



Midpeninsula Regional
Open Space District

DRAFT REPORT TO ACTION PLAN AND BUDGET COMMITTEE FOR REVIEW

R-13-107
November 12, 2013

AGENDA ITEM 3

AGENDA ITEM

Acceptance of the Fiscal Year 2013-14 Midyear State of the District Report and Approval of the Recommended Action Plan and Budget Adjustments

GENERAL MANAGER'S RECOMMENDATION

Accept the General Manager's Fiscal Year (FY) 2013-14 Midyear State of the District Report and approve the recommended Action Plan and Budget adjustments.

SUMMARY

This Midyear State of the District Report presents notable changes to a select number of Action Plan Key Projects, a year-to-date expenditure status update as of September 30, 2013, and proposed modifications to the District's annual budget. The Vision Plan, the number one priority project which is proceeding ahead of schedule, has required the expenditure of additional staff time to address peak workload with the attendant impact on lower priority projects.

DISCUSSION

The FY2013-14 Action Plan and Budget were adopted by the Board of Directors at its regular meeting on March 13, 2013 (Report R-13-35). On September 25, 2013, the Board approved changes to the Midyear Action Plan and Budget process, in part, to streamline budget reporting (R-13-86). This State of the District Report is consistent with recent Board direction, replacing the previous Midyear Action Plan and Budget Reports, and includes a status update of notable changes to Action Plan Key Projects (as outlined below) and a review of year-to-date expenditures as compared to the adopted budget. Only those Key Projects that meet the following criteria are highlighted in this report:

1. Completed projects
2. New projects added to the Action Plan after it was adopted
3. Projects with delays where the completion date is moved from FY2013-14 to FY14-15
4. Newly deferred projects
5. Projects with budgets changes of more than \$100,000

Part I: Action Plan Status Update

On March 13, 2013, the Board approved the District's FY2013-14 Action Plan, which was originally comprised of 97 active Key Projects (R-13-35). The project descriptions are included in the February 27, 2013 Initial Presentation of the District's Proposed Action Plan for Fiscal Year 2013-14 (R-13-26). Since the adoption of the annual Action Plan and Budget, the District has completed eight Key Action Plan Projects and added nine new projects to its work plan. To accommodate the additional workload, as well as respond to emerging issues and unanticipated increases to project scope for existing projects, the completion dates for five District projects have moved out to a subsequent fiscal year and three additional projects have been deferred to a future fiscal year.

Also of note are the budgetary changes to four (projects), two requiring a total increase of \$430,000, and two dropping in budget by \$436,000. More specific details on these changes are provided below.

New Projects – The following projects have been added to the District's FY2013-14 Action Plan:

Project Name	Dept.	Reason for Addition	Scope	Completion Date	Budget
2009 Employee Survey Feedback Review and Update	Admin	Identified as a project in support of organizational health	Review the 2009 Employee Retention Survey and 2011 non-represented staff non-compensatory benefit suggestions and provide and update of the status of each suggestion.	Q3 FY13-14	\$0
Update Board, Administrative, and other District Policies	Admin	Update outdated District policies and procedures to reflect current practices and reformat to ease future updates	Review, update, and reformat District Board, Administrative, and other Policies.	FY13-14	\$0
Evaluate Changes to Midyear Budget Process and Polices	Admin	Project was inadvertently omitted from the FY2013-14 Annual Action Plan.	Evaluate options to streamline the Midyear Bction Plan and Budget process and produce administrative efficiencies.	Q3 FY13-14	\$0
Affordable Care Act Analysis and Compliance	Admin	Legislation more complex than originally thought and is requiring significant staff time	Determine Affordable Care Act impact on District benefit programs, financial obligations, compliance, and reporting requirements to prepare for full implementation in January 2015.	FY13-14	\$0
Ballot Measure Training	Admin	Project need was identified during Capital Finance Project meetings.	This training is necessary to ensure that the District conducts Ballot Measure activities in conformance with the law	FY13-14	\$0
Special Status Species Mapping	PL	Level of GIS support for Safe Harbor Agreement was greater than anticipated.	Requested by Natural Resources to update special status species maps to support Safe Harbor Agreement.	Q4 FY13-14	\$0
Pond DR08 - COMPLETED	NR	Pond berm failure observed in spring on high biological value pond.	Conduct geotechnical studies and design repair actions. Implement interim repair.	Q3 FY13-14	\$40,000
Explore and Facilitate Potential New Book with Malcolm Margolin	PA	To build public awareness about the District and Docent program	Work with book publisher to arrange docent interviews, profiles, photos, etc. Multi-year project resulting in book or printed piece for FY13-14.	Q3-Q4 FY13-14	\$1,000
Memorial Recognition	PA	LFPAC directed staff to reseach alternative forms of recognition other than memorial benches	Research different opportunities to recognize individuals per constituent memorial requests other than benches and/or trail naming and make recommendations.	Q3 FY13-14	\$0

Completed Projects – The following projects have been completed as of September 30, 2013:

- 330 Distel Circle Property Management
- Mary Davey Memorial
- Pond DR08 (New Project)
- Mora Fire Road Upgrade
- Volunteer Recognition Event
- Copier Contract Renewal
- Board Room and Portable AV Upgrades
- Annual Audit

Projects with Notable Changes to Scope, Schedule or Budget

Schedule - Project Delay

Project Name	Dept.	Reason for Change	Scope	New Completion Date	Change to FY13-14 Budget	Revised FY13-14 Budget
Mindego Area (Silva Driveway)	DW	Project delayed due to permitting timeline. Grading quantities were increased to comply with Cal Fire requirements and require San Mateo County Planning Commission approval (site is within SM Co. scenic corridor). Construction cannot be completed by October 1, 2013.	No change	Q2 FY14-15	(\$46,200)	\$10,000
POST Hendrys Creek property, Land Purchase Partnership & Restoration	RP	Delays in receiving regulatory comments and change in Conservation Easement(CE) template from regulatory agencies.	No change	FY14-15	\$0	No change
Mindego Ranch Aquatic Species Management Plan	NR	Project delayed due to staff work on Pond DR08.	No change	Q4 FY14-15	\$0	No change
Pond DR05	NR	Project bidding and construction deferred to FY 2014-15 to address structural issue at Pond DR08.	No change	FY14-15	\$0	No change
Vehicle Bridge Evaluation and Repair	OPS	Project delayed due to Operations Contingent Project Manager vacancy.	No change	FY14-15	\$0	No change

Schedule - Project Deferred

Project Name	Dept.	Reason for Change	Scope	New Completion Date	Change to FY13-14 Budget	Revised FY13-14 Budget
Mindego Area (Mindego Hill Trail)	DW	Project deferred due to crew construction schedule and focus on implementation of ECdM Phase II Trail. Budget reduced by \$50,000 from \$72,000 with funds retained for permitting work that is under way.	No change	Q1-Q2 FY14-15	(\$50,000)	\$22,000
Demolition and Clean up of Abandoned Structures [Foothills Area]	OPS	Project moved from Priority 2 to Deferred, to reallocate funds for the Mora Road Project.	No change	TBD	\$0	No change
District-wide Roadside Signage	PA	Project deferred. Needs to be re-scoped due to complexity of coordinating with Caltrans and other jurisdictions.	TBD	TBD	\$0	TBD

Budget						
Project Name	Dept.	Reason for Change	Scope	New Completion Date	Change to FY13-14 Budget	Revised FY13-14 Budget
Mindego Gateway Project <u>POST Funded</u> (New staging area)	DW	Total project budget of \$582,000 was included in adopted Action Plan and is reduced to reflect the correct FY13-14 budget \$312,000.	Staging area in final stages of construction; County Stormwater Agreement needs to be finalized with County sign off before open to public in winter 2013-14.	Q4 FY13-14	(\$270,000)	\$312,000
New SFPUC Bay Trail Easement and Bay Trail Implementation	DW	Grant funded portion of \$166,000 reduced to \$0 for FY13-14 because grant cannot be finalized without completed easement and environmental review. Draft trail easement and trail alignment survey have been submitted to SFPUC for review. Once trail easement terms are agreed upon, environmental analysis can be completed.	No change	No change	(\$166,000)	Bay Trail Easement = \$60,000 Bay Trail Implementation = \$0
New Land Transition - Powell/Lobner Property Clean Up	RP	Board approved budget increase of \$190,000 as part of demolition & site restoration contract approved in September. Increase offset by \$75K from Property Management, \$70K from Misc site acquisition and resource management in Land, and \$45,000 in escrow.	Site restoration added to demolition work	No change	\$190,000	\$365,000
El Corte de Madera Creek Staging Area and Trail Improvements (Staging Area drainage system fix)	PL	Budget increased by \$240,000 due to Board approval of contract amendments to fix the staging area's drainage issues. Project cost increase offset by reductions in other project budgets.	No change	Q3-Q4 FY13-14	\$240,000	\$515,000

Part II.A: Year-to-Date Revenue and Expenditure Status as of September 30, 2013

The FY2013-14 District Annual Budget of \$41,006,413 was adopted by the Board of Directors on March 13, 2013, with a property tax revenue forecast of \$30,051,000 (Report R-13-37).

Revenues

Property tax revenues totaled \$4.5 million as of September 30, 2013, which is 15% of the adopted revenue estimate. Year-end revenue is projected to exceed the adopted estimate by approximately \$812,000 or 2.7% for total projected revenue of \$30,863,000. In addition, Redevelopment Agency income totaled \$29,400 which is 13% of the adopted revenue estimate. The year-end estimate is projected to be \$860,000 which is an increase of \$626,000 from the adopted budget. With these revenue increases comes a corresponding increase in the Operating (OpEx) and Capital (CapEx) expenditure guidelines, which are discussed below.

Total District Expenditures

As of Board adoption of the District's FY2013-14 Annual Budget in March 2013, the Board has approved only one budget modification. As part of the Powell Demolition project, \$75,000 was

shifted from Property Management to Land and Associated Costs, however, the overall District budget remains unchanged at \$41 million.

A summary of FY2013-14 Midyear expenditures as compared to the FY2013-14 Modified Budget, for the six month period from April 1 through September 30, 2013, are presented in Table 1 below.

TABLE 1:
FY2013-14 Midyear Expenditures

	FY2013-14 Adopted Budget ⁽¹⁾	FY2013-14 Modified Budget (as of 9/30/13) ⁽²⁾	FY2013-14 Midyear Actuals (4/1/13- 9/30/13) ⁽³⁾	% Spent of FY2013-14 Modified Budget
DISTRICT EXPENDITURES				
DISTRICT BUDGET BY EXPENDITURE CATEGORY				
Salaries and Benefits	13,586,721	13,586,721	6,190,393	46%
Services and Supplies ⁽³⁾	3,873,279	3,873,279	1,670,960	43%
Total Operating Expense (OPEX)	17,460,000	17,460,000	7,861,353	45%
Strategic/Vision Project	850,900	850,900	297,311	35%
Capital (CAPEX)	5,496,726	5,496,726	830,538	15%
Property Mgt.	324,822	249,822	123,849	50%
Debt Service	8,874,965	8,874,965	5,940,119	67%
Land and Assoc. Costs	7,999,000	8,074,000	2,113	0%
Total Non-Operating Expense	23,546,413	23,546,413	7,193,930	31%
Total District Expenditures	41,006,413	41,006,413	15,055,284	37%
TOTAL OPERATING BUDGET (OPEX)	17,460,000	17,460,000		
TOTAL DISTRICT TARGET: OPEX	17,230,000	17,230,000		
TOTAL OVER/(UNDER): OPEX	230,000	230,000		
(1) FY2013-14 Adopted Budget: Original Annual Budget adopted by Board				
(2) FY2013-14 Modified Budget: Modified Budget which include Board approved budget changes as of 9/30/13				
(3) FY2013-14 Midyear Actuals: Services & Supplies actuals exclude \$513,000 of liability insurance payments expected to be refunded or credited in the 2nd half of the year				

Overall District expenditures at Midyear totaled \$15.1 million, or 37% of the FY2013-14 Modified Budget, which is consistent with the prior year Midyear actual expenditures which totaled 40% of the FY2012-13 Adopted Budget. Table 2 below provides more detail on the FY2013-14 six-month expenditures versus the prior year FY2012-13 expenditures and is followed by a brief summary of expenditures, organized by key budget category.

TABLE 2:
FY2012-13 vs. FY2013-14 Midyear Expenditures

DISTRICT EXPENDITURES	FY2012-13			FY2013-14 Modified Budget (as of 9/30/13) ⁽¹⁾	FY2013-14		% Spent of FY2013-14 Modified Budget
	FY2012-13 Adopted Budget (0% COLA)	Midyear Actuals (4/1/12- 9/30/12)	% Spent of FY2012-13 Adopted Budget		Midyear Actuals (4/1/13- 9/30/13)		
DISTRICT BUDGET BY EXPENDITURE CATEGORY							
Salaries and Benefits	12,651,887	5,530,405	44%	13,586,721	6,190,393	46%	
Services and Supplies ⁽²⁾	3,307,098	1,295,316	39%	3,873,279	1,670,960	43%	
Total Operating Expense (OPEX)	15,958,985	6,825,721	43%	17,460,000	7,861,353	45%	
Strategic/Vision Project	760,000	2,189	0%	850,900	297,311	35%	
Capital (CAPEX)	5,679,386	1,595,753	28%	5,496,726	830,538	15%	
Special Projects	111,068	-	0%	-	-		
Property Mgt.	292,426	103,633	35%	249,822	123,849	50%	
Debt Service	8,902,356	5,895,955	66%	8,874,965	5,940,119	67%	
Land and Assoc. Costs	9,675,000	2,046,224	21%	8,074,000	2,113	0%	
Total Non-Operating Expense	25,420,236	9,643,755	38%	23,546,413	7,193,930	31%	
Total District Expenditures	41,379,220	16,469,476	40%	41,006,413	15,055,284	37%	
TOTAL OPERATING BUDGET (OPEX)	15,958,985			17,460,000			
TOTAL DISTRICT TARGET: OPEX	16,091,753			17,230,000			
TOTAL OVER/(UNDER): OPEX	(132,769)			230,000			
<small>(1) FY2013-14 Modified Budget: Modified Budget which include Board approved budget changes as of 9/30/13</small>							
<small>(2) FY2013-14 Midyear Actuals: Services & Supplies actuals exclude \$513,000 of liability insurance payments expected to be refunded or credited in the 2nd half of the year</small>							

Operating Expenditures

As of September 30, 2013, operating expenditures totaled \$7.9 million, or 45% of the FY2013-14 Modified Budget. Excluded from the operating expenditures is a \$513,000 CALJPIA retrospective liability insurance payment, which is expected to be offset by a refund or credit to the District during the second half of the fiscal year as a result of the dismissal of pending litigation. Operating expenses are tracking slightly below the 6-month straight-line estimate of 50% due to savings from staff vacancies, changes in employee health insurance selections, and reduced spending in professional and facilities maintenance services.

Fixed Assets and Capital Projects

The District has expended 15% of the Fixed Assets and Capital Modified Budget as of September 30, 2013, which is low primarily due to the following:

- Remediation and restoration work at Mount Umunhum was delayed to the second half of the fiscal year (7% expended).
- Project delays at the El Corte de Madera Creek Staging Area, Mindego Gateway Staging Area, and the Bay Trail project (32% expended).
- Vehicle and equipment purchases totaled 11% of budget in the first half of the fiscal year. However, the vehicles and associated equipment have been ordered and funds have been encumbered for payment, which is due upon receipt.
- The late hiring of the new Contingent Project Manager position to manage Operations projects resulted in several project delays (1% expended).

Land and Associated Costs

No land has been purchased during the first half of the fiscal year, although several new acquisitions are progressing in addition to the resolution of the land trade with Ridge Vineyards. The Vision Plan and the Driscoll Ranch grazing lease and event center projects have taken significantly more staff time than originally anticipated when the FY2013-14 Action Plan was

developed. Also, several encroachment and litigation related issues have also required much more staff time than originally expected. Lastly, the Vision Plan Project has also required additional support from the District's principal real property negotiator. As a result, Real Property has had reduced capacity to develop and pursue new land acquisition projects.

Part II.B: Proposed Midyear Changes to the FY2013-14 Budget

Under the new Midyear Budget Process and Budget Authority policy, budget changes to certain expenditure categories require the Board's approval. As part of this Midyear Budget review, two net-zero budget adjustments are recommended:

1. Shift \$50,000 from Services and Supplies to the Strategic/Vision Plan budget (outside the Operating Budget).
2. Shift \$70,500 from El Corte de Madera Creek Watershed Protection Program in the Capital Budget to the Peters Creek Trail Improvement and Lehigh projects in the Operating Budget.

These proposed Midyear Budget changes would be applied to the September 30, 2013 Modified Budget but the Total FY2013-14 District Budget will remain at \$41 million. See Table 3 below for detail on the proposed Midyear budget adjustments.

Table 3

	FY2013-14 Adopted Budget ⁽¹⁾	FY2013-14 Modified Budget (as of 9/30/13) ⁽²⁾	FY2013-14 Proposed Midyear Budget ⁽³⁾	Change from FY2013-14 Modified Budget
DISTRICT EXPENDITURES				
DISTRICT BUDGET BY EXPENDITURE CATEGORY				
Salaries and Benefits	13,586,721	13,586,721	13,586,721	-
Services and Supplies	3,873,279	3,873,279	3,893,779	20,500
Total Operating Expense (OPEX)	17,460,000	17,460,000	17,480,500	20,500
Strategic/Vision Project	850,900	850,900	900,900	50,000
Capital (CAPEX)	5,496,726	5,496,726	5,426,226	(70,500)
Property Mgt.	324,822	249,822	249,822	-
Debt Service	8,874,965	8,874,965	8,874,965	-
Land and Assoc. Costs	7,999,000	8,074,000	8,074,000	-
Total Non-Operating Expense	23,546,413	23,546,413	23,525,913	(20,500)
Total District Expenditures	41,006,413	41,006,413	41,006,413	-
TOTAL OPERATING BUDGET (OPEX)	17,460,000	17,460,000	17,480,500	20,500
TOTAL DISTRICT TARGET: OPEX	17,230,000	17,230,000	17,987,000	757,000
TOTAL OVER/(UNDER): OPEX	230,000	230,000	(506,500)	(736,500)
<small>(1) FY2013-14 Adopted Budget: Original Annual Budget adopted by Board on 3/13/13. The \$230,000 over the OpEx Target was approved to be covered by revenue from the Rancho San Antonio County Agreement</small>				
<small>(2) FY2013-14 Modified Budget: Modified Budget which includes Board approved budget changes as of 9/30/13</small>				
<small>(3) FY2013-14 Proposed Midyear Budget: Modified Budget which includes Board approved budget changes as of 9/30/13 plus Proposed Midyear budget changes pending Board approval</small>				

Part II.C: Operating Expense (OpEx) and Capital Expense (CapEx) Guidelines

As discussed above, the 2.7% projected increase in property tax revenues combined with the increase in projected RDA revenue, results in a corresponding increase to the OpEx Guideline of \$757,000. With the increased guideline, the FY2013-14 Proposed Midyear Budget falls under the guideline by over \$500,000.

The FY2013-14 Proposed CapEx budget decreased \$70,500 from the Adopted budget and remains well below the 10.5% CapEx Spending Guideline.

Hawthorns Fund

HAWTHORN	FY2013-14 Adopted Budget	FY2013-14 Modified Budget	FY2013-14 Midyear Actuals (4/1/13-9/30/13)	% Spent of FY2013-14 Modified Budget
Fund 20				
Operating Expenses	207,414	207,414	16,317	8%
Fixed Assets	241,386	241,386	84,633	35%
Grand Total	448,800	448,800	100,950	22%

The FY2013-14 Modified Budget for the Hawthorns (Woods Trust) Endowment fund remains the same as the Adopted budget at \$448,800. Midyear expenditures totaled 22% of the budget. The lead and asbestos abatement and window replacements on the Alpine house will occur in the second half of the fiscal year. Progress on the historic mansion continues, including the structural assessment and stabilization, and rodent control.

FISCAL IMPACT

Board approval of the FY2013-14 State of the District Report will increase the District's FY2013-14 Operating Budget by \$70,500, offset by an equivalent decrease in the Capital Budget. The District's total annual budget will remain unchanged at \$41 million.

BOARD COMMITTEE REVIEW

The Administration and Budget Committee will review the proposed FY2013-14 Midyear State of the District report on November 12, 2013, and anticipates recommending it for approval by the full Board.

PUBLIC NOTICE

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

CEQA COMPLIANCE

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

NEXT STEPS

Upon approval by the Board, staff will implement the FY2013-14 Proposed Midyear Budget and Action Plan adjustments.

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