



Midpeninsula Regional  
Open Space District

R-21-23  
Meeting 21-05  
February 10, 2021

### AGENDA ITEM 3

#### AGENDA ITEM

Quarter 2 Proposed Budget Amendments to the Fiscal Year ending June 30, 2021

#### GENERAL MANAGER'S RECOMMENDATION

Adopt a resolution approving the proposed Quarter 2 budget amendments for the fiscal year ending June 30, 2021.

#### SUMMARY

This report presents the Quarter 2 (Q2) proposed expenditure budget amendments by fund for the fiscal year ending June 30, 2021 (FY21). There are no Q2 proposed revenue budget adjustments. Proposed Q2 FY21 expenditure budget adjustments for services, supplies and capital improvements result in a \$386,450 net decrease from the amended budget. This decrease is primarily due to project deferrals or delays in FY21 due to COVID-19 that will shift work into FY22. The budget adjustments also include net zero budget shifts between funds, projects, and expenditure categories.

The quarterly budget amendment process includes an evaluation of the year-to-date financial performance to highlight any potential material changes on future financial performance expectations for Board consideration. The Q2 review of financial performance and economic conditions indicates that the expected financial performance for FY21 is better than the adopted budget and remains in line with longer-term financial projections (see Attachments 5 and 6 for supporting commentary and schedules). Uncertainty about the longer-term economic effects from COVID-19, including the duration and extent of activity restrictions, remains an unknown. That said, local and state budget and funding priorities have shifted due to both COVID-19 and the increasing risk for major fires during dry weather, such that grant and other local/county and state funding opportunities are expected to be focused on social programs, economic recovery, and vegetation management in the coming years.

#### DISCUSSION

The Board adopted the FY21 Budget and Action Plan at the June 24, 2020 regular meeting (R-20-68) with a total expenditure budget of \$81.2 million. Fiscal year-to-date Board-approved adjustments have brought the FY21 amended budget to \$88.3 million. The proposed Q2 adjustments decrease this number by \$0.4 million to \$87.9 million (see Table 2). The original FY21 revenues were projected at \$65.2 million. As part of the Quarter 1 budget amendment on November 18, 2020 (R-20-140), revenues decreased to \$64.2 million based on new projections.

These same projections are currently expected, resulting in no additional change to revenues (see Table 1).

### **Proposed FY21 Budget Quarter 2 Amendments – Revenues**

The adopted FY21 revenue budget was \$65.2 million. Prior to the end of Q2, the Board authorized budget adjustments that decreased the revenue budget by \$1.0 million. There are no Q2 proposed revenue budget adjustments. The total amended revenue budget remains at \$64,211,127.

Table 1 lists the projected revenue by Fund, including amendments to date.

**Table 1: Summary of Projected FY21 Revenue**

<b>DISTRICT REVENUE BY FUND &amp; CATEGORY</b>	<b>FY21 Adopted Budget</b>	<b>YTD Approved Budget Amendments</b>	<b>Amended Budget (as of 12/31/2020)</b>	<b>Quarter 2 Proposed Budget Amendments</b>	<b>FY21 Proposed Amended Budget</b>
<b>General Fund Operating (Fund 10)</b>	<b>\$56,891,245</b>	<b>\$88,858</b>	<b>\$56,980,103</b>	<b>\$0</b>	<b>\$56,980,103</b>
Property Tax	53,487,274		53,487,274		53,487,274
Grants	293,500	88,858	382,358		382,358
Interest Income	894,260		894,260		894,260
Rental Income	1,729,450		1,729,450		1,729,450
Rancho San Antonio Agreement	386,761		386,761		386,761
Miscellaneous	100,000		100,000		100,000
<b>Hawthorns (Fund 20)</b>	<b>\$13,500</b>	<b>\$0</b>	<b>\$13,500</b>	<b>\$0</b>	<b>\$13,500</b>
Interest Income	13,500		13,500		13,500
<b>Measure AA Land/Capital (Fund 30)</b>	<b>\$2,032,984</b>	<b>\$143,500</b>	<b>\$2,176,484</b>	<b>\$0</b>	<b>\$2,176,484</b>
Grants	1,621,509	143,500	1,765,009		1,765,009
Interest Income	411,475		411,475		411,475
<b>General Fund Land/Capital (Fund 40)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Grants	0		-		-
<b>Debt Service Fund (Fund 50)</b>	<b>\$6,241,040</b>	<b>(\$1,200,000)</b>	<b>5,041,040</b>	<b>\$0</b>	<b>5,041,040</b>
Property Tax	6,200,000	(1,200,000)	5,000,000		5,000,000
Interest Income	41,040		41,040		41,040
<b>TOTAL DISTRICT REVENUE</b>	<b>\$65,178,769</b>	<b>(\$967,642)</b>	<b>\$64,211,127</b>	<b>\$0</b>	<b>\$64,211,127</b>

### **Proposed Quarter 2 Amendments to the FY21 Budget – Expenses**

The proposed Q2 budget amendments result in a net decrease of \$386,450, bringing the total new amended FY21 Budget to \$87,948,354. Table 2 summarizes the FY21 adopted budget and proposed Q2 budget amendments by Fund. A summary of changes by fund follows Table 2.

**Table 2: Summary of FY21 Budget by Fund**

DISTRICT BUDGET BY FUNDING SOURCE	FY21 Adopted Budget	YTD Approved Budget Amendments	Amended Budget (as of 12/31/2020)	Quarter 2 Proposed Budget Amendments	FY21 Proposed Amended Budget
Fund 10 - General Fund Operating	\$36,773,825	\$385,858	\$37,159,683	(\$124,200)	\$37,035,483
Fund 20 - Hawthorn Fund	\$110,200	(\$42,000)	\$68,200	\$0	\$68,200
Fund 30 - MAA Land/Capital	\$11,868,588	\$6,294,500	\$18,163,088	(\$87,250)	\$18,075,838
Fund 40 - General Fund Land/Capital	\$15,856,328	\$446,580	\$16,302,908	(\$175,000)	\$16,127,908
Fund 50 - Debt Service	\$16,640,925	\$0	\$16,640,925	\$0	\$16,640,925
<b>Total</b>	<b>\$81,249,866</b>	<b>\$7,084,938</b>	<b>\$88,334,804</b>	<b>(\$386,450)</b>	<b>\$87,948,354</b>

As part of the increases and decreases in the total District budget, the General Fund Operating (Fund 10) budget is proposed to decrease by a net of \$124,200 primarily due to the following:

- Deferral of activities or cost savings due to shelter-in-place orders. Examples include **deferral of work** with the Student Conservation Association until in-person student activities resume and projects in the grant making program being delayed due to the recent shutdowns. The most common cost savings are due to trainings, conferences, and recognition events which are being held virtually this fiscal year at a lower cost.
- A net-zero adjustment to allocate \$30,000 in budget to the *80060 - Marbled Murrelet Recovery Planning* project which was previously deferred from the FY21 Capital Improvement and Action Plan.

The Measure AA Capital (Fund 30) budget is decreasing by a net of \$87,250 primarily due to:

- A \$55,000 reduction in *MAA06-002 Hawthorns Public Access Site Plan and CEQA*. Architectural services not required as proposers for re-use of the historic complex withdrew interest in the property.
- A \$15,000 reduction in *MAA10-001 - Alpine Road Regional Trail, Coal Creek* as permit fees will not be due until next fiscal year.
- A \$17,250 reduction in *MAA21-011 - Phase II Trail Improvements, Bear Creek Redwoods OSP* as permit fees will not be due until next fiscal year.

The General Fund Capital (Fund 40) budget is proposed to decrease by a net of \$175,000 primarily due to:

- A \$10,000 reduction in *80059 Groundwater Well Decommissioning* as the project requires less engineering costs than anticipated.
- A \$25,000 budget reduction for *VP15-001 Redwood Forest Land Opportunity* as land acquisition is not likely to materialize in FY21.
- A \$15,000 budget allocation for previously deferred *VP05-001 La Honda Creek Upper Area Land Conservation* for easement exchange survey costs.
- A \$135,000 reduction for *35004 Sierra Azul Ranger Residence* for construction costs since the project will be in design development for the remainder of the fiscal year.

- A \$20,000 reduction for *35006 Restroom Replacements* as permit fees are not due until next fiscal year.

The proposed budget amendments listed above (see Attachment 2 for full list) require Board approval per Board policy *3.04 Budget and Expenditure Authority*.

### **Tracking of Outside Factors that may Affect Fiscal Health**

The COVID-19 pandemic and the statewide fires have impacted local and state budgets significantly, reducing their revenues and increasing their expenses. This has been evident in the reduction of grant availability and the inability to secure an \$8 million Prop 84 state bond grant request in the 2020/21 State budget for the acquisition of Cloverdale. At the state level, funding priorities are focused on: COVID-19 relief and economic recovery; the cap-and-trade program, including allocations to CalFire for healthy and resilient forests; forest management actions to reduce wildfire risk; climate adaptation; and housing. Numerous state bonds are being contemplated that focus on various issue areas: climate, housing, broadband, agriculture, and recycling/organics. Local and state grant pools in general have either reduced the available funding or have paused their programs, such as Measure K from San Mateo County and fire safe grants from the State. While there is no direct impact to the District's budget, since grant revenue is only accounted for when it is awarded, this change does limit the ability to leverage District funds in the immediate future. At this time, it continues to behoove the District to move projects forward toward "shovel ready" to be strategically poised in securing grant funds when such funding is replenished and available.

To date, Santa Clara and San Mateo Counties have not suspended the Teeter Plan and the tax revenue is processing without any anticipated delays.

### **FISCAL IMPACT**

The original projection for FY21 revenue was \$65,178,769. The total amended revenues are now estimated at \$64,211,127. The District applied \$24,859,092 in other funding sources, resulting in a total of \$89,070,219 in available funding. The FY21 proposed Q2 budget amendments result in a net decrease of \$386,450 and a new amended budget of \$87,948,354.

Table 4 below summarizes the FY21 estimated change in fund balance as a positive change, with a resulting total fund balance of \$1,121,865.

**Table 4: FY21 Estimated Change in Fund Balance**

FY20 Estimated Change in Fund Balance	Fund 10	Fund 20	Fund 30	Fund 40	Fund 50	Total
	General Fund	Hawthorn	Measure AA Capital	General Fund Capital	Debt Service	
Total Amended Revenues	\$56,980,103	\$13,500	\$2,176,484	\$0	\$5,041,040	\$64,211,127
Total Amended Other Funding Sources	(19,513,420)	54,700	16,310,829	16,127,908	11,879,075	24,859,092
<b>Grand Total: Revenues &amp; Other Funding Sources*</b>	<b>\$37,466,683</b>	<b>\$68,200</b>	<b>\$18,487,313</b>	<b>\$16,127,908</b>	<b>\$16,920,115</b>	<b>\$89,070,219</b>
<b>Total Amended Expenses</b>	<b>\$37,035,483</b>	<b>\$68,200</b>	<b>\$18,075,838</b>	<b>\$16,127,908</b>	<b>\$16,640,925</b>	<b>\$87,948,354</b>
Adopted Change in Fund Balance*	143,500	0	411,475	0	279,190	834,165
Net Change in Fund Balance	287,700	0	0	0	0	287,700

<b>Amended Change in Fund Balance*</b>	\$431,200	\$0	\$411,475	\$0	\$279,190	\$1,121,865
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\* Includes the use of Bond proceeds to fund capital expenditures.

## **PUBLIC NOTICE**

Public notice was provided as required by the Brown Act.

## **CEQA COMPLIANCE**

This item is not a project subject to the California Environmental Quality Act.

## **NEXT STEPS**

Upon Board approval, staff will make the necessary Budget amendments.

### **Attachments:**

1. Resolution Amending the FY21 Budget by Fund
2. FY21 Quarter 2 Budget Amendments by Fund and Project
3. FY21 Quarter 2 Budget Amendments by Department & Budget Category
4. FY21 Quarter 2 Budget Amendments Detail by GL Account
5. Q2 FY21 Financial Performance Comments
6. Q2 FY21 Budget Performance Report - "Green Report"

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