



Midpeninsula Regional  
Open Space District

R-15-36  
Meeting 15-05  
February 25, 2015

## **AGENDA ITEM 7**

### **AGENDA ITEM**

Consideration of the Controller's Report on the Proposed Fiscal Year 2015-16 Budget.

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

Approve the Controller's report on the Fiscal Year 2015-16 Budget.

### **SUMMARY**

The District will begin the new fiscal year with cash balances totaling an estimated \$34.7 million. In June, the District plans to issue its first tranche of Measure AA (MAA) general obligation (GO) bonds. Projected general fund income, GO bond proceeds, and available cash are adequate to cover budgeted debt service, reserve requirements, operating expenses, general fund capital expenditures, and approximately \$17.6 million of cash for Measure AA projects. District long-term financial projections indicate that the proposed budget, adjusted for the usual variances, is prudent and consistent with District plans and objectives.

### **DISCUSSION**

The attached Fiscal Year (FY)2015-16 cash budget breaks the budgeted numbers into three funds: [1] the general fund, [2] the MAA capital fund, and [3] the Hawthorn endowment fund. The District will begin the new fiscal year with estimated cash balances totaling \$33.0 million in the general fund and \$1.65 million in the Hawthorn fund. The general fund balance fully covers the District's committed reserves of \$20.4 million and the minimum general fund reserve balance of \$10.0 million. In addition, FY2014-15 general fund spending includes some \$5.3 million of MAA-qualified capital spending, for which the general fund will be reimbursed from the proceeds of the first sale of GO bonds.

#### General Fund Income

1. General Fund Tax Revenue to be received between April 1, 2015 and March 31, 2016 is budgeted at \$36.3 million (67% from Santa Clara County and 33% from San Mateo County), an increase of 6.5% over the current estimate for FY2014-15. District general fund tax revenue is increasing by an estimated 6.9% in the current fiscal year. The District will continue to receive this level of growth in the April to June 2015 period. In the next tax year, beginning in July,

interim assessed valuation (AV) reports, from the county assessors, indicate overall tax growth of approximately 6.1%. Combining the 6.9% growth in the first three months with a forecast 6.1% growth in the last nine months, the overall budgeted growth for District general fund tax revenue in our FY2015-16 is 6.5%.

2. Santa Clara County Parks Income is budgeted at \$325,550, up from \$313,000 in FY2014-15.
3. Property Management Income is budgeted at \$1,261,000, up an unusually high 14% due to a change in accounting for income from grazing tenants. Previously, payments due to some grazing tenants, for property improvement work, were netted against tenant rental payments. Going forward, per IRS rules, income and expense will be recorded separately for most grazing tenants.
4. Interest Income is budgeted at \$145,000, assuming that interest rates remain very low. The amount is down from the prior year because a \$1.6 million bond reserve fund was liquidated as part of the 2015 Note transaction.
5. Other Income is estimated at \$175,000 for reimbursements, fines, fees, cash donations and loan repayments.

#### General Fund Debt Capacity

At the end of March 2015, the District will have bonded indebtedness equal to approximately 57% of its statutory debt limit. No general fund debt issuance is budgeted in FY2015-16. The only anticipated general fund debt issuance over the next few years is the potential refinancing of our 2007 Bonds, at their first call date, in September 2016. If long-term interest rates do not rise more than one percentage point over the next 18 months, the District can expect to save over \$6 million in future debt service, from paying-off the 2007 Bonds.

#### General Fund Debt Service

Debt service requirements for non-MAA debt for FY2015-16 total \$9.88 million, an 11% increase from FY2014-15. Debt service represents 28% of estimated tax revenue, up from 27% in the current fiscal year. The scheduled debt service payments will be detailed in the Debt Service Annual Claims List, to be presented with the final budget presentation in March.

#### Other General Fund Expenditures

1. Non-MAA Capital Expenditures: The budget includes \$4.78 million for capital expenditure projects which do not qualify for MAA. This includes \$2.09 million for vehicles, equipment, software, and facilities; \$0.79 million for non-MAA land acquisitions and \$0.69 million for water-related projects.
2. Property Management Expenses are budgeted at \$0.72 million (57% of rental income), including \$0.41 million of capital improvements.
3. Operating Expenses are budgeted at \$21.16 million, or 58% of projected general fund tax revenue. If the District spends 95% of this operating budget, which would be a higher percentage than usual, operating spending will be at 55% of tax revenue, which is consistent with the post-MAA long-term financial model. At this level, operational spending would be up 17% over current year estimated operating expenses. The post-MAA financial plan assumed that a reorganization and significant staffing increase would be required over the next three

fiscal years, both to provide staff support for the MAA program and to achieve the land conservation, resource management and land restoration goals of the District strategic plan. The model assumes a step-up of operating expense to 62% of general fund tax revenue in FY2017-18, which equates to a staff increase of about 40 employees from FY2014-15 to FY2017-18. Analysis of the model indicates that this step-up in operating expenses is affordable and sustainable even if long-term property tax growth declines into the 3% range. General fund tax revenue has grown at an average annual rate of 5.3% over the last ten years (including the worst national recession since the 1930s), 5.5% over the last twenty years and almost 6% over the full history of the District.

### Committed and General Fund Reserves

If all general fund revenues and expenditures occur as budgeted and the general fund is reimbursed for FY2014-15 MAA expenditures, the District general fund cash balance would total \$40.0 million at the end of FY2015-16. This would fully cover the \$20.4 million of reserve commitments and the minimum general fund balance of \$10.0 million.

### General Obligation Bonds

The District anticipates selling its first tranche of general obligation (GO) bonds in late May or June of 2015. The amount is not yet determined. The \$3.18 projected maximum tax rate was calculated based on completing the \$300 million project over thirty years, given average annual growth in AV in the range of 4.5%. While capital spending in the tax rate model was a bit front-loaded, the basic assumption was that the District would issue about \$30 million of bonds every three years. By law, the amount of each issuance must be supported by a credible plan to spend the proceeds within three years. Each tranche must be used up before issuing the next. As expectations have mounted since the election, it is important to recognize that MAA is not a lump sum of \$300 million, to be spent as soon as possible. The MAA tax measure provides additional incremental funding of about \$10 million per year, over thirty years, to allow the District to [1] continue the land acquisition program, [2] speed up preserve improvements and the opening of preserves, and [3] meet strategic plan goals in land conservation, resource management and land restoration. It is also critical to differentiate between the general fund and the MAA capital fund. If long-term growth in AV slows to below 4%, the District's general fund financial model remains secure and able to fund increases in operating expenses in excess of general fund tax growth. However, at any long-term AV growth rate below 4%, the District would not be able to issue the full \$300 million of MAA bonds over thirty years. For example, at 3% long-term AV growth, only approximately \$240 million of MAA bonds could be issued within the \$3.18 maximum tax rate. Of course, the general fund generates significant non-MAA capex funding, which can be allocated to completing MAA projects not fundable from GO bonds.

The proposed Capital Improvement Plan (CIP) indicates that the District has plans to spend \$53.1 million on MAA projects over the next three years. In addition, the District's general fund must be reimbursed for MAA-qualified spending in FY2014-15. Therefore, the District's action plans would support the issuance of up to \$58 million of GO bonds in 2015. If the District could actually meet this action plan and continue to complete MAA projects at this rate, it would spend the \$300 million in 17 years. This is not affordable within the \$3.18 tax rate, even with very optimistic projections of AV growth. However, a top-down management review of the cost and schedule estimates in the CIP indicates that, even factoring in the benefits from the planned organizational restructuring and support staff and system additions, a discount of 25% is reasonable, down to \$45 million. While \$45 million is above the long-term affordable run rate, it is unlikely that interest rates will ever be much lower than in 2015, making it attractive to issue an above-average amount of bonds this year. Based on these various

factors, the budget assumes the issuance of \$45 million of GO bonds in FY2015-16. Since these bonds will not require any principal repayment this fiscal year, the budget for debt service and off-setting tax revenue, in FY2015-16, is modest, at \$1.18 million, representing a tax rate of some \$0.56. In the first full year of debt service, the estimated tax rate is \$1.08.

### MAA Capital Spending

The budget includes \$18.03 million of capital spending on MAA projects, partially funded by \$0.45 million of grants, for net MAA-funded spending of \$17.57 million. This breaks down into three basic pieces: [1] \$11.03 million for land acquisitions and associated capitalized costs, [2] \$1.30 million of staff labor for project management and construction, and [3] \$5.24 million for non-labor preserve improvement capital expenditures. As noted above, it is very likely that it will take more than one year to spend this budget.

### Hawthorn Endowment

The budget includes \$543,800 of spending from the Hawthorn endowment. If spent, this will reduce the endowment cash balance to approximately \$1.1 million.

### Long-Term Financial Model

Attached are two examples from my 30 year financial model, at two different AV growth rates. Both indicate that the FY2015-16 budget, adjusted for the usual variances, is consistent with MAA tax rate constraints and District long-term financial plans. The key assumptions of the first projection are [1] AV growth of 5% through FY2028-29 and 4.25% thereafter, [2] the addition of forty employees over the next three years, [3] operating expense growth of two percentage points more than tax growth from FY2017-18 through FY2028-29 and one percentage point more thereafter, [4] \$20 million of spending on staff facilities in the three years ending FY2018-19, \$10 million of which would be from committed reserves, [5] other non-MAA capital spending increasing at the rate of AV growth, [6] 25% of non-land acquisition MAA spending would consist of capitalized staff labor. Given these assumptions, all of the \$300 million of authorized MAA bonds are issued within 26 years and the maximum tax rate is \$3.07 in FY2037-38. The general fund remains strong throughout the period.

The second projection uses identical assumptions except for slower AV growth and a slightly lower increment of operating expense growth over tax growth: [1] AV growth of 3.5% through FY2028-29 and 3.0% thereafter, [3] operating expense growth of 1.9 percentage points above tax growth through FY2028-29 and 0.9 percentage points thereafter. Under these less optimistic assumptions, the District could afford to issue \$30 million less of GO bonds in the first fifteen years and only around \$255 million over thirty years. However, the general fund cash balance remains solid (approximately unchanged) over the first fifteen years, solvent (while slowly declining) over the following twelve years, and rebounding after our non-MAA debt is gone in FY2042-43. The result is only slightly worse, and easily managed, under the assumption of a flat 3% AV growth rate over thirty years. Therefore, the conclusion is that the proposed FY2015-16 budget and planned staff additions over the next three years are affordable and sustainable, and consistent with the District's long-term financial plan.

## **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 and no environmental review is required.

## **NEXT STEPS**

Following this Agenda Item, the Board will be asked to evaluate the FY2015-16 Budget in view of the information contained in the Controller's report.

Attachment:

1. FY 2015-16 Cash Budget
2. Projection 1
3. Projection 2

Prepared by:

Michael L. Foster, Controller

Contact person: (same as above)

# FY2015-16 Cash Budget

(\$Thousands)

EST. BEGINNING GENERAL CASH	<u>33,045</u>
GENERAL FUND TAX REVENUE	36,305
SANTA CLARA COUNTY PARKS PROPERTY MANAGEMENT	326 1,261
INTEREST INCOME	145
OTHER INCOME	<u>175</u>
TOTAL GENERAL FUND REVENUE	<u>38,212</u>
OPERATING EXPENSES	21,183
PROPERTY MANAGEMENT	715
NON-MAA CAPITAL SPENDING	4,780
NON-MAA DEBT SERVICE	<u>9,883</u>
TOTAL GENERAL FUND SPENDING	<u>36,561</u>
REIMBURSEMENT FOR FY2014-15 MAA SPENDING	<u>5,309</u>
<b>ENDING GENERAL FUND CASH</b>	<b><u>40,004</u></b>
PROCEEDS FROM GO BONDS (net)	44,825
MAA DEBT SERVICE	1,180
MAA TAX REVENUE	1,180
INTEREST INCOME	100
MAA CAPITAL SPENDING (net of grants)	17,572
REIMBURSEMENT OF GENERAL FUND	<u>5,309</u>
<b>ENDING MAA FUND CASH BALANCE</b>	<b><u>22,044</u></b>
BEGINNING HAWTHORN CASH	1,650
HAWTHORNE SPENDING	<u>544</u>
<b>ENDING HAWTHORN FUND CASH</b>	<b><u>1,106</u></b>
<b>ENDING TOTAL CASH BALANCES</b>	<b><u>63,154</u></b>

MROSD 30 YEAR CASH FLOW PROJECTION (FY14-44)

(\$Millions)

2/17/15  
 TAX GROWTH: **5.0** %      NON-MAA CAPEX GR: **5.0** %      15-18 OPEX STEP-UP: **add 40 employees**  
 OPEX GROWTH: **7.0** %      GRANTS/MAA CAPEX: **8** %      16-19 CAPEX STEP-UP: **\$20M of new facilities**  
 OPEX GR > TAX GR: **2.0** %      OTHER REVENUE GR: **2** %      MAA LABOR: 25% of Non-Land MAA Capex

FISCAL YEAR:	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	27-28	28-29	29-30	2015-30
BEGINNING GEN CASH	32.63	38.36	42.09	38.97	35.01	31.10	34.33	37.29	40.16	41.39	44.01	46.41	48.45	50.41	52.21	54.75	
TAX REVENUE	34.08	36.31	38.10	39.99	41.97	44.04	46.23	48.51	50.91	53.44	56.08	58.86	61.77	64.83	68.04	70.93	780.0
OTHER REVENUE	<u>1.77</u>	<u>1.91</u>	<u>1.95</u>	<u>1.98</u>	<u>2.02</u>	<u>2.06</u>	<u>2.11</u>	<u>2.15</u>	<u>2.19</u>	<u>2.23</u>	<u>2.28</u>	<u>2.32</u>	<u>2.37</u>	<u>2.42</u>	<u>2.47</u>	<u>2.52</u>	33.0
OPERATING REVENUES	35.85	38.21	40.05	41.97	43.99	46.11	48.33	50.66	53.11	55.67	58.36	61.18	64.14	67.25	70.50	73.44	813.0
OPERATING EXPENSES	17.10	20.00	22.30	24.80	26.52	28.37	30.34	32.45	34.70	37.11	39.69	42.45	45.40	48.56	51.93	54.66	539.3
<i>Operating Exp/Taxes</i>	50%	55%	59%	62%	63%	64%	66%	67%	68%	69%	71%	72%	74%	75%	76%	77%	
NON-OPEX EXPENSE	2.25	0.72	0.50	0.51	0.52	0.53	0.54	0.55	0.56	0.57	0.59	0.60	0.61	0.62	0.63	0.65	8.7
NON-MAA CAPEX	1.88	3.88	10.74	10.93	11.12	4.68	4.91	5.15	5.41	5.67	5.95	6.25	6.56	6.88	7.22	7.53	102.9
NON-MAA DEBT SERVICE	<u>8.89</u>	<u>9.88</u>	<u>9.63</u>	<u>9.69</u>	<u>9.74</u>	<u>9.31</u>	<u>9.58</u>	<u>9.64</u>	<u>11.21</u>	<u>9.69</u>	<u>9.73</u>	<u>9.84</u>	<u>9.61</u>	<u>9.38</u>	<u>8.17</u>	<u>8.08</u>	143.2
NON-MAA SPENDING	<u>30.12</u>	<u>34.48</u>	<u>43.16</u>	<u>45.93</u>	<u>47.90</u>	<u>42.88</u>	<u>45.37</u>	<u>47.79</u>	<u>51.88</u>	<u>53.05</u>	<u>55.96</u>	<u>59.14</u>	<u>62.18</u>	<u>65.44</u>	<u>67.96</u>	<u>70.92</u>	794.1
OPERATING CASH FLOW	5.73	3.73	-3.12	-3.96	-3.91	3.23	2.96	2.88	1.22	2.62	2.40	2.04	1.96	1.80	2.54	2.53	18.9
ENDING GENERAL CASH	38.36	42.09	38.97	35.01	31.10	34.33	37.29	40.16	41.39	44.01	46.41	48.45	50.41	52.21	54.75	57.27	
COMMITTED RESERVES	<u>20.40</u>	<u>20.40</u>	<u>17.07</u>	<u>13.73</u>	<u>10.40</u>	<u>10.90</u>	<u>11.40</u>	<u>11.90</u>	<u>12.40</u>	<u>12.90</u>	<u>13.40</u>	<u>13.90</u>	<u>14.40</u>	<u>14.90</u>	<u>15.40</u>	<u>15.90</u>	
AVAILABLE GEN CASH	17.96	21.69	21.91	21.28	20.70	23.43	25.89	28.26	28.99	31.11	33.00	34.55	36.01	37.31	39.35	41.37	
BOND PROCEEDS (NET)		44.83			32.33			32.33			34.83			34.83			179.1
GO BOND DEBT SERVICE		1.18	2.38	2.38	3.44	4.51	4.51	5.58	6.64	6.64	7.79	8.94	8.94	10.09	11.24	11.24	95.5
GO BOND TAX REVENUE		1.18	2.38	2.38	3.44	4.51	4.51	5.58	6.64	6.64	7.79	8.94	8.94	10.09	11.24	11.24	95.5
INTEREST INCOME		0.10	0.15	0.07	0.20	0.20	0.10	0.20	0.20	0.10	0.20	0.20	0.10	0.20	0.20	0.10	2.3
MAA CAPEX	6.86	13.00	13.25	14.00	10.50	10.50	10.30	10.50	10.40	10.40	11.25	11.25	11.20	11.25	11.25	11.20	170.3
MAA LABOR		1.26	1.26	1.40	1.31	1.31	1.29	1.31	1.30	1.30	1.41	1.41	1.40	1.41	1.41	1.40	20.2
MAA GRANTS/GIFTS	<u>1.55</u>	<u>2.50</u>	<u>1.06</u>	<u>1.12</u>	<u>0.84</u>	<u>0.84</u>	<u>0.82</u>	<u>0.84</u>	<u>0.83</u>	<u>0.83</u>	<u>0.90</u>	<u>0.90</u>	<u>0.90</u>	<u>0.90</u>	<u>0.90</u>	<u>0.90</u>	15.1
<b>NET MAA CAPEX</b>	<b>5.31</b>	<b>11.76</b>	<b>13.45</b>	<b>14.28</b>	<b>10.97</b>	<b>10.97</b>	<b>10.76</b>	<b>10.97</b>	<b>10.87</b>	<b>10.87</b>	<b>11.76</b>	<b>11.76</b>	<b>11.70</b>	<b>11.76</b>	<b>11.76</b>	<b>11.70</b>	175.3
BOND REIMBURSEMENT	0.00	<u>17.07</u>	<u>13.45</u>	<u>14.28</u>	<u>10.97</u>	<u>10.97</u>	<u>10.76</u>	<u>10.97</u>	<u>10.87</u>	<u>10.87</u>	<u>11.76</u>	<u>11.76</u>	<u>11.70</u>	<u>11.76</u>	<u>11.76</u>	<u>11.70</u>	180.6
<b>MAA TRUSTEE CASH</b>		<b>27.86</b>	<b>14.56</b>	<b>0.35</b>	<b>21.56</b>	<b>10.79</b>	<b>0.12</b>	<b>21.56</b>	<b>10.89</b>	<b>0.12</b>	<b>23.27</b>	<b>11.72</b>	<b>0.11</b>	<b>23.27</b>	<b>11.72</b>	<b>0.11</b>	
ENDOWMENT CASH	<u>1.65</u>	<u>1.45</u>	<u>1.30</u>	<u>1.15</u>	<u>1.05</u>	<u>0.95</u>	<u>0.85</u>	<u>0.75</u>	<u>0.65</u>	<u>0.55</u>	<u>0.45</u>	<u>0.35</u>	<u>0.30</u>	<u>0.25</u>	<u>0.20</u>	<u>0.15</u>	1.5
ENDING TOTAL CASH	34.70	71.40	54.83	36.51	53.71	46.06	38.26	62.47	52.93	44.68	70.13	60.51	50.82	75.73	66.67	57.54	
<b>CUMM MAA CAPEX</b>	<b>6.86</b>	<b>21.12</b>	<b>35.63</b>	<b>51.03</b>	<b>62.84</b>	<b>74.66</b>	<b>86.24</b>	<b>98.06</b>	<b>109.76</b>	<b>121.46</b>	<b>134.11</b>	<b>146.77</b>	<b>159.37</b>	<b>172.02</b>	<b>184.68</b>	<b>197.28</b>	
CUMM TOTAL CAPEX	8.74	26.88	52.13	78.46	101.39	117.88	134.38	151.34	168.45	185.82	204.43	223.34	242.50	262.04	281.92	302.05	

# MROSD 30 YEAR CASH FLOW PROJECTION (FY14-44)

(\$Millions)

2/17/15

TAX GROWTH: **4.25** %

NON-MAA CAPEX GR: **4.25** %

MAA LABOR: 25% of Non-Land MAA Capex

OPEX GROWTH: **5.25** %

GRANTS/MAA CAPEX: **8** %

PLUS: \$3M CAPEX/YR AFTER MAA COMPLETED

OPEX GR > TAX GR: **1.0** %

OTHER REVENUE GR: **2** %

Issue all \$300M of MAA bonds in 26 years

FISCAL YEAR:	29-30	30-31	31-32	32-33	33-34	34-35	35-36	36-37	37-38	38-39	39-40	40-41	41-42	42-43	43-44	44-45	2030-45
BEGINNING GEN CASH	52.21	57.27	59.69	62.08	64.43	66.73	69.30	70.55	71.90	73.28	74.14	74.41	74.03	72.41	74.43	75.42	
TAX REVENUE	70.93	73.94	77.08	80.36	83.78	87.34	91.05	94.92	98.95	103.16	107.54	112.11	116.88	121.84	127.02	132.42	1508.4
OTHER REVENUE	<u>2.52</u>	<u>2.57</u>	<u>2.62</u>	<u>2.67</u>	<u>2.72</u>	<u>2.78</u>	<u>2.83</u>	<u>2.89</u>	<u>2.95</u>	<u>3.01</u>	<u>3.07</u>	<u>3.13</u>	<u>3.19</u>	<u>3.26</u>	<u>3.32</u>	<u>3.39</u>	44.4
OPERATING REVENUES	73.44	76.51	79.70	83.03	86.50	90.11	93.88	97.81	101.90	106.16	110.61	115.24	120.07	125.10	130.34	135.81	1552.8
OPERATING EXPENSES	54.66	57.53	60.55	63.73	67.07	70.59	74.30	78.20	82.31	86.63	91.18	95.96	101.00	106.30	111.89	117.76	1265.0
<i>Operating Exp/Taxes+RR</i>	77%	78%	79%	79%	80%	81%	82%	82%	83%	84%	85%	86%	86%	87%	88%	89%	
NON-OPEX EXPENSE	0.65	0.66	0.67	0.69	0.70	0.71	0.73	0.74	0.76	0.77	0.79	0.80	0.82	0.84	0.85	0.87	11.4
NON-MAA CAPEX	7.53	7.85	8.18	8.53	8.90	9.27	9.67	10.08	10.51	10.95	11.42	11.90	12.41	15.94	16.61	17.32	169.6
NON-MAA DEBT SERVICE	8.08	8.05	7.91	7.73	7.53	6.96	7.93	7.44	6.95	6.95	6.95	6.95	7.45	0.00	0.00	0.00	88.8
NON-MAA SPENDING	<u>70.92</u>	<u>74.09</u>	<u>77.31</u>	<u>80.68</u>	<u>84.20</u>	<u>87.54</u>	<u>92.63</u>	<u>96.46</u>	<u>100.52</u>	<u>105.30</u>	<u>110.34</u>	<u>115.63</u>	<u>121.69</u>	<u>123.08</u>	<u>129.35</u>	<u>135.95</u>	1534.8
OPERATING CASH FLOW	2.53	2.42	2.39	2.35	2.30	2.57	1.25	1.35	1.38	0.86	0.27	-0.39	-1.62	2.02	0.99	-0.14	18.0
<b>ENDING GENERAL CASH</b>	<b>57.27</b>	<b>59.69</b>	<b>62.08</b>	<b>64.43</b>	<b>66.73</b>	<b>69.30</b>	<b>70.55</b>	<b>71.90</b>	<b>73.28</b>	<b>74.14</b>	<b>74.41</b>	<b>74.03</b>	<b>72.41</b>	<b>74.43</b>	<b>75.42</b>	<b>75.28</b>	
COMMITTED RESERVES	<u>15.90</u>	<u>16.40</u>	<u>16.90</u>	<u>17.40</u>	<u>17.90</u>	<u>18.40</u>	<u>18.90</u>	<u>19.40</u>	<u>19.90</u>	<u>20.40</u>	<u>20.90</u>	<u>21.40</u>	<u>21.90</u>	<u>22.40</u>	<u>22.90</u>	<u>23.40</u>	
AVAILABLE GEN CASH	41.37	43.29	45.18	47.03	48.83	50.90	51.65	52.50	53.38	53.74	53.51	52.63	50.51	52.03	52.52	51.87	
NOTE PROCEEDS (NET)		32.33			32.33			32.33			22.33						119.3
GO BOND DEBT SERVICE	11.24	12.31	13.37	13.37	14.44	15.51	15.51	16.58	17.64	17.64	18.38	19.12	19.12	19.12	19.12	19.12	250.3
GO BOND TAX REVENUE	11.24	12.31	13.37	13.37	14.44	15.51	15.51	16.58	17.64	17.64	18.38	19.12	19.12	19.12	19.12	19.12	250.3
INTEREST INCOME	0.10	0.20	0.20	0.10	0.20	0.20	0.10	0.20	0.20	0.10	0.15	0.15					1.8
MAA CAPEX	11.20	10.75	10.50	10.15	10.50	10.50	10.40	10.50	10.50	10.40	10.25	9.00	2.56	0.00	0.00	0.00	116.0
MAA LABOR	1.40	1.34	1.31	1.27	1.31	1.31	1.30	1.31	1.31	1.30	1.28	1.13	0.32	0.00			14.5
MAA GRANTS (8%)	<u>0.90</u>	<u>0.86</u>	<u>0.84</u>	<u>0.81</u>	<u>0.84</u>	<u>0.84</u>	<u>0.83</u>	<u>0.84</u>	<u>0.84</u>	<u>0.83</u>	<u>0.82</u>	<u>0.72</u>	<u>0.20</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	9.3
<b>NET MAA CAPEX</b>	<b>11.70</b>	<b>11.23</b>	<b>10.97</b>	<b>10.61</b>	<b>10.97</b>	<b>10.97</b>	<b>10.87</b>	<b>10.97</b>	<b>10.97</b>	<b>10.87</b>	<b>10.71</b>	<b>9.41</b>	<b>2.68</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	121.2
BOND REIMBURSEMENT	<u>11.70</u>	<u>11.23</u>	<u>10.97</u>	<u>10.61</u>	<u>10.97</u>	<u>10.97</u>	<u>10.87</u>	<u>10.97</u>	<u>10.97</u>	<u>10.87</u>	<u>10.71</u>	<u>9.41</u>	<u>2.68</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	121.2
<b>MAA TRUSTEE CASH</b>	<b>0.11</b>	<b>21.41</b>	<b>10.64</b>	<b>0.13</b>	<b>21.69</b>	<b>10.92</b>	<b>0.15</b>	<b>21.71</b>	<b>10.93</b>	<b>0.16</b>	<b>11.93</b>	<b>2.68</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	
ENDOWMENT	<u>0.15</u>	<u>0.10</u>	<u>0.05</u>	<u>0.00</u>	0.2												
ENDING TOTAL CASH	57.54	81.20	72.77	64.56	88.42	80.22	70.70	93.60	84.21	74.31	86.35	76.71	72.41	74.43	75.42	75.28	
<b>CUMM MAA CAPEX</b>	<b>197.28</b>	<b>209.37</b>	<b>221.19</b>	<b>232.61</b>	<b>244.42</b>	<b>256.23</b>	<b>267.93</b>	<b>279.74</b>	<b>291.56</b>	<b>303.26</b>	<b>314.79</b>	<b>324.91</b>	<b>327.79</b>	<b>327.79</b>	<b>327.79</b>	<b>327.79</b>	
CUMM TOTAL CAPEX	302.05	321.99	341.99	361.94	382.65	403.74	425.10	447.00	469.31	491.97	514.92	536.95	552.24	568.18	584.79	602.11	

# MROSD PROJECTED MEASURE AA TAX RATE

2/17/15

FISCAL YEAR: **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** **27-28** **28-29** **29-30**

AV GROWTH: **5.0** %

ASSESSED VALUE (\$B)	197.8	209.9	220.4	231.4	242.9	255.1	267.8	281.2	295.3	310.1	325.6	341.8	358.9	376.9	395.7	412.6
DEBT SERVICE (\$M)		1.18	2.38	2.38	3.44	4.51	4.51	5.58	6.64	6.64	7.79	8.94	8.94	10.09	11.24	11.24
TAX RATE		<b>\$0.56</b>	<b>\$1.08</b>	<b>\$1.03</b>	<b>\$1.42</b>	<b>\$1.77</b>	<b>\$1.68</b>	<b>\$1.98</b>	<b>\$2.25</b>	<b>\$2.14</b>	<b>\$2.39</b>	<b>\$2.62</b>	<b>\$2.49</b>	<b>\$2.68</b>	<b>\$2.84</b>	<b>\$2.72</b>

FISCAL YEAR: **29-30** **30-31** **31-32** **32-33** **33-34** **34-35** **35-36** **36-37** **37-38** **38-39** **39-40** **40-41** **41-42** **42-43** **43-44** **44-45**

AV GROWTH: **4.25** %

ASSESSED VALUE (\$B)	412.6	430.1	448.4	467.4	487.3	508.0	529.6	552.1	575.6	600.0	625.5	652.1	679.8	708.7	738.8	770.2
DEBT SERVICE	11.24	12.31	13.37	13.37	14.44	15.51	15.51	16.58	17.64	17.64	18.38	19.12	19.12	19.12	19.12	19.12
TAX RATE	<b>\$2.72</b>	<b>\$2.86</b>	<b>\$2.98</b>	<b>\$2.86</b>	<b>\$2.96</b>	<b>\$3.05</b>	<b>\$2.93</b>	<b>\$3.00</b>	<b>\$3.07</b>	<b>\$2.94</b>	<b>\$2.94</b>	<b>\$2.93</b>	<b>\$2.81</b>	<b>\$2.70</b>	<b>\$2.59</b>	<b>\$2.48</b>

MROSD 30 YEAR CASH FLOW PROJECTION (FY14-44)

(\$Millions)

2/17/15

TAX GROWTH: 3.5 %NON-MAA CAPEX GR: 3.5 %15-18 OPEX STEP-UP: add 40 employeesOPEX GROWTH: 5.4 %GRANTS/MAA CAPEX: 8 %16-19 CAPEX STEP-UP: \$20M of new facilitiesOPEX GR > TAX GR: 1.9 %OTHER REVENUE GR: 2 %

MAA LABOR: 25% of Non-Land MAA Capex

FISCAL YEAR:	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	27-28	28-29	29-30	2015-30
BEGINNING GEN CASH	32.63	38.36	42.09	38.50	33.56	28.49	30.38	31.85	33.08	32.51	33.19	33.53	33.40	33.10	32.57	32.74	
TAX REVENUE	34.08	36.31	37.58	38.89	40.25	41.66	43.12	44.63	46.19	47.81	49.48	51.21	53.00	54.86	56.78	58.48	700.2
OTHER REVENUE	<u>1.77</u>	<u>1.91</u>	<u>1.95</u>	<u>1.98</u>	<u>2.02</u>	<u>2.06</u>	<u>2.11</u>	<u>2.15</u>	<u>2.19</u>	<u>2.23</u>	<u>2.28</u>	<u>2.32</u>	<u>2.37</u>	<u>2.42</u>	<u>2.47</u>	<u>2.52</u>	33.0
OPERATING REVENUES	35.85	38.21	39.52	40.87	42.28	43.73	45.22	46.78	48.38	50.04	51.76	53.54	55.38	57.28	59.25	61.00	733.2
OPERATING EXPENSES	17.10	20.00	22.30	24.80	26.14	27.55	29.04	30.61	32.26	34.00	35.84	37.77	39.81	41.96	44.23	45.95	492.3
<i>Operating Exp/Taxes</i>	50%	55%	59%	64%	65%	66%	67%	69%	70%	71%	72%	74%	75%	76%	78%	79%	
NON-OPEX EXPENSE	2.25	0.72	0.50	0.51	0.52	0.53	0.54	0.55	0.56	0.57	0.59	0.60	0.61	0.62	0.63	0.65	8.7
NON-MAA CAPEX	1.88	3.88	10.68	10.82	10.95	4.44	4.59	4.75	4.92	5.09	5.27	5.45	5.65	5.84	6.05	6.23	94.6
NON-MAA DEBT SERVICE	<u>8.89</u>	<u>9.88</u>	<u>9.63</u>	<u>9.69</u>	<u>9.74</u>	<u>9.31</u>	<u>9.58</u>	<u>9.64</u>	<u>11.21</u>	<u>9.69</u>	<u>9.73</u>	<u>9.84</u>	<u>9.61</u>	<u>9.38</u>	<u>8.17</u>	<u>8.08</u>	143.2
NON-MAA SPENDING	<u>30.12</u>	<u>34.48</u>	<u>43.11</u>	<u>45.82</u>	<u>47.35</u>	<u>41.83</u>	<u>43.76</u>	<u>45.55</u>	<u>48.95</u>	<u>49.36</u>	<u>51.42</u>	<u>53.67</u>	<u>55.68</u>	<u>57.81</u>	<u>59.08</u>	<u>60.91</u>	738.8
OPERATING CASH FLOW	5.73	3.73	-3.59	-4.94	-5.07	1.90	1.47	1.23	-0.57	0.68	0.34	-0.13	-0.30	-0.53	0.16	0.09	-5.5
<b>ENDING GENERAL CASH</b>	<b>38.36</b>	<b>42.09</b>	<b>38.50</b>	<b>33.56</b>	<b>28.49</b>	<b>30.38</b>	<b>31.85</b>	<b>33.08</b>	<b>32.51</b>	<b>33.19</b>	<b>33.53</b>	<b>33.40</b>	<b>33.10</b>	<b>32.57</b>	<b>32.74</b>	<b>32.83</b>	
COMMITTED RESERVES	<u>20.40</u>	<u>20.40</u>	<u>17.07</u>	<u>13.74</u>	<u>10.41</u>	<u>10.91</u>	<u>11.41</u>	<u>11.91</u>	<u>12.16</u>	<u>12.41</u>	<u>12.66</u>	<u>12.91</u>	<u>13.16</u>	<u>13.41</u>	<u>13.66</u>	<u>13.91</u>	
AVAILABLE GEN CASH	17.96	21.69	21.43	19.82	18.08	19.47	20.44	21.17	20.35	20.78	20.87	20.49	19.94	19.16	19.08	18.92	
BOND PROCEEDS (NET)		44.83			29.73			24.83			24.83			24.83			149.1
GO BOND DEBT SERVICE		1.18	2.38	2.38	3.36	4.34	4.34	5.16	5.98	5.98	6.80	7.62	7.62	8.44	9.25	9.25	84.0
GO BOND TAX REVENUE		1.18	2.38	2.38	3.36	4.34	4.34	5.16	5.98	5.98	6.80	7.62	7.62	8.44	9.25	9.25	84.0
INTEREST INCOME		0.10	0.15	0.07	0.18	0.18	0.08	0.15	0.15	0.06	0.15	0.15	0.06	0.15	0.15	0.06	1.8
MAA CAPEX	6.86	13.00	13.25	14.00	10.00	9.75	9.35	8.10	8.00	8.00	8.10	8.00	8.00	8.10	8.00	8.00	141.7
MAA LABOR		1.26	1.26	1.40	1.25	1.22	1.17	1.01	1.00	1.00	1.01	1.00	1.00	1.01	1.00	1.00	16.6
MAA GRANTS/GIFTS	<u>1.55</u>	<u>2.50</u>	<u>1.06</u>	<u>1.12</u>	<u>0.80</u>	<u>0.78</u>	<u>0.75</u>	<u>0.65</u>	<u>0.64</u>	<u>0.64</u>	<u>0.65</u>	<u>0.64</u>	<u>0.64</u>	<u>0.65</u>	<u>0.64</u>	<u>0.64</u>	12.8
<b>NET MAA CAPEX</b>	<b>5.31</b>	<b>11.76</b>	<b>13.45</b>	<b>14.28</b>	<b>10.45</b>	<b>10.19</b>	<b>9.77</b>	<b>8.46</b>	<b>8.36</b>	<b>8.36</b>	<b>8.46</b>	<b>8.36</b>	<b>8.36</b>	<b>8.46</b>	<b>8.36</b>	<b>8.36</b>	145.5
BOND REIMBURSEMENT	0.00	<u>17.07</u>	<u>13.45</u>	<u>14.28</u>	<u>10.45</u>	<u>10.19</u>	<u>9.77</u>	<u>8.46</u>	<u>8.36</u>	<u>8.36</u>	<u>8.46</u>	<u>8.36</u>	<u>8.36</u>	<u>8.46</u>	<u>8.36</u>	<u>8.36</u>	150.8
<b>MAA TRUSTEE CASH</b>		<b>27.86</b>	<b>14.56</b>	<b>0.35</b>	<b>19.81</b>	<b>9.80</b>	<b>0.11</b>	<b>16.63</b>	<b>8.42</b>	<b>0.12</b>	<b>16.63</b>	<b>8.42</b>	<b>0.12</b>	<b>16.64</b>	<b>8.43</b>	<b>0.13</b>	
ENDOWMENT CASH	<u>1.65</u>	<u>1.45</u>	<u>1.30</u>	<u>1.15</u>	<u>1.05</u>	<u>0.95</u>	<u>0.85</u>	<u>0.75</u>	<u>0.65</u>	<u>0.55</u>	<u>0.45</u>	<u>0.35</u>	<u>0.30</u>	<u>0.25</u>	<u>0.20</u>	<u>0.15</u>	1.5
ENDING TOTAL CASH	34.70	71.40	54.37	35.06	49.35	41.14	32.82	50.46	41.58	33.86	50.62	42.18	33.53	49.46	41.37	33.11	
<b>CUMM MAA CAPEX</b>	<b>6.86</b>	<b>21.12</b>	<b>35.63</b>	<b>51.03</b>	<b>62.28</b>	<b>73.25</b>	<b>83.77</b>	<b>92.88</b>	<b>101.88</b>	<b>110.88</b>	<b>119.99</b>	<b>128.99</b>	<b>137.99</b>	<b>147.11</b>	<b>156.11</b>	<b>165.11</b>	
CUMM TOTAL CAPEX	8.74	26.88	52.07	78.29	100.49	115.90	131.01	144.88	158.80	172.89	187.27	201.73	216.37	231.33	246.38	261.61	

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# MROSD 30 YEAR CASH FLOW PROJECTION (FY14-44)

(\$Millions)

2/17/15

TAX GROWTH: **3.00** %

NON-MAA CAPEX GR: **3.00** %

MAA LABOR: 25% of Non-Land MAA Capex

OPEX GROWTH: **3.90** %

GRANTS/MAA CAPEX: **8** %

OPEX GR > TAX GR: **0.9** %

OTHER REVENUE GR: **2** %

Issue \$255M of MAA bonds in 30 years

FISCAL YEAR:	29-30	30-31	31-32	32-33	33-34	34-35	35-36	36-37	37-38	38-39	39-40	40-41	41-42	42-43	43-44	44-45	2030-45
BEGINNING GEN CASH	32.74	32.83	32.76	32.62	32.43	32.19	32.22	30.98	29.89	28.92	27.54	25.72	23.42	20.11	23.70	26.70	
TAX REVENUE	58.48	60.24	62.04	63.91	65.82	67.80	69.83	71.93	74.08	76.31	78.60	80.95	83.38	85.88	88.46	91.11	1120.3
OTHER REVENUE	<u>2.52</u>	<u>2.57</u>	<u>2.62</u>	<u>2.67</u>	<u>2.72</u>	<u>2.78</u>	<u>2.83</u>	<u>2.89</u>	<u>2.95</u>	<u>3.01</u>	<u>3.07</u>	<u>3.13</u>	<u>3.19</u>	<u>3.26</u>	<u>3.32</u>	<u>3.39</u>	44.4
OPERATING REVENUES	61.00	62.80	64.66	66.58	68.55	70.58	72.67	74.82	77.03	79.31	81.66	84.08	86.57	89.14	91.78	94.50	1164.7
OPERATING EXPENSES	45.95	47.75	49.61	51.54	53.55	55.64	57.81	60.07	62.41	64.84	67.37	70.00	72.73	75.56	78.51	81.57	949.0
<i>Operating Exp/Taxes+RR</i>	79%	79%	80%	81%	81%	82%	83%	84%	84%	85%	86%	86%	87%	88%	89%	90%	
NON-OPEX EXPENSE	0.65	0.66	0.67	0.69	0.70	0.71	0.73	0.74	0.76	0.77	0.79	0.80	0.82	0.84	0.85	0.87	11.4
NON-MAA CAPEX	6.23	6.42	6.61	6.81	7.01	7.22	7.44	7.66	7.89	8.13	8.37	8.62	8.88	9.15	9.42	9.70	119.3
NON-MAA DEBT SERVICE	8.08	8.05	7.91	7.73	7.53	6.96	7.93	7.44	6.95	6.95	6.95	6.95	7.45	0.00	0.00	0.00	88.8
NON-MAA SPENDING	<u>60.91</u>	<u>62.87</u>	<u>64.80</u>	<u>66.77</u>	<u>68.79</u>	<u>70.54</u>	<u>73.91</u>	<u>75.91</u>	<u>78.00</u>	<u>80.69</u>	<u>83.48</u>	<u>86.38</u>	<u>89.88</u>	<u>85.55</u>	<u>88.79</u>	<u>92.15</u>	1168.5
OPERATING CASH FLOW	0.09	-0.07	-0.13	-0.19	-0.24	0.04	-1.24	-1.09	-0.97	-1.38	-1.82	-2.30	-3.31	3.59	2.99	2.35	-3.8
<b>ENDING GENERAL CASH</b>	<b>32.83</b>	<b>32.76</b>	<b>32.62</b>	<b>32.43</b>	<b>32.19</b>	<b>32.22</b>	<b>30.98</b>	<b>29.89</b>	<b>28.92</b>	<b>27.54</b>	<b>25.72</b>	<b>23.42</b>	<b>20.11</b>	<b>23.70</b>	<b>26.70</b>	<b>29.05</b>	
COMMITTED RESERVES	<u>13.91</u>																
AVAILABLE GEN CASH	18.92	18.85	18.71	18.52	18.28	18.31	17.07	15.98	15.01	13.63	11.81	9.51	6.20	9.79	12.79	15.14	
NOTE PROCEEDS (NET)		19.83			19.83			19.83			24.83			19.83			104.2
GO BOND DEBT SERVICE	9.25	9.91	10.56	10.56	11.22	11.87	11.87	12.53	13.18	13.18	14.00	14.82	14.82	15.47	16.13	16.13	196.3
GO BOND TAX REVENUE	9.25	9.91	10.56	10.56	11.22	11.87	11.87	12.53	13.18	13.18	14.00	14.82	14.82	15.47	16.13	16.13	196.3
INTEREST INCOME	0.06	0.12	0.12	0.05	0.12	0.12	0.05	0.12	0.12	0.05	0.13	0.13	0.06	0.12	0.12	0.05	1.5
MAA CAPEX	8.00	6.40	6.40	6.40	6.40	6.40	6.40	6.40	6.40	6.40	8.00	8.00	8.00	6.40	6.40	6.56	101.0
MAA LABOR	1.00	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	1.00	1.00	1.00	0.80	0.80	0.82	12.6
MAA GRANTS (8%)	<u>0.64</u>	<u>0.51</u>	<u>0.64</u>	<u>0.64</u>	<u>0.64</u>	<u>0.51</u>	<u>0.51</u>	<u>0.52</u>	8.1								
<b>NET MAA CAPEX</b>	<b>8.36</b>	<b>6.69</b>	<b>8.36</b>	<b>8.36</b>	<b>8.36</b>	<b>6.69</b>	<b>6.69</b>	<b>6.86</b>	105.5								
BOND REIMBURSEMENT	<u>8.36</u>	<u>6.69</u>	<u>8.36</u>	<u>8.36</u>	<u>8.36</u>	<u>6.69</u>	<u>6.69</u>	<u>6.86</u>	105.5								
<b>MAA TRUSTEE CASH</b>	<b>0.13</b>	<b>13.39</b>	<b>6.82</b>	<b>0.14</b>	<b>13.40</b>	<b>6.83</b>	<b>0.14</b>	<b>13.40</b>	<b>6.84</b>	<b>0.15</b>	<b>16.75</b>	<b>8.52</b>	<b>0.16</b>	<b>13.42</b>	<b>6.85</b>	<b>0.00</b>	
ENDOWMENT	<u>0.15</u>	<u>0.10</u>	<u>0.05</u>	<u>0.00</u>	<u>-0.05</u>	<u>0.00</u>	0.2										
ENDING TOTAL CASH	33.11	46.25	39.50	32.57	45.53	39.05	31.12	43.29	35.75	27.69	42.47	31.94	20.27	37.12	33.55	29.05	
<b>CUMM MAA CAPEX</b>	<b>165.11</b>	<b>172.31</b>	<b>179.51</b>	<b>186.71</b>	<b>193.91</b>	<b>201.11</b>	<b>208.31</b>	<b>215.51</b>	<b>222.71</b>	<b>229.91</b>	<b>238.91</b>	<b>247.91</b>	<b>256.91</b>	<b>264.11</b>	<b>271.31</b>	<b>278.69</b>	
CUMM TOTAL CAPEX	261.61	275.22	289.03	303.04	317.25	331.67	346.31	361.17	376.26	391.59	408.96	426.58	444.46	460.81	477.43	494.52	

# MROSD PROJECTED MEASURE AA TAX RATE

2/17/15

FISCAL YEAR: **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** **27-28** **28-29** **29-30**

AV GROWTH: **3.5** %

ASSESSED VALUE (\$B)	197.8	209.9	217.2	224.8	232.7	240.8	249.3	258.0	267.0	276.4	286.0	296.0	306.4	317.1	328.2	338.1
DEBT SERVICE (\$M)		1.18	2.38	2.38	3.36	4.34	4.34	5.16	5.98	5.98	6.80	7.62	7.62	8.44	9.25	9.25
TAX RATE		<b>\$0.56</b>	<b>\$1.09</b>	<b>\$1.06</b>	<b>\$1.44</b>	<b>\$1.80</b>	<b>\$1.74</b>	<b>\$2.00</b>	<b>\$2.24</b>	<b>\$2.16</b>	<b>\$2.38</b>	<b>\$2.57</b>	<b>\$2.49</b>	<b>\$2.66</b>	<b>\$2.82</b>	<b>\$2.74</b>

FISCAL YEAR: **29-30** **30-31** **31-32** **32-33** **33-34** **34-35** **35-36** **36-37** **37-38** **38-39** **39-40** **40-41** **41-42** **42-43** **43-44** **44-45**

AV GROWTH: **3.0** %

ASSESSED VALUE (\$B)	338.1	348.2	358.7	369.4	380.5	391.9	403.7	415.8	428.3	441.1	454.3	468.0	482.0	496.5	511.4	526.7
DEBT SERVICE	9.25	9.91	10.56	10.56	11.22	11.87	11.87	12.53	13.18	13.18	14.00	14.82	14.82	15.47	16.13	16.13
TAX RATE	<b>\$2.74</b>	<b>\$2.85</b>	<b>\$2.95</b>	<b>\$2.86</b>	<b>\$2.95</b>	<b>\$3.03</b>	<b>\$2.94</b>	<b>\$3.01</b>	<b>\$3.08</b>	<b>\$2.99</b>	<b>\$3.08</b>	<b>\$3.17</b>	<b>\$3.07</b>	<b>\$3.12</b>	<b>\$3.15</b>	<b>\$3.06</b>