



Midpeninsula Regional
Open Space District

R-14-85
Meeting 14-15
June 25, 2014

AGENDA ITEM 4

AGENDA ITEM

Year-End Review of the Fiscal Year 2013-14 District Budget and Expenditures

GENERAL MANAGER'S RECOMMENDATION

Accept the Year-End Review of the Fiscal Year 2013-14 Budget and Expenditures.

SUMMARY

District property tax revenue for Fiscal Year (FY) 2013-14 totaled \$32.4 million, a \$0.7 million or 2.2% increase over the Midyear budget, and expenditures totaled \$34.2 million, which is 16.6% below the Midyear budget of \$41.0M. The District continued to stay well within both the Operating Expenditure (OpEx) and Capital Expenditure (CapEx) Budget Guidelines of 55.0% and 10.5% of property tax revenue, respectively. The District completed 56 of its 102 total active projects (See Year-End Review of the FY2013-14 Action Plan, R-14-81). Overall spending reflects the District's commitment to complete high priority key projects this year, including the Vision Plan, the Capital Finance Program, and the demolition of structures and partial land restoration at Mount Umunhum.

DISCUSSION

Revenues

The District's adopted property tax revenue estimate of \$30.3 million was increased at Midyear to \$31.7 million, reflecting higher than projected revenues due to the continued economic growth in the region. As of March 31, 2014, property tax revenues totaled \$32.4 million, 7.1% higher than the adopted estimate and 2.2% above the Midyear adjustment. Included in the FY2013-14 property tax revenue is \$1.0 million in redevelopment-related revenue, which exceeded the Midyear projection by 16.3%. Of the \$1.0M total, 40% or \$430K are one-time distributions, while the remaining 60% of those revenues are projected to be on-going and increasing over time.

Expenditures

The District's FY2013-14 expenditures remained within the approved budget. Expenditures by category are listed in Table 1 below.

Table 1 – FY2013-14 District Budget and Expenditures

	FY2013-14 Adopted Budget ⁽¹⁾	FY2013-14 Midyear Budget ⁽³⁾	FY2013-14 Actuals (Unaudited)	\$ Change from FY2013-14 Midyear Budget	% Spent of FY2013-14 Midyear Budget
DISTRICT EXPENDITURES					
TOTAL PROPERTY TAX REVENUES	30,285,000	31,723,000	32,433,073	710,073	102%
TOTAL DISTRICT EXPENDITURES	41,006,413	41,047,413	34,232,002	(6,815,411)	83%
Salaries and Benefits	13,586,721	13,586,721	12,898,471	(688,250)	95%
Services and Supplies	3,873,279	3,934,779	3,534,934	(399,845)	90%
Total Operating Expense (OPEX)	17,460,000	17,521,500	16,433,405	(1,088,095)	94%
Strategic/Vision Project	850,900	900,900	598,261	(302,639)	66%
Capital (CAPEX)	5,496,726	5,426,226	4,026,876	(1,399,350)	74%
Property Mgt.	324,822	249,822	223,783	(26,039)	90%
Debt Service	8,874,965	8,874,965	8,858,244	(16,721)	100%
Land and Assoc. Costs	7,999,000	8,074,000	4,091,431	(3,982,569)	51%
Total Non-Operating Expense	23,546,413	23,525,913	17,798,596	(5,727,317)	76%
TOTAL OPERATING BUDGET (OPEX)	17,460,000	17,521,500	16,433,405	(1,088,095)	94%
TOTAL DISTRICT TARGET: OPEX ⁽²⁾	17,230,000	17,987,000	17,987,000	-	100%
TOTAL OVER/(UNDER): OPEX	230,000	(465,500)	(1,553,595)	(1,088,095)	
TOTAL CAPITAL BUDGET (CAPEX)	5,496,726	5,426,226	4,026,876	(1,399,350)	74%
Less: Grant Income	2,386,427	2,234,927	1,671,446	(563,481)	75%
Total Capital Budget, net of Grant Income	3,110,299	3,191,299	2,355,430	(835,869)	74%
<small>(1) FY2013-14 Adopted Budget: Original Annual Budget adopted by Board on 3/13/13. The \$230K over OpEx Target approved to be covered by revenue from the Rancho San Antonio City Agreement.</small>					
<small>(2) FY2013-14 OpEx Target increased by \$757K to \$17.987M due to the increased property tax revenue estimate.</small>					
<small>(3) FY2013-14 Midyear Budget: Modified Budget which include Board approved budget changes as of 9/30/13 plus Board approved Midyear budget changes</small>					

The District ended the year with total expenditures of \$34.2 million, which is \$6.8 million or 17% below the Midyear budget. Excluding land purchases and debt service, total expenditures were \$2.8 million or 12% below the Midyear budget. (Attachment A provides additional information about FY2013-14 expenditures).

Operating Expenditures

Salaries and benefits ended the year 5% below the Midyear budget due to position vacancies, resulting in a savings of \$688,250. Services and supplies were \$399,845 below the Midyear budget, reflecting a savings of 10%, primarily due to the reduced spending in contract services as a result of staff vacancies and the focus on the District's Vision Plan and Capital Finance Program.

Strategic and Vision Project Costs

Significant this year was completion of the District's Vision Plan, establishing 25 top priority projects to be completed over the next 30 years, and development of the Capital Finance Program, which identified the methods for funding the Vision Plan 25 top priority projects and was also used to inform the Expenditure Plan contained within Measure AA on the June 2014 ballot. Savings of \$302,639 or 34% below the Midyear budget were realized from reduced spending on consulting services for these projects.

Fixed Assets and Capital Projects

A significant District milestone was the demolition of military structures and partial site restoration at Mount Umunhum (\$1.6 million), which costs were reimbursed by a \$1.2 million federal grant. Other significant capital accomplishments include completion of:

- The El Corte de Madera parking lot (\$459,000), which opened in March 2014;
- The POST-funded Mindego Staging Area (\$293,000) and partial construction of the Ancient Oaks Trail (\$11,000) at Russian Ridge;
- The Hicks Flat Mercury Remediation project (\$144,00) in Sierra Azul; and
- The Mora Fire Road Upgrade at Rancho San Antonio (\$105,000).

Delays in other capital projects resulted in expenditure savings of approximately \$1.4 million for FY2013-14. Projects in the Operations, Planning, and Natural Resource Departments were deferred to FY2014-15 due to staff vacancies and the temporary redirection of staff to complete the Vision Plan and tasks associated with the Capital Finance Program. FY2013-14 capital expenditures totaled 6.2% (a 4-year moving average) of property tax revenue, net of grant income and one-time exclusions, and remained well below the District's CapEx Guideline of 10.5% of Property Tax Revenue.

Property Management

The District currently manages 66 leases. Expenditures totaled \$223,783, resulting in \$26,039 or 10% below the Midyear budget. Rental income received on managing District properties totaled \$1,116,263 or 3% over the Midyear projection of \$1,084,000.

Long-Term Debt and Debt Service

Debt service expenses in FY2013-14 totaled \$8.86 million, consisting of \$3.0 million in principal and \$5.86 million in interest. Total debt service was less than the budgeted amount by \$16,721.

Land and Associated Costs

The District purchased and helped preserve 461.4 acres of open space land during FY2013-14 at a cost totaling \$3.6 million. Highlights of land additions include:

- The District entered into a lease and management agreement with Peninsula Open Space Trust (POST) for the 308 acre Apple Orchard and Event Center at La Honda Creek Open Space Preserve
- The District purchased the 148 acre INE Ranch at Monte Bello Open Space Preserve.

Associated Land costs totaled approximately \$491,000, including \$360,000 for demolition and site restoration of the former Powell property at Monte Bello and \$90,000 for environmental and geotechnical studies, land surveys, and grazing and equestrian improvements associated with various projects.

Land expenditures ended the year approximately \$4.0 million below budget due to fewer than anticipated land purchases given the need to divert Real Property resources to address encroachment and litigation related issues, provide critical support for the Vision Plan and Capital Finance Program/Expenditure Plan, and administer the complexities related to the Driscoll Ranch grazing lease and event center projects. Land grants /gifts include \$225,000 from Santa Clara County Parks who partnered with the District on the purchase of the Lobner Trust property addition to Monte Bello in FY2012-13, as well as \$35,000 in land gifts.

Past Budget Performance

Table 2 below presents a comparison of FY2013-14 budget performance to FY2011-12 and FY2012-13. The operating budget expenditures typically range between 92% and 94% of the actual operating budget, reflecting the District's continued prudent financial management. The *total* District budget, however, has a much wider range (83% to 91%), reflecting the variation in land purchases and the deferral of key capital and fixed asset projects.

Table 2 – Past Performance

District Expenditures	FY2011-12 Budget	FY2011-12 Actuals	% Spent	FY2012-13 Budget	FY2012-13 Actuals	% Spent	FY2013-14 Budget	FY2013-14 Actuals	% Spent
Operating Expenses	\$14,540,703	\$13,700,718	94%	\$16,196,058	\$14,972,344	92%	\$17,521,500	\$16,433,405	94%
Total Expenditures	\$42,961,829	\$37,069,621	86%	\$40,851,710	\$37,077,946	91%	\$41,047,413	\$34,232,002	83%

HAWTHORN FUND**Table 3 – Hawthorn Fund Budget and Expenditures**

HAWTHORN YEAR-END REVIEW: FY2013-14						
Description	FY2013-14	FY2013-14	FY2013-14	\$ Change	% Spent of	
	Adopted Budget	Midyear Budget	Actuals (Unaudited)	from FY13-14 Midyear Budget	FY13-14 MidYear Budget	
Fund 20 - Hawthorne Fund						
Total: Personnel Services	19,539	19,539	-	19,539	0%	
Total: Supplies	187,875	187,875	33,420	154,455	18%	
Total: Capital / Fixed Assets	241,386	241,386	126,692	114,694	52%	
Total: Hawthorn	448,800	448,800	160,111	288,689	36%	

The FY2013-14 expenditures from the Hawthorn Fund totaled \$160,111 which is 64% below the Midyear Budget of \$448,800 (See Table 3, above). The transition of the Alpine Road house to an employee residence, budgeted at \$143,800 for habitability improvements, has been delayed to FY2014-15 due to reallocation of staff to other higher priority projects this fiscal year. The roof wrap portion of the historic mansion and carriage house stabilization, budgeted at \$305,000, was completed, with the remaining stabilization work on hold until a new partner is identified in FY2014-15.

The Hawthorn Endowment Fund balance as of March 31, 2014, net of all expenditures, was \$1,702,557 (See Table 4 below).

Table 4: Hawthorn –Endowment/Cash Balance

HAWTHORN: Endowment Fund	
Hawthorn Fund Original Endowment:	\$ 2,018,445
FY2011-12 Interest Income	\$ 3,267
FY2011-12 Expenditures	(50,672)
FY2012-13 Interest Income	\$ 7,854
FY2012-13 Expenditures	(122,347)
FY2013-14 Interest Income	6,121
FY2013-14 Expenditures	(160,111)
Ending Balance	\$ 1,702,557

BOARD COMMITTEE REVIEW

There was no Committee review for this agenda item.

FISCAL IMPACT

The Year-End review of the FY2013-14 budget has no fiscal impact on the FY2014-15 budget.

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 (CEQA) and no environmental review is required.

NEXT STEP

In late summer, the General Manager will prepare the FY2014-15 Midyear Budget and the item will be brought to the Board for review later this calendar year.

Attachment:

1. District Summary FY2013-14 Annual Review

Responsible Department Manager:

Kate Drayson, Administrative Services Manager

Prepared by:

Lynn Tottori, Senior Management Analyst
 Kate Drayson, Administrative Services Manager
 Michael Newburn, Acting Operations Manager
 Brian Malone, Acting Operations Manager
 Meredith Manning, Co-Acting Planning Manager
 Tina Hugg, Co-Acting Planning Manager
 Mike Williams, Real Property Manager
 Kirk Lenington, Natural Resources Manager

Shelly Lewis, Public Affairs Manager
Gordon Baillie, Management Analyst II
Elaina Cuzick, Real Property Specialist
Amudha Sankar, Senior Administrative Assistant
Peggy Koenig, Public Affairs Specialist

Contact person:

Lynn Tottori, Senior Management Analyst

		FY2013-14 Adopted Budget ⁽¹⁾	FY2013-14 Midyear Budget ⁽³⁾	FY2013-14 Actuals (Unaudited)	\$ Change from FY2013-14 Midyear Budget	% Spent of FY2013-14 Midyear Budget
DISTRICT EXPENDITURES						
DISTRICT BUDGET BY DEPARTMENT						
Administration						
	Salaries and Benefits	2,824,767	2,824,767	2,510,836	(313,931)	89%
	Services and Supplies	1,007,753	957,753	989,905	32,152	103%
	Total Operating Expense	3,832,520	3,782,520	3,500,741	(281,779)	93%
	Strategic/Vision Project	-	50,000	18,478	(31,522)	
	Capital	165,000	165,000	7,692	(157,308)	5%
	Total Non-Operating Expense	165,000	215,000	26,170	(188,830)	12%
	Total Administration Expenditures	3,997,520	3,997,520	3,526,911	(470,609)	88%
Natural Resources						
	Salaries and Benefits	977,050	977,050	884,455	(92,596)	91%
	Services and Supplies	535,201	646,701	508,833	(137,868)	79%
	Total Operating Expense	1,512,251	1,623,751	1,393,287	(230,464)	86%
	Strategic/Vision Project	-	-	-	-	
	Capital	904,600	834,100	508,433	(325,667)	61%
	Total Non-Operating Expense	904,600	834,100	508,433	(325,667)	61%
	Total Natural Resources Expenditures	2,416,851	2,457,851	1,901,720	(556,131)	77%
Operations						
	Salaries and Benefits	6,602,535	6,602,535	6,642,109	39,574	101%
	Services and Supplies	1,632,917	1,632,917	1,498,666	(134,252)	92%
	Total Operating Expense	8,235,452	8,235,452	8,140,775	(94,677)	99%
	Capital	1,331,979	1,331,979	907,205	(424,774)	68%
	Total Non-Operating Expense	1,331,979	1,331,979	907,205	(424,774)	68%
	Total Operations Expenditures	9,567,431	9,567,431	9,047,980	(519,451)	95%
Planning						
	Salaries and Benefits	1,389,259	1,389,259	1,200,327	(188,932)	86%
	Services and Supplies	79,923	79,923	27,493	(52,430)	34%
	Total Operating Expense	1,469,182	1,469,182	1,227,820	(241,362)	84%
	Strategic/Vision Project	591,900	591,900	340,449	(251,451)	58%
	Capital	3,095,147	3,095,147	2,603,546	(491,601)	84%
	Total Non-Operating Expense	3,687,047	3,687,047	2,943,995	(743,052)	80%
	Total Planning Expenditures	5,156,229	5,156,229	4,171,815	(984,414)	81%
Public Affairs						
	Salaries and Benefits	1,078,804	1,078,804	928,535	(150,269)	86%
	Services and Supplies	453,885	453,885	435,658	(18,227)	96%
	Total Operating Expense	1,532,689	1,532,689	1,364,193	(168,496)	89%
	Strategic/Vision Project	259,000	259,000	239,335	(19,665)	92%
	Total Non-Operating Expense	259,000	259,000	239,335	(19,665)	92%
	Total Public Affairs Expenditures	1,791,689	1,791,689	1,603,528	(188,161)	89%
Real Property						
	Salaries and Benefits	714,306	714,306	732,209	17,903	103%
	Services and Supplies	163,600	163,600	74,380	(89,220)	45%
	Total Operating Expense	877,906	877,906	806,589	(71,317)	92%
	Property Mgt.	324,822	249,822	223,783	(26,039)	90%
	Debt Service	8,874,965	8,874,965	8,858,244	(16,721)	100%
	Land and Assoc. Costs	7,999,000	8,074,000	4,091,431	(3,982,569)	51%
	Total Non-Operating Expense	17,198,787	17,198,787	13,173,458	(4,025,329)	77%
	Total Real Property Expenditures	18,076,693	18,076,693	13,980,047	(4,096,646)	77%
DISTRICT BUDGET BY EXPENDITURE CATEGORY						
	Salaries and Benefits	13,586,721	13,586,721	12,898,471	(688,250)	95%
	Services and Supplies	3,873,279	3,934,779	3,534,934	(399,845)	90%
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TOTAL DISTRICT TARGET: OPEX⁽²⁾		17,230,000	17,987,000	17,987,000	-	
TOTAL OVER/(UNDER): OPEX		230,000	(465,500)	(1,553,595)	(1,088,095)	
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