



Midpeninsula Regional
Open Space District

R-12-28
Meeting 12-08
February 29, 2012

AGENDA ITEM 8

AGENDA ITEM

Consideration of the Controller's Report on the Proposed Fiscal Year 2012-13 Budget

GENERAL MANAGER'S RECOMMENDATION

Approve the Controller's report on the Fiscal Year 2012-13 Budget.

SUMMARY

The District will begin the new fiscal year with an estimated cash balance of \$34.3 million. Projected income and available cash are adequate to cover budgeted debt service and reserve requirements, operating expenses, capital projects, and up to \$15 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 2012-13 budget on the District's cash position. The District will begin the new fiscal year with estimated cash balances totaling \$34.3 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 \$15 million of cash for purchase of new land.

ANNUAL CASH FLOW PROJECTION
FISCAL YEAR 2012-13 BUDGET
(\$Thousands)

Estimated Beginning Cash Balance	34,296
Plus: Tax Revenue	28,383
Santa Clara County Parks Income	295
Development Grants	2,319
Interest Income	300
Rental Income	1,109
Other Income	<u>205</u>
Total Operating Revenue	32,611

Minus:	Property Management Expense	292
	Land Acquisition Expenses	675
	Operating Expenses	15,959
	Strategic Plan & Other Non-Operating Expense	1,096
	Capital Expenditures	5,454
Debt Service		<u>8,902</u>
Total Non-Land Expenditures		<u>32,379</u>
Operating Cash Flow		232
New Land Acquired		12,090
Gifts of Land		615
Acquisition Grants		<u>2,475</u>
Net Cash for Land		<u>9,000</u>
Estimated Ending Cash Balance		<u>25,528</u>

Income

1. Tax Revenue is budgeted at \$28.38 million (67% from Santa Clara County and 33% from San Mateo County), an increase of 2.7% over the prior fiscal year. District property tax growth has recovered slightly in the 2011-12 tax year (ending in June 2012), forecast to be up by 2.0%. The District will continue to receive this level of tax revenue 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 3.5% range. This includes a full 2% increase from growth in the California Consumer Price Index. Combining the 2.0% growth in the first three months with a forecast 3.5% growth in the last nine months, the overall budgeted growth for the District in FY2012-13 is 2.7%.
2. Santa Clara County Parks Income is budgeted at \$295,000, up 3% from FY2011-12, as specified in the contract signed in 2010.
3. Development Grant Income is budgeted at \$2.32 million, including \$1.44 million of federal grants for the Mount Umunhum demolition and remediation project, \$420,000 of POST funding for the Mindego Gateway project, and \$384,230 for El Corte de Madera Creek parking and trails improvements.
4. Interest Income is projected at \$0.30 million, assuming that interest rates remain low.
5. Rental Income is projected at \$1.11 million, up 8% from FY2011-12.
6. Other Income is estimated at \$205,000 for various reimbursements, fines, fees, cash donations, and loan repayments. This includes payments from redevelopment agreements with Redwood City and East Palo Alto (a total of \$68,849 in FY2010-11). It remains to be seen how the state plan to end redevelopment funding will impact this District revenue.

Debt Capacity

At the end of March 2012, the District will have bonded indebtedness equal to approximately 61% of its statutory debt limit. Projected future cash flows would allow issuance of no more than \$15 million of additional debt, should this be needed to move forward certain strategic capital projects. No debt issuance is planned in FY2012-13.

Debt Service

Debt service requirements for FY2012-13 total \$8.90 million, a 9% decrease from FY2011-12. This decrease is due to the refinancing of the District's 1999 Bonds with its 2012 Refunding Notes. Debt service represents 31% of estimated tax revenue, down from 36% in FY2011-12. 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 \$5.45 million for capital expenditure projects, including \$2.12 million for Mount Umunhum projects, \$1.40 million for public access facilities, \$0.80 million for natural resources projects, \$0.66 million for operations department equipment, \$0.27 million for completion of the financial management software system project, \$0.18 million for staff facilities and \$0.16 million for planning projects. This compares to FY2011-12 capital spending of approximately \$3.95 million. As listed above, this capital spending is partially offset by \$2.32 million of budgeted grant income.
2. Property Management Expenses are budgeted at \$0.29 million.
3. Land Acquisition Expenses are budgeted at \$0.675 million.
4. Operating Expenses are budgeted at \$15.96 million, or 56.2% of projected tax revenue. If the District spends 97% of this operating budget in FY2012-13, which would be a higher percentage than usual, operating spending will be at 54.6% of tax revenue, which is consistent with the long-term financial model. At this level, operational spending would be up 13% over the latest staff forecast for FY2011-12.
5. The budget assumes acquiring \$12.1 million of land in FY2012-13. These acquisitions would generate \$2.5 million of grant income and \$0.6 million of gift income, leaving cash expenditures of \$9.0 million for Land Acquisition.

Reserves

If all revenues and expenditures occur as budgeted, the District's cash balances would total \$25.5 million at the end of FY2012-13. This would include \$1.42 million of debt service reserve funds but exclude \$1.95 million of Hawthorn endowment funds. Staff expects to spend approximately \$50,000 from the Hawthorn endowment in FY2012-13; this is not included in the operating budget.

Long-Term Cash Projections

Attached is a fifteen-year cash flow projection covering the period through FY2026-27. The projection assumes no additional debt issuance and no new revenue source. For FY2012-13, the projection is the budget with the exception that operating expenses and capital expenditures are shown at 97% and 95% of budget, respectively. The projection assumes modest tax revenue growth in FY2013-14, 3.8%, rebounding to a 5% growth track thereafter. 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 FY2014-15 and, thereafter, at the guideline level of 10.5% of tax revenue. The projection also includes the \$1.77 million estimated non-recurring cost to

initiate implementation of the newly adopted strategic plan. Consistent with the balanced mandate of the strategic plan, the model yields \$50 million of cash for land acquisition, \$65 million of (net) capital expenditures and approximately \$55 million of real growth in operating spending (assuming that a 5% per year increase would represent a steady-state service level given the projected investment in additional land and preserve improvements).

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

FISCAL IMPACT

There are no unbudgeted fiscal impacts.

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

Consider adopting the FY2012-13 Budget in view of the information contained in the Controller's report.

Attachment(s)

1. MROSD 15 Year Cash Flow Projection

Prepared by:
Michael L. Foster, Controller

Contact person:
Same as above

MROSD 15 YEAR CASH FLOW PROJECTION

No New Debt

2/6/12

(\$Millions)

TAX GROWTH: fcst in 11-12, budget in 12-13, +3.8% 13-14, +5% AFTER

EXPENSE GROWTH: estimate in 11-12, 97% of budget in 12-13, +7% THEREAFTER

CAPEX: estimate in 11-12, 95% of budget in 12-13, staff projectections for 13-15, 10.5% of TR thereafter

STRAT PLAN: 80% of budget in 12-13; \$1.77M 3 year total

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	36.26	28.38	21.50	13.74	8.66	7.83	7.72	7.64	7.58	7.49	7.09	7.09	6.96	6.85	6.88	
TAX REVENUE	27.62	28.38	29.46	30.93	32.48	34.10	35.81	37.60	39.48	41.45	43.52	45.70	47.98	50.38	52.90	55.55	605.7
COUNTY PAYMENT	0.29	0.30	0.31	0.32	0.33	0.34	0.35	0.36	0.37	0.38	0.39	0.40	0.42	0.43	0.44	0.45	5.6
INTEREST INCOME	0.31	0.34	0.30	0.25	0.25	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>1.21</u>	<u>1.28</u>	<u>1.30</u>	<u>1.32</u>	<u>1.34</u>	<u>1.36</u>	<u>1.38</u>	<u>1.40</u>	<u>1.43</u>	<u>1.45</u>	<u>1.47</u>	<u>1.49</u>	<u>1.51</u>	<u>1.54</u>	<u>1.56</u>	<u>1.58</u>	21.4
OPERATING REVENUES	29.43	30.30	31.37	32.82	34.40	36.05	37.79	39.61	41.52	43.53	45.63	47.84	50.16	52.60	55.15	57.83	636.6
OPERATING EXPENSES	14.17	15.48	16.56	17.72	18.96	20.29	21.71	23.23	24.86	26.60	28.46	30.45	32.58	34.86	37.30	39.92	389.0
<i>Operating Exp/Tax Revenue</i>	<i>51%</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>	<i>72%</i>	
PROP MGMT+ACQ +OTHER	0.37	0.95	0.60	0.61	0.62	0.64	0.65	0.66	0.68	0.69	0.70	0.72	0.73	0.75	0.75	0.76	10.5
STRATEGIC PLAN (non-recur)		0.70	0.60	0.47													1.8
INTERNAL CAPEX	2.26	1.11	1.01	3.12	1.25	1.50	1.53	1.56	1.59	1.62	1.66	1.69	1.72	1.76	1.79	1.79	24.7
PUBLIC CAPEX	1.70	4.20	2.11	2.90	2.60	2.53	2.70	2.89	3.09	3.31	3.54	3.79	4.02	4.30	4.56	4.87	51.4
DEVELOPMENT GRANTS	0.49	2.21	0.60	0.43	0.46	0.44	0.47	0.51	0.54	0.58	0.62	0.66	0.70	0.75	0.80	0.85	10.6
CAPEX (NET)	3.46	3.10	2.52	5.58	3.40	3.58	3.76	3.95	4.14	4.35	4.58	4.82	5.04	5.30	5.55	5.81	65.5
<i>Net Capex./Tax Revenue</i>	<i>12.5%</i>	<i>10.9%</i>	<i>8.5%</i>	<i>18.0%</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>	<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	<u>27.81</u>	<u>29.13</u>	<u>29.15</u>	<u>33.28</u>	<u>33.06</u>	<u>34.25</u>	<u>35.95</u>	<u>37.74</u>	<u>39.18</u>	<u>41.44</u>	<u>43.64</u>	<u>47.49</u>	<u>48.39</u>	<u>51.06</u>	<u>53.92</u>	<u>56.66</u>	614.3
OPERATING CASH FLOW	1.62	1.17	2.22	-0.46	1.34	1.80	1.84	1.87	2.34	2.08	2.00	0.35	1.78	1.53	1.23	1.18	22.3
NOTE PROCEEDS (NET)	20.00																
LAND ACQUIRED	24.00	12.09	10.00	8.00	7.00	2.75	2.00	2.00	2.50	2.25	2.50	0.25	2.00	1.75	1.25	1.25	57.6
GIFTS OF LAND	13.93	0.62															0.6
ACQUISTN GRANTS (10%)	<u>1.00</u>	<u>2.48</u>	<u>1.00</u>	<u>0.80</u>	<u>0.70</u>	<u>0.28</u>	<u>0.20</u>	<u>0.20</u>	<u>0.25</u>	<u>0.23</u>	<u>0.25</u>	<u>0.03</u>	<u>0.20</u>	<u>0.18</u>	<u>0.13</u>	<u>0.13</u>	7.0
NET CASH FOR LAND	9.06	9.00	9.00	7.20	6.30	2.48	1.80	1.80	2.25	2.03	2.25	0.23	1.80	1.58	1.13	1.13	50.0
ENDOWMENT	<u>1.97</u>	<u>-0.05</u>	<u>-0.10</u>	<u>-0.10</u>	<u>-0.13</u>	<u>-0.15</u>	<u>-0.15</u>	<u>-0.15</u>	<u>-0.15</u>	<u>-0.15</u>	<u>-0.15</u>	<u>-0.13</u>	<u>-0.10</u>	<u>-0.08</u>	<u>-0.08</u>	<u>-0.08</u>	-1.73
ENDING CASH	36.26	28.38	21.50	13.74	8.66	7.83	7.72	7.64	7.58	7.49	7.09	7.09	6.96	6.85	6.88	6.85	
REQUIRED RESERVES	<u>3.36</u>	<u>3.31</u>	<u>3.21</u>	<u>3.11</u>	<u>2.98</u>	<u>2.83</u>	<u>2.68</u>	<u>2.53</u>	<u>2.38</u>	<u>2.23</u>	<u>2.08</u>	<u>1.96</u>	<u>1.86</u>	<u>1.78</u>	<u>1.78</u>	<u>1.71</u>	
AVAILABLE CASH	32.90	25.08	18.29	10.64	5.67	5.00	5.04	5.11	5.20	5.26	5.00	5.13	5.11	5.06	5.09	5.15	
CUMM NEW LAND	0.00	12.09	22.09	30.09	37.09	39.84	41.84	43.84	46.34	48.59	51.09	51.34	53.34	55.09	54.59	56.34	
CUMM CASH FOR NEW LAND	0.00	9.00	18.00	25.20	31.50	33.98	35.78	37.58	39.83	41.85	44.10	44.33	46.13	47.70	47.25	48.83	
<i>DS/TR</i>	<i>36%</i>	<i>31%</i>	<i>30%</i>	<i>29%</i>	<i>31%</i>	<i>29%</i>	<i>27%</i>	<i>26%</i>	<i>24%</i>	<i>24%</i>	<i>23%</i>	<i>25%</i>	<i>21%</i>	<i>20%</i>	<i>20%</i>	<i>18%</i>	

MROSD CASH FLOW PROJECTION BEYOND 2027

No New Debt

2/6/12

TAX GROWTH: +5%/year

EXPENSE GROWTH: 7%/year thru 27-28, 6.5% thru 33-34, 6% thru 37-38, then 5.5%

(\$Millions)

CAPEX: 10.5% of TR, 17.5% of Public Capex covered by grants

FISCAL YEAR:

	26-27	27-28	28-29	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	2027-42
BEGINNING CASH	6.88	6.85	6.72	6.91	6.85	6.63	6.74	6.71	6.66	6.69	6.80	5.19	5.24	5.20	5.14	5.38	
TAX REVENUE	55.55	58.33	61.24	64.30	67.52	70.90	74.44	78.16	82.07	86.17	90.48	95.01	99.76	104.74	109.98	115.48	1258.6
COUNTY PAYMENT	0.45	0.47	0.48	0.50	0.51	0.53	0.54	0.56	0.57	0.59	0.61	0.63	0.65	0.67	0.69	0.71	8.7
INTEREST INCOME	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.18	0.18	0.18	0.18	0.18	0.18	3.3
OTHER INCOME	1.58	1.61	1.63	1.65	1.68	1.70	1.73	1.76	1.78	1.81	1.84	1.86	1.89	1.92	1.95	1.98	26.8
OPERATING REVENUES	57.83	60.65	63.60	66.70	69.96	73.37	76.96	80.73	84.68	88.82	93.10	97.67	102.47	107.51	112.79	118.34	1297.4
OPERATING EXPENSES	39.92	42.71	45.70	48.67	51.83	55.20	58.79	62.61	66.37	70.35	74.57	79.05	83.40	87.98	92.82	97.93	1018.0
<i>Operating Exp/Tax Revenue</i>	<i>71%</i>	<i>73%</i>	<i>74%</i>	<i>75%</i>	<i>76%</i>	<i>77%</i>	<i>78%</i>	<i>80%</i>	<i>80%</i>	<i>81%</i>	<i>82%</i>	<i>83%</i>	<i>83%</i>	<i>83%</i>	<i>84%</i>	<i>84%</i>	
PROP MGMT+ACQ +OTHER	0.76	0.78	0.79	0.81	0.82	0.84	0.86	0.87	0.89	0.91	0.93	0.95	0.97	0.98	1.00	1.02	13.4
INTERNAL CAPEX	1.79	1.83	1.87	1.90	1.94	1.98	2.02	2.06	2.10	2.14	2.19	2.23	2.27	2.32	2.37	2.41	31.6
PUBLIC CAPEX	4.87	5.19	5.50	5.86	6.24	6.65	7.05	7.47	7.92	8.39	8.90	9.43	10.00	10.49	11.12	11.79	122.0
DEVELOPMENT GRANTS	0.85	0.91	0.96	1.03	1.09	1.16	1.23	1.31	1.39	1.47	1.56	1.65	1.75	1.84	1.95	2.06	21.4
CAPEX (NET)	5.81	6.11	6.41	6.74	7.09	7.46	7.83	8.22	8.63	9.07	9.52	10.01	10.52	10.98	11.54	12.14	132.3
<i>Net Capex/Tax Revenue</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>	<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	10.16	10.01	8.90	8.92	9.03	9.04	9.06	9.07	8.76	7.93	7.44	6.95	6.95	6.95	6.95	7.45	123.4
NON-LAND SPENDING	56.66	59.60	61.79	65.14	68.78	72.55	76.54	80.78	84.65	88.26	92.46	96.95	101.83	106.90	112.32	118.55	1287.1
OPERATING CASH FLOW	1.18	1.05	1.81	1.56	1.18	0.82	0.43	-0.05	0.03	0.56	0.64	0.72	0.64	0.61	0.47	-0.21	10.3
NOTE PROCEEDS (NET)																	
LAND ACQUIRED	1.25	1.25	1.75	1.75	1.50	0.75	0.50	0.00	0.00	0.50	2.50	0.75	0.75	0.75	0.25	0.00	13.0
GIFTS OF LAND	0.00																
ACQUISTN GRANTS (10%)	0.13	0.13	0.18	0.18	0.15	0.08	0.05	0.00	0.00	0.05	0.25	0.08	0.08	0.08	0.03	0.00	1.3
NET CASH FOR LAND	1.13	1.13	1.58	1.58	1.35	0.68	0.45	0.00	0.00	0.45	2.25	0.68	0.68	0.68	0.23	0.00	11.7
ENDOWMENT	-0.08	-0.05	-0.05	-0.05	-0.05	-0.04											-0.24
ENDING CASH	6.85	6.72	6.91	6.85	6.63	6.74	6.71	6.66	6.69	6.80	5.19	5.24	5.20	5.14	5.38	5.17	
REQUIRED RESERVES	1.71	1.66	1.61	1.56	1.56	1.56	1.56	1.56	1.56	1.56	0.00	0.00	0.00	0.00	0.00	0.00	
AVAILABLE CASH	5.15	5.07	5.30	5.29	5.07	5.18	5.15	5.10	5.13	5.24	5.19	5.24	5.20	5.14	5.38	5.17	
CUMM NEW LAND	56.34	57.59	59.34	61.09	62.59	63.34	63.84	63.84	63.84	64.34	66.84	67.59	68.34	69.09	69.34	69.09	
CUMM CASH FOR NEW LAND	48.83	49.95	51.53	53.10	54.45	55.13	55.58	55.58	55.58	56.03	58.28	58.95	59.63	60.30	60.53	60.30	
<i>DS/TR</i>	<i>18%</i>	<i>17%</i>	<i>15%</i>	<i>14%</i>	<i>13%</i>	<i>13%</i>	<i>12%</i>	<i>12%</i>	<i>11%</i>	<i>9%</i>	<i>8%</i>	<i>7%</i>	<i>7%</i>	<i>7%</i>	<i>6%</i>	<i>6%</i>	