



Midpeninsula Regional  
Open Space District

R-13-28  
Meeting 13-06  
February 27, 2013

## **AGENDA ITEM 8A**

### **AGENDA ITEM**

Consideration of the Controller's Report on the Proposed Fiscal Year 2013-14 Budget

### **GENERAL MANAGER'S RECOMMENDATIONS**

Approve the Controller's report on the Fiscal Year 2013-14 Budget.

### **SUMMARY**

The District will begin the new fiscal year with an estimated cash balance of \$33.8 million. Projected income and available cash are adequate to cover budgeted debt service and reserve requirements, operating expenses, capital projects, and up to \$20 million of cash for purchase of new land. District long-term financial projections indicate that the proposed budget is prudent and consistent with District plans and objectives.

### **DISCUSSION**

The following cash flow projection shows the impact of the proposed Fiscal Year (FY) 2013-14 budget on the District's cash position. The District will begin the new fiscal year with estimated cash balances totaling \$33.8 million. Approximately \$1.4 million of this cash is not available to meet operating needs as it represents the reserve requirements of the District's outstanding public notes. Projected income and available cash are adequate to cover budgeted debt service and reserve requirements, operating expenses, capital projects, and up to \$20 million of cash for purchase of new land. The budget assumes that the District will pay off its \$2.52 million CalPERS Side Fund liability as of March 31, 2013.

ANNUAL CASH FLOW PROJECTION  
FISCAL YEAR 2013-14 BUDGET  
(\$Thousands)

Estimated Beginning Cash Balance		33,801
Plus:		
Tax Revenue	30,051	
Residual Redevelopment	234	
Santa Clara County Parks Income	306	
Development Grants	2,386	
Interest Income	280	
Rental Income	1,084	
Other Income	<u>205</u>	
Total Operating Revenue		34,546
Minus:		
Property Management Expense	325	
Land Acquisition Expenses	749	
Operating Expenses	17,248	
Vision Plan/Strategic Plan	851	
Capital Expenditures	5,497	
Debt Service	<u>8,875</u>	
Total Non-Land Expenditures		<u>33,545</u>
Operating Cash Flow		1,001
New Land Acquired	7,250	
Land Donations	1,500	
Acquisition Grants	<u>0</u>	
Net Cash for New Land		5,750
Budgeted Spending from Hawthorn Trust		<u>150</u>
Budgeted Ending Cash Balance		<u>28,902</u>

Income

1. Tax Revenue is budgeted at \$30.05 million (67% from Santa Clara County and 33% from San Mateo County), an increase of 5.1% over the prior fiscal year. District property tax revenue continued to recover in fiscal 2013, increasing by about 4.5%. The District will receive this level of growth in the April to June period. In the next tax year, beginning in July, county assessor reports indicate secured property tax growth, within our District boundaries, in the 5 to 6% range. This includes a full 2% increase from growth in the California Consumer Price Index. Combining the 4.5% growth in the first three months with a forecast 5.2% growth in the last nine months, the overall budgeted growth for District property tax revenue in fiscal 2014 is 5.1%.
2. Residual Redevelopment Income is budgeted at \$234,000, about 12% less than in fiscal 2013, when the District received a \$36,000 non-recurring allocation from San Mateo County.
3. Santa Clara County Parks Income is budgeted at \$306,000, up 3% from fiscal 2013, as specified in the contract signed in 2010.

4. Development Grant Income is budgeted at \$2.39 million, including \$1.14 million of federal grants for the Mt. Umunhum demolition and remediation project, \$582,000 of POST funding for the Mindego Gateway project, and \$384,230 for El Corte de Madera Creek parking and trails improvements.
5. Interest Income is projected at \$0.28 million, assuming that interest rates remain very low.
5. Rental Income is projected at \$1.08 million, up 2.6% from fiscal 2013.
6. Other Income is estimated at \$205,000 for contracted redevelopment pass-through payments, small reimbursements, fines, fees, cash donations, and loan repayments.

#### Debt Capacity

At the end of March 2013, the District will have bonded indebtedness equal to approximately 55% of its statutory debt limit. Projected future cash flows would allow issuance of no more than \$20 million of additional debt, should this be needed to move forward certain strategic capital projects. No debt issuance is planned in fiscal 2014.

#### Debt Service

Debt service requirements for fiscal 2014 total \$8.87 million, a 0.3% decrease from fiscal 2013. Debt service represents 30% of estimated tax revenue, down from 31% in fiscal 2013. The currently scheduled payments are detailed in the Debt Service Annual Claims List, to be presented with the final budget presentation in March.

#### Other Expenditures

1. Capital Expenditures: The budget includes \$5.50 million for capital expenditure projects, including \$1.71 million related to Mount Umunhum, \$1.14 million for public access facilities, \$0.90 million for natural resources projects, \$1.24 million for operations department equipment and infrastructure, \$0.17 million for administrative projects, \$0.16 million for staff facilities, and \$0.08 million for other planning projects. This compares to fiscal 2013 capital spending of approximately \$2.98 million. This capital spending is partially (44%) offset by \$2.39 million of budgeted grant income.
2. Property Management Expenses are budgeted at \$0.33 million, or 30% of rental income.
3. Land Acquisition Costs are budgeted at \$0.79 million.
4. Operating Expenses are budgeted at \$17.2 million, or 57% of projected tax revenue. If the District spends 97% of this operating budget in fiscal 2014, which would be a higher percentage than usual, operating spending will be at 55% of tax revenue, which is consistent with the long-term financial model. At this level, operational spending would be up 11.5% over the latest forecast for fiscal 2013 operating expenses.
5. The budget assumes acquiring \$7.25 million of land in fiscal 2014. These acquisitions would generate an estimated \$1.50 million land donations, leaving cash expenditures of \$5.75 million for Land Acquisition.

Reserves

If all revenues and expenditures occur as budgeted, the District's cash balances would total \$28.9 million at the end of fiscal 2014, including \$1.39 million of debt service reserve funds and \$1.73 million of Hawthorn endowment funds. Staff expects to spend approximately \$150,000 from the Hawthorn endowment in fiscal 2014.

Long-Term Cash Projections

Attached is a fifteen-year cash flow projection covering the period through fiscal 2027. The projection assumes no additional debt issuance and no new revenue source. For fiscal 2014, the projection is the budget with the exception that operating expenses and capital expenditures are shown at 97% and 90% of budget, respectively. The projection assumes tax revenue growth of 5% per year after fiscal 2014. Future operating expense growth is assumed at 7% per year. Capital expenditures, net of associated grant income, are projected according to the current staff forecast through fiscal 2016, a catch-up year in fiscal 2017 and, thereafter, at the guideline level of 10.5% of tax revenue. The projection includes the \$1.77 million estimated non-recurring cost to complete the Vision Plan and Strategic Plan implementation in fiscal 2015. Consistent with prior recent financial plans, the District will, after spending its current approximately \$24 million of cash reserves and without a new revenue source, lack the funds to spend more than \$2 to \$3 million per year for new land in the future.

Overall, the long-term projections indicate that the proposed budget is prudent and consistent with District plans and objectives.

**BOARD COMMITTEE REVIEW**

The District Controller presented his report to the Action Plan and Budget Committee on February 5, 2013.

**FISCAL IMPACT**

There are no unbudgeted fiscal impacts associated with this Agenda Item.

**PUBLIC NOTICE**

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

**CEQA COMPLIANCE**

Board review of the Controller's Report is not a project under the California Environmental Quality Act (CEQA) and no environmental review is required.

**NEXT STEPS**

Following this Agenda Item, the Board will be asked to consider adopting the FY2013-14 Budget in view of the information contained in the Controller's report.

Attachment:

1. MROSD 15 Year Cash Flow Projection

Responsible Manager:

Stephen E. Abbors, General Manager

Prepared by:

Michael L. Foster, Controller

Contact person:

Same as above

# ATTACHMENT 1

## MROSD 15 YEAR CASH FLOW PROJECTION

*No New Debt, Pay-Off CalPERS Side Fund*

TAX GROWTH: fcst in 12-14, +5% AFTER

RESIDUAL REDEVOPMT GROWTH: 5%

EXPENSE GROWTH: fcst for 12-13, pay-off Side Fund, 97% of budget in 13-14, +7% THEREAFTER

CAPEX: fcst for 12-13, 90% of budget for 13-14, staff projectections for 14-16, 10.5% of (TR+RR) thereafter (14% in 16-17)

STRAT PLAN: \$1.77M 3 year total

2/15/13  
(\$Millions)

FISCAL YEAR:	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27	2012-27
BEGINNING CASH	21.74	38.27	33.80	29.92	21.19	13.07	7.78	7.73	7.56	7.44	7.34	7.19	7.05	7.01	7.01	6.96	
TAX REVENUE	28.08	28.59	30.05	31.55	33.13	34.79	36.53	38.35	40.27	42.28	44.40	46.62	48.95	51.40	53.97	56.67	617.5
RESIDUAL REDEVOPMT		0.27	0.23	0.25	0.26	0.27	0.28	0.30	0.31	0.33	0.35	0.36	0.38	0.40	0.42	0.44	4.9
COUNTY PAYMENT	0.29	0.30	0.31	0.31	0.32	0.33	0.34	0.35	0.35	0.36	0.37	0.38	0.39	0.40	0.41	0.42	5.4
INTEREST INCOME	0.37	0.28	0.28	0.30	0.28	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	3.9
OTHER INCOME	<u>1.27</u>	<u>1.25</u>	<u>1.29</u>	<u>1.31</u>	<u>1.34</u>	<u>1.37</u>	<u>1.40</u>	<u>1.42</u>	<u>1.45</u>	<u>1.48</u>	<u>1.51</u>	<u>1.54</u>	<u>1.57</u>	<u>1.60</u>	<u>1.63</u>	<u>1.67</u>	21.8
OPERATING REVENUES	30.01	30.69	32.16	33.73	35.33	37.01	38.79	40.67	42.64	44.71	46.88	49.15	51.54	54.05	56.68	59.45	653.5
OPERATING EXPENSES	13.70	15.00	16.73	17.90	19.15	20.50	21.93	23.47	25.11	26.87	28.75	30.76	32.91	35.22	37.68	40.32	392.3
<i>Operating Exp/Tax Rev + RR</i>	<i>49%</i>	<i>52%</i>	<i>55%</i>	<i>56%</i>	<i>57%</i>	<i>58%</i>	<i>60%</i>	<i>61%</i>	<i>62%</i>	<i>63%</i>	<i>64%</i>	<i>65%</i>	<i>67%</i>	<i>68%</i>	<i>69%</i>	<i>71%</i>	
PROP MGMT+ACQUIS COST	0.39	0.47	0.89	0.77	0.79	0.80	0.60	0.61	0.63	0.64	0.65	0.67	0.68	0.69	0.69	0.71	10.3
STRAT/VISION PLAN		0.19	0.85	0.73													1.8
CAPITAL SPENDING	3.10	2.98	4.95	4.54	3.03	5.50	4.40	4.62	4.85	5.09	5.35	5.62	5.90	6.19	6.50	6.83	76.3
DEVELOPMENT GRANTS	0.45	0.61	2.15	1.28	0.51	0.69	0.55	0.58	0.61	0.64	0.67	0.70	0.74	0.77	0.81	0.85	12.2
CAPEX (NET)	2.65	2.38	2.80	3.26	2.52	4.81	3.85	4.04	4.24	4.46	4.68	4.91	5.16	5.42	5.69	5.97	64.2
<i>Net Capex./Tax Revenue + RR</i>	<i>9.4%</i>	<i>8.2%</i>	<i>9.2%</i>	<i>10.2%</i>	<i>7.5%</i>	<i>13.7%</i>	<i>10.5%</i>	<i>10.5%</i>	<i>10.5%</i>	<i>10.5%</i>	<i>10.5%</i>	<i>10.5%</i>	<i>10.5%</i>	<i>10.5%</i>	<i>10.5%</i>	<i>10.5%</i>	
CURRENT DEBT SERVICE	<u>9.81</u>	<u>8.90</u>	<u>8.87</u>	<u>8.89</u>	<u>10.08</u>	<u>9.74</u>	<u>9.83</u>	<u>9.90</u>	<u>9.50</u>	<u>9.80</u>	<u>9.89</u>	<u>11.51</u>	<u>10.04</u>	<u>10.15</u>	<u>10.32</u>	<u>10.16</u>	147.6
NON-LAND SPENDING	26.55	26.94	30.14	31.56	32.54	35.85	36.21	38.02	39.48	41.76	43.97	47.85	48.78	51.48	54.38	57.16	616.1
<b>OPERATING CASH FLOW</b>	<b>3.46</b>	<b>3.75</b>	<b>2.02</b>	<b>2.17</b>	<b>2.78</b>	<b>1.15</b>	<b>2.58</b>	<b>2.65</b>	<b>3.16</b>	<b>2.94</b>	<b>2.90</b>	<b>1.31</b>	<b>2.76</b>	<b>2.58</b>	<b>2.30</b>	<b>2.28</b>	37.3
NOTE PROCEEDS (NET)	20.00	-2.52															
<b>LAND ACQUIRED</b>	<b>24.00</b>	<b>10.44</b>	<b>7.25</b>	<b>12.00</b>	<b>12.00</b>	<b>7.00</b>	<b>2.75</b>	<b>3.00</b>	<b>3.50</b>	<b>3.25</b>	<b>3.25</b>	<b>1.50</b>	<b>3.00</b>	<b>2.75</b>	<b>2.50</b>	<b>2.50</b>	76.7
LAND DONATIONS (7%)	13.93	4.47	1.50	0.84	0.84	0.49	0.19	0.21	0.25	0.23	0.23	0.11	0.21	0.19	0.18	0.18	10.1
ACQUISTN GRANTS (3%)	<u>1.00</u>	<u>0.38</u>	<u>0.00</u>	<u>0.36</u>	<u>0.36</u>	<u>0.21</u>	<u>0.08</u>	<u>0.09</u>	<u>0.11</u>	<u>0.10</u>	<u>0.10</u>	<u>0.05</u>	<u>0.09</u>	<u>0.08</u>	<u>0.08</u>	<u>0.08</u>	2.1
<b>NET CASH FOR LAND</b>	<b>9.06</b>	<b>5.59</b>	<b>5.75</b>	<b>10.80</b>	<b>10.80</b>	<b>6.30</b>	<b>2.48</b>	<b>2.70</b>	<b>3.15</b>	<b>2.93</b>	<b>2.93</b>	<b>1.35</b>	<b>2.70</b>	<b>2.48</b>	<b>2.25</b>	<b>2.25</b>	64.4
ACCRUALS	-0.11	-0.03															
ENDOWMENT	<u>2.02</u>	<u>-0.14</u>	<u>-0.15</u>	<u>-0.10</u>	<u>-0.10</u>	<u>-0.15</u>	<u>-0.15</u>	<u>-0.13</u>	<u>-0.13</u>	<u>-0.13</u>	<u>-0.13</u>	<u>-0.10</u>	<u>-0.10</u>	<u>-0.10</u>	<u>-0.10</u>	<u>-0.10</u>	-1.79
ENDING CASH	38.27	33.80	29.92	21.19	13.07	7.78	7.73	7.56	7.44	7.34	7.19	7.05	7.01	7.01	6.96	6.90	
REQUIRED RESERVES	<u>3.41</u>	<u>3.27</u>	<u>3.12</u>	<u>3.02</u>	<u>2.92</u>	<u>2.77</u>	<u>2.62</u>	<u>2.50</u>	<u>2.37</u>	<u>2.25</u>	<u>2.12</u>	<u>2.02</u>	<u>1.92</u>	<u>1.82</u>	<u>1.82</u>	<u>1.72</u>	
<b>AVAILABLE CASH</b>	<b>34.86</b>	<b>30.53</b>	<b>26.80</b>	<b>18.17</b>	<b>10.15</b>	<b>5.01</b>	<b>5.11</b>	<b>5.06</b>	<b>5.07</b>	<b>5.09</b>	<b>5.07</b>	<b>5.03</b>	<b>5.09</b>	<b>5.19</b>	<b>5.14</b>	<b>5.18</b>	
CUMM NEW LAND	0.00	10.44	17.69	29.69	41.69	48.69	51.44	54.44	57.94	61.19	64.44	65.94	68.94	71.69	71.44	74.19	
<b>CUMM CASH FOR NEW LAND</b>	<b>0.00</b>	<b>5.59</b>	<b>11.34</b>	<b>22.14</b>	<b>32.94</b>	<b>39.24</b>	<b>41.72</b>	<b>44.42</b>	<b>47.57</b>	<b>50.49</b>	<b>53.42</b>	<b>54.77</b>	<b>57.47</b>	<b>59.94</b>	<b>59.72</b>	<b>62.19</b>	
<i>DS/TR</i>	<i>35%</i>	<i>31%</i>	<i>30%</i>	<i>28%</i>	<i>30%</i>	<i>28%</i>	<i>27%</i>	<i>26%</i>	<i>24%</i>	<i>23%</i>	<i>22%</i>	<i>25%</i>	<i>21%</i>	<i>20%</i>	<i>19%</i>	<i>18%</i>	