$24,085,184 and (\$307,137), respectively.

*Page Intentionally Left Blank*

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**Midpeninsula Regional Open Space District**  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual (GAAP)  
General Fund  
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 42,785,000	\$ 42,785,000	\$ 42,281,739	\$ (503,261)
Grant income	841,600	841,600	650,839	(190,761)
Property management	1,209,000	1,209,000	1,479,462	270,462
Investment earnings	450,000	450,000	313,397	(136,603)
Other revenues	332,440	332,440	608,558	276,118
Total revenues	45,618,040	45,618,040	45,333,995	(284,045)
Expenditures:				
Current				
Salaries and employee benefits	19,174,332	19,333,953	18,890,179	443,774
Services and supplies	8,168,018	8,130,731	5,612,468	2,518,263
Total expenditures	27,342,350	27,464,684	24,502,647	2,962,037
Excess (deficiency) of revenues over (under) expenditures	18,275,690	18,153,356	20,831,348	2,677,992
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(13,761,391)	(13,761,391)
Total other financing sources (uses)	-	-	(13,761,391)	(13,761,391)
Net change in fund balance	18,275,690	18,153,356	7,069,957	(11,083,399)
Fund balance beginning	54,228,626	54,228,626	54,228,626	-
Fund balance ending	\$ 72,504,316	\$ 72,381,982	\$ 61,298,583	\$ (11,083,399)

The notes to the financial statements are an integral part of this statement.

## Midpeninsula Regional Open Space District

### Schedule of Pension Plan Contributions

June 30, 2017

---

	2017	2016	2015
Contractually Required Contributions (Actuarially Determined)	\$ 1,514,352	\$ 1,358,520	\$ 1,461,069
Contributions in Relation to Actuarially Determined Contributions	1,514,352	1,358,520	1,461,069
<b>Contribution Deficiency (Excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Employee Payroll</b>	<b>\$ 11,834,150</b>	<b>\$ 9,862,578</b>	<b>\$ 8,994,979</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>12.80%</b>	<b>13.77%</b>	<b>16.24%</b>

#### Notes to Schedule:

Valuation Date:

June 30, 2015

Assumptions Used:

Entry Age Method used for Actuarial Cost Method

Level Percentage of Payroll (Closed) Used Amortization Method

3.7 Years Remaining Amortization Period

Inflation Assumed at 2.75%

Investment Rate of Returns set at 7.5%

CalPERS mortality table using 20 years of membership data for all funds

\*\* Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

**Midpeninsula Regional Open Space District**  
Schedule of Net Pension Liability Proportionate Shares  
June 30, 2017

	2017	2016	2015
Proportion of Net Pension Liability	0.29137%	0.41627%	0.39847%
Proportionate Share of Net Pension Liability	\$ 10,121,906	\$ 11,420,126	\$ 9,848,203
Covered Employee Payroll	\$ 11,834,150	\$ 9,862,578	\$ 8,994,979
<b>Proportionate Share of NPL as a % of Covered Employee Payroll</b>	<b>85.53%</b>	<b>115.79%</b>	<b>109.49%</b>
<b>Plan's Fiduciary Net Position as a % of the TPL</b>	<b>80.93%</b>	<b>73.93%</b>	<b>76.19%</b>

\*\* Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

**Midpeninsula Regional Open Space District**  
Schedule of Funding Progress – Other Postemployment Benefits  
June 30, 2017

---

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a/c))
6/30/2011	\$2,058,000	\$1,844,000	\$ 214,000	111.61%	\$7,331,000	-2.92%
6/30/2013	2,035,000	2,555,000	520,000	79.65%	8,043,000	6.47%
6/30/2015	2,520,000	4,612,000	2,092,000	54.64%	9,182,000	22.78%

The above table is a summary schedule of the funding progress for the District's OPEB plan as stated in each actuarial study. The actuarial studies are based on assumptions and data available at the time each study was completed. The actual funding progress of the plan as noted in Note 8 may be different than the projections included in the actuarial studies.

*Page Intentionally Left Blank*

**SUPPLEMENTARY  
INFORMATION**

**Midpeninsula Regional Open Space District**  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual (GAAP)  
Measure AA Capital Projects Fund  
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Grant income	-	-	-	-
Property management	-	-	-	-
Investment earnings	-	160,000	163,483	3,483
Other revenues	-	-	-	-
Total revenues	-	160,000	163,483	3,483
Expenditures:				
Current				
Salaries and employee benefits	-	-	320,482	(320,482)
Services and supplies	-	-	36,837	(36,837)
Capital outlay	15,674,800	15,733,580	16,529,694	(796,114)
Total expenditures	15,674,800	15,733,580	16,887,013	(1,153,433)
Excess (deficiency) of revenues over (under) expenditures	(15,674,800)	(15,573,580)	(16,723,530)	(1,149,950)
Other financing sources (uses):				
Transfers in	-	-	1,030,287	1,030,287
Transfers out	-	-	(1,047,144)	(1,047,144)
Total other financing sources (uses)	-	-	(16,857)	(16,857)
Net change in fund balance	(15,674,800)	(15,573,580)	(16,740,387)	(1,166,807)
Fund balance beginning	23,778,047	23,778,047	23,778,047	-
Prior period adjustment - see note 12	307,137	307,137	307,137	-
Fund balance beginning - as adjusted	24,085,184	24,085,184	24,085,184	-
Fund balance ending	\$ 8,410,384	\$ 8,511,604	\$ 7,344,797	\$ (1,166,807)

The notes to the financial statements are an integral part of this statement.

**Midpeninsula Regional Open Space District**  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual (GAAP)  
GF Capital Projects Fund  
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Grant income	-	-	-	-
Property management	-	-	-	-
Investment earnings	-	-	-	-
Other revenues	-	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Current				
Salaries and employee benefits	-	-	-	-
Services and supplies	-	-	946,845	(946,845)
Capital outlay	4,016,050	4,438,050	3,431,732	1,006,318
Total expenditures	4,016,050	4,438,050	4,378,577	59,473
Excess (deficiency) of revenues over (under) expenditures	(4,016,050)	(4,438,050)	(4,378,577)	59,473
Other financing sources (uses):				
Transfers in	-	-	4,685,714	4,685,714
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	4,685,714	4,685,714
Net change in fund balance	(4,016,050)	(4,438,050)	307,137	4,745,187
Fund balance beginning	-	-	-	-
Prior period adjustment - see note 12	(307,137)	(307,137)	(307,137)	-
Fund balance beginning - as adjusted	(307,137)	(307,137)	(307,137)	-
Fund balance ending	\$ (4,323,187)	\$ (4,745,187)	\$ -	\$ 4,745,187

The notes to the financial statements are an integral part of this statement.

**Midpeninsula Regional Open Space District**  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual (GAAP)  
Debt Service Fund  
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ -	\$ 1,800,000	\$ 1,579,237	\$ (220,763)
Grant income	-	-	-	-
Property management	-	-	-	-
Investment earnings	-	-	2,846	2,846
Other revenues	-	-	-	-
Total revenues	-	1,800,000	1,582,083	(217,917)
Expenditures:				
Debt service:				
Principal	6,002,900	6,002,900	5,193,104	809,796
Interest	5,081,940	5,081,940	6,403,845	(1,321,905)
Issuance cost	-	-	786,497	(786,497)
Total expenditures	11,084,840	11,084,840	12,383,446	(1,298,606)
Excess (deficiency) of revenues over (under) expenditures	(11,084,840)	(9,284,840)	(10,801,363)	(1,516,523)
Other financing sources (uses):				
Transfers in	-	-	10,122,821	10,122,821
Transfers out	-	-	(1,030,287)	(1,030,287)
Payment to refunded bond escrow agent	-	-	(68,187,161)	(68,187,161)
Proceeds of refunding bond	-	-	57,410,000	57,410,000
Premium from bond issuances	-	-	11,563,658	11,563,658
Total other financing sources (uses)	-	-	9,879,031	9,879,031
Net change in fund balance	(11,084,840)	(9,284,840)	(922,332)	8,362,508
Fund balance beginning	3,116,266	3,116,266	3,116,266	-
Fund balance ending	\$ (7,968,574)	\$ (6,168,574)	\$ 2,193,934	\$ 8,362,508

The notes to the financial statements are an integral part of this statement.

# Midpeninsula Regional Open Space District

## Measure AA Bond Program

### Schedule of Program Expenditures

June 30, 2017

Project No.	Project Description	Expenditures from July 1, 2016 through June 30, 2017	Expenditures from Inception through June 30, 2017
20005	New Trail Easement - SFPUC, Ravenswood (MAA 2-2)	\$ -	\$ 22,603
20088	POST Hendry's Creek Restoration (MAA 22-1)	-	41,330
20101	Lysons Property ( 17-1 MAA )	-	27,059
20102	Lobner Demolition (MAA 17-2)	-	128,760
20109	Riggs Property Appraisal - (3-1 MAA)	-	6,500
20110	Purisima Creek Uplands Lot line Adjustment (3-1 MAA)	-	13,000
20112	Conservation Easement Upper Alpine Ranch Area (15-1 MAA)	-	8,695
20113	Preservation of Upper Los Gatos Creek Watershed (22-1 MAA)	-	5,000
20114	Land Conservation Opportunities MAA 25-1 (Burtons )	-	150
30503	ECdM Trail Improvements (MAA 4-4)	-	3,930
30904	Mindego Area - Mindego Hill Trail (MAA 9-4)	-	34,196
31309	Mt Um Bald Mtn Staging to Summit Trail (MAA 23-2)	-	17,646
31310	Mt Um Summit Restor & Improv (MAA 23-4)	-	79,491
31311	Mt Um Trail Overlook & Bridges (MAA 23-5)	-	243
31500	Measure AA Project 11-1	-	728
65101	PCR Harkins Bridge Replacement (MAA 3-4)	-	108,788
65201	Lower Stevens Canyon Hiking Bridge (MAA 17-4)	-	103,187
80016	ECdM Creek Watershed Protection Program (MAA 4-3)	-	45,507
80029	Pond DR05 Repair (MAA 7-5)	-	150,682
80037	Mindego Grazing Infrastructure (MAA 9-1)	-	135,748
80038	LHC Grazing Infrastructure - McDonald Ranch Fencing (MAA 5-2)	-	178,850
AA01	Miramontes Ridge - Gateway to San Mateo Coast	46,600	52,915
AA02	Bayfront Habitat Protection & Public Access Partnerships	212,334	287,168
AA03	Purisima Creek Redwoods: Purisma-to Sea Trail, Watershed/Graze	82,136	457,816
AA04	El Corte de Madera Creek: Bike Trail & Water Quality	10,067	318,751
AA05	La Honda Creek - Upper Recreation Area	215,022	2,107,596
AA07	Driscoll Ranch Public Access, Wildlife Protection, Grazing	913,025	10,828,183
AA09	Russian Ridge: Public Recreation, Grazing & Wildlife Protection	5,634	71,875
AA10	Coal Creek: Reopen Alpine Road for Trail Use	4,286	4,286
AA15	Regional: Redwood Protection & Salmon Fishery Conservation	522,837	3,009,855
AA17	Regional: Complete Upper Stevens Creek Trail	11,237	1,508,575
AA19	El Sereno Dog Park & Connections	-	715
AA20	South Bay Foothills: Wildlife Passage/Ridge Trail Improvements	101,936	191,974
AA21	CR:Pub Recreation Proj	888,883	1,219,293
AA22	Cathedral Oaks Public Access & Conservation	79,531	639,895
AA23	Mt Um Pub Access/Intrep	12,501,545	15,287,094
AA24	Rancho de Guadalupe Family Recreation	1,291,940	1,591,996
AA25	Loma Prieta Area Public Access	-	410,000
	Total MAA Bond Project Expenditures	<u>16,887,013</u>	<u>39,100,080</u>
	Reimbursements from Grants, Contributions, and Other Funds	<u>(624,338)</u>	<u>(1,635,308)</u>
	Total MAA Bond Project Expenditures - Net Reimbursements	<u>\$ 16,262,675</u>	<u>\$ 37,464,772</u>

The notes to the financial statements are an integral part of this statement.

# Midpeninsula Regional Open Space District

Notes to Supplementary Information

June 30, 2017

---

## **NOTE 1 - BACKGROUND**

Measure AA is a \$300 million general obligation bond approved in June 2014 by over two-thirds of Midpen voters. Proceeds from bonds, which will be sold in a series over approximately the next 20-30 years, will be used to:

- Protect natural open space lands
- Open preserves or areas of preserves that are currently closed
- Construct public access improvements such as new trails and staging areas
- Restore and enhance open space land, which includes forests, streams, watersheds, and coastal ranch areas.

On July 29, 2015, the District issued \$40,000,000 of 2015A general obligation bonds and \$5,000,000 of 2015B federally taxable general obligation bonds to finance certain projects authorized by voters. The bonds bear interest from 1.5% to 5% and are due semi-annually on March 1 and September 1. The bonds were issued at a premium of \$2,559,224 with an underwriter's discount of \$107,599 and issuance costs of \$170,000.

Land acquisition is the first step to open space conservation. The Vision Plan identified 50,000 acres of open space land that, when conserved, would significantly improve wildlife conditions, wetlands, watersheds, creeks, sensitive plant communities and healthy outdoor recreation. As of June 30, 2017, the District has acquired 1,245 acres of land with \$18,898,663 in funding support from Measure AA Funds.

## **NOTE 2 - OVERSIGHT COMMITTEE**

The Oversight Committee is essential to implementing Measure AA and will consist of seven at-large members who reside within the District. The Committee convenes at least once a year and reviews annual Measure AA expenditures and Midpen's Annual Audit and Accountability report. Each year, the Committee's findings will be presented to the Board at a public meeting and will be posted on the District's website.

## **NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basis of accounting utilized in preparation of this report may differ from accounting principles generally accepted in the United States of America. Accordingly, the accompanying program statement is not intended to present the financial position and the results of operations in conformity with accounting principles generally accepted in the United States of America. Expenditures incurred with Measure AA Bond proceeds are recorded on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when it is measureable and available. Similarly, expenses are recognized when they are incurred, not when they are paid.

**OTHER INDEPENDENT  
AUDITOR'S REPORTS**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Midpeninsula Regional Open Space District  
Los Altos, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the governmental activities, each major fund, and the aggregate remaining fund information of Midpeninsula Regional Open Space District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 13, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and



## **Chavan & Associates, LLP**

Certified Public Accountants

---

material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

October 13, 2017  
San Jose, California