



Midpeninsula Regional  
Open Space District

R-15-90  
Meeting 15-18  
July 8, 2015

## AGENDA ITEM 7

### AGENDA ITEM

Year-End Review of the Fiscal Year 2014-15 District Budget and Expenditures

### GENERAL MANAGER'S RECOMMENDATION

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Accept the Year-End Review of the Fiscal Year 2014-15 Budget and Expenditures.

### SUMMARY

District property tax revenue for Fiscal Year (FY) 2014-15 totaled \$35.1 million, a \$1.37 million or 4.1% increase over the Midyear budget. Expenditures totaled \$35.6 million, which is 19% below the Midyear budget of \$43.9M. Supplementing the property tax revenue is revenue from other sources totaling \$2.8 million, including Rental Income, Grants, and Interest. The District continued to remain well within both the Operating Expenditure (OpEx) and Capital Expenditure (CapEx) Budget Guidelines of 55.0% and 10.5% of property tax revenue, respectively. Over the course of last fiscal year, the District made substantial progress on 92 Key Action Plan Projects, or 87% of the total project list. (R-15-79). Overall spending continues to demonstrate the District's commitment to completing high priority capital projects, including public access facilities in the Mindego Area of Russian Ridge Open Space Preserve (OSP), the Bald Mountain parking area at Sierra Azul OSP, and an additional two miles of the Mt. Umunhum trail to the summit.

### DISCUSSION

#### Revenues

The District's property tax revenue estimate of \$33.6 million was increased at Midyear to \$33.7 million, reflecting higher than projected revenues due to the continued economic growth in the region. As of March 31, 2015, property tax revenues totaled \$35.1 million, which are 4.6% higher than the adopted estimate and 4.1% above the Midyear adjustment. The District also received grants totaling \$947,000, as well as \$1.1 million in rental income under the Property Management Program.

#### Expenditures

The District's FY2014-15 expenditures remained within the approved budget. Expenditures by category are listed in Table 1 below.

**Table 1 – FY2014-15 District Budget and Expenditures**

DISTRICT EXPENDITURES	FY 2014-15 Adopted Budget	FY 2014-15 Midyear Budget	FY 2014-15 Yearend Actuals	\$ Change from FY2014-15 Midyear Budget	% Spent of FY2014-15 Midyear Budget
PROPERTY TAX REVENUES	33,556,000	33,740,000	35,109,783	1,369,783	104%
<b>EXPENDITURES</b>					
Salaries and Benefits	<b>14,522,606</b>	<b>14,522,606</b>	<b>13,474,293</b>	<b>(1,048,313)</b>	<b>93%</b>
Services and Supplies	<b>4,126,527</b>	<b>4,276,527</b>	<b>3,642,537</b>	<b>(633,990)</b>	<b>85%</b>
Total Operating Expense (OPEX)	18,649,133	18,799,133	17,116,829	(1,682,304)	91%
Strategic Plan/Vision Plan	<b>1,447,911</b>	<b>1,397,911</b>	<b>927,591</b>	<b>(470,320)</b>	<b>66%</b>
Capital (CAPEX)	<b>5,105,076</b>	<b>5,005,076</b>	<b>3,262,817</b>	<b>(1,742,259)</b>	<b>65%</b>
Property Management	<b>470,550</b>	<b>470,550</b>	<b>615,280</b>	<b>144,730</b>	<b>131%*</b>
Debt Service	<b>8,893,601</b>	<b>8,893,601</b>	<b>8,893,601</b>	<b>0</b>	<b>100%</b>
Land and Assoc. Cost	<b>9,354,000</b>	<b>9,354,000</b>	<b>4,771,119</b>	<b>(4,582,881)</b>	<b>51%</b>
Total Non-Operating Expense	25,271,138	25,121,138	18,470,408	(6,650,730)	74%
<b>TOTAL DISTRICT EXPENDITURES</b>	<b>43,920,271</b>	<b>43,920,271</b>	<b>35,587,238</b>	<b>(8,333,033)</b>	<b>81%</b>

\*Refer to discussion below regarding Property Management expenditures for explanation on incorrect budget accounting that led to what misleadingly appears to be an over expenditure.

The District ended the year with total expenditures of \$35.6 million, which is \$8.3 million or 19% below the Midyear budget. Excluding land purchases and debt service, total expenditures were \$21.9 million, which is \$3.8 million or 14.6% below the Midyear budget. (Attachment 1 provides additional information about FY2014-15 expenditures).

#### Operating Expenditures

Salaries and benefits ended the year 7.2% below the Midyear budget due to staff vacancies, resulting in a savings of \$1,049,313. Services and supplies were \$633,990, or 14.8% below budget primarily due to lower than budgeted spending in contract and outside services in most departments due to staff vacancies and the subsequent delay of new position recruitments (cascading effect resulted in recruitments that focused on filling existing positions versus new positions to expand capacity and allow new, additional projects to begin).

#### Strategic and Vision Plan Costs

Significant this year was completion of the final District Vision Plan document and Board approval of the Initial Five-Year Measure AA Project List. Included as part of the Strategic Plan/Vision Plan budget were Measure AA election costs, consultant expenses, funding for temporary staff to backfill District staff assigned to the Vision Plan and Capital Expenditure Plan, and a Community Outreach Specialist position to support increased public outreach activities related to the Strategic Plan. The District Controller determined that these expenses were non-recurring and therefore could be excluded from the Operating Expense Guideline and thus grouped separately under this category of expenses. Savings of \$470,320, or 34% below the Midyear budget, were due to a shift to more in-house work versus the use of consulting services to prepare the Five-Year Measure AA Project List, as well as the partial year vacancy of the Community Outreach Specialist position in the Public Affairs Department.

### Fixed Assets and Capital Projects

Capital project delays associated with permitting issues, higher than anticipated bids that required re-bids, staff vacancies, and scope changes resulted in expenditure savings of approximately \$1.7 million in the Capital budget. The District completed the scope of work for 57 of its 106 total active capital and non-capital projects. Significant accomplishments include:

- New Public Access Facilities in the Mindego Area of Russian Ridge Open Space Preserve (OSP): Mindego Gateway parking area, Mindego Hill trail, and Ancient Oaks trail extension;
- New Bald Mountain parking area at Sierra Azul OSP with 24 vehicles spaces, 4 adjacent roadside spaces, restroom, and signboards;
- An additional 2 miles of the Mt. Umunhum trail to the summit; and
- First phase of the Oljon Trail in El Corte de Madera Creek OSP.

### Property Management

The District manages 70 leases of which 41 are rental residences, 18 are agricultural leases, 10 are communications leases, and one (1) is a winery lease. Rental income totaled \$1,123,173, or 1.3% over the budgeted amount of \$1,108,948, and expenditures totaled \$615,280 or 31% over the budgeted amount of \$470,550 due to capital expenses incorrectly budgeted under Land and Associated costs. During the year-end audit review, a total of \$218,000 was identified in the Land accounts that should have been classified as structures and improvements in the Capital accounts under Property Management for expenditures related to repairs of rental structures. The expenditures were subsequently moved from Land and Associated Costs to Property Management, however, the budget remained in Land, causing the Property Management Program to exceed its budget even though the repairs and related funds were technically approved. Removal of the \$218,000 from the year-end total of \$615,280 results in actual expenditures of \$297,000 in Property Management, a savings of 16%.

### Long-Term Debt and Debt Service

Debt service expenses in FY2014-15 totaled \$8.89 million, consisting of \$3.14 million in principal and \$5.75 million in interest. Total debt service expenditures were equal to the budgeted amount.

### Land and Associated Costs

The District purchased and helped preserve 533 acres of open space land during FY2014-15 at a total cost of \$4.77 million. Highlights of land additions include:

- Land exchange with Ridge Vineyards to protect scenic Monte Bello ridgeline, preserve public recreation and an important wildlife corridor, and resolve an historic encroachment, resulting in a net increase of 25.28 acres of protected land;
- Purchase of the 60 acre Lysons property for \$1,480,000, with \$740,000 in partnership funds, completing the land needed for the Upper Stevens Creek regional trail;
- Purchase of a conservation easement over the 353 acre POST (Alpine Ranch) property for \$2.5 million as a potential future addition to San Mateo County's Pescadero Creek Park Complex;
- Purchase of the 40.2 acre Riggs property helping protect the Lobitos Creek Watershed, which provides spawning habitat for Coho Salmon and Steelhead. The property was purchased with a \$362,500 gift of land; and

- Purchase of the 40 acre Burton/Robinson property for \$400,000 as an addition to the Sierra Azul Open Space Preserve.

Associated Land costs totaled approximately \$631,000, including: \$149,000 for demolition and site restoration of the Lobner Trust property and site evaluation for the Lysons property at Monte Bello; \$222,000 for structure and infrastructure improvements to various properties; and \$142,000 for environmental compliance, engineering and geotechnical studies for the Ridge Vineyard Exchange, POST (Hendrys Creek), and Ravenswood Bay Trail projects.

Land grants and gifts included \$740,000 from Santa Clara County Parks for the partnership purchase of the Lysons property, and a \$362,500 (50 %) gift of land associated with the Riggs property, as well as a \$5,000 gift parcel in the Redwood Park subdivision, both at Purisima Creek Redwoods Open Space Preserve.

Land expenditures ended the year approximately \$4.58 million below budget due to ongoing negotiations for properties at Purisima Creek, La Honda Creek, and Sierra Azul Open Space Preserves, of which two were completed in May 2015.

Past Budget Performance

Table 2 below presents a comparison of FY2014-15 budget performance to FY2012-13 and FY2013-14. The operating budget expenditures typically range between 91% 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 (81% to 91%), due to the uncertainty of annual land purchases and the deferral of key capital and fixed asset projects.

**Table 2 – Past Performance**

<b>DISTRICT EXPENDITURES</b>	<b>FY2012-13</b>	<b>FY2013-14</b>	<b>FY2014-15</b>
<b>Operating Expense</b>	92%	94%	91%
<b>Strategic Plan/Vision Plan</b>	30%	66%	66%
<b>Capital (CAPEX)</b>	54%	74%	65%
<b>Property Management</b>	72%	90%	131%
<b>Debt Service</b>	100%	100%	100%
<b>Land and Assoc. Cost</b>	72%	51%	51%
<b>TOTAL EXPENDITURES</b>	91%	83%	81%

**Hawthorn Fund**

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

<b>HAWTHORN</b>						
<b>EXPENDITURES</b>				<b>\$ Change from</b>	<b>% Spent of</b>	
	<b>FY2014-15</b>	<b>FY2014-15</b>	<b>FY2014-15</b>	<b>FY2014-15</b>	<b>FY2014-15</b>	
	<b>Adopted Budget</b>	<b>Midyear Budget</b>	<b>Actual</b>	<b>Midyear Budget</b>	<b>Midyear Budget</b>	
<b>Salaries and Benefits</b>	19,610	19,610	0	19,610	0%	
<b>Services and Supplies</b>	202,075	202,075	17,803	184,272	9%	
<b>Capital/Fixed Assets</b>	120,742	120,742	5,771	114,972	5%	
<b>TOTAL EXPENDITURES</b>	<b>342,427</b>	<b>342,427</b>	<b>23,573</b>	<b>318,854</b>	<b>7%</b>	

The FY2014-15 expenditures from the Hawthorn Fund totaled \$23,573 which is 93% below the Midyear Budget of \$342,427 (See Table 3, above). The remaining stabilization work on the Hawthorn house and carriage house (garage) remained on hold until the District selected a new partner and formalized the partnership to manage the historic complex. Partner selection occurred in FY2014-15, and involved coordination with the Town of Portola Valley, Peninsula Open Space Trust, and other interested partners. While partner selection was evaluated, ongoing pest control continued to protect the house in the interim. During the final quarter of the fiscal year, the Planning and Natural Resources Committee considered the potential partner selection and recommended the partner to the Board for approval. The Board approved the partner in early FY2015-16.

Required abatement of hazardous materials and improvements at the Alpine House (not part of the historic complex) were delayed until FY2015-16 as staff resources were assigned to the Capital Finance Project and to the development of the 5-Year Measure AA Project List. Consequently, of the \$163,300 budgeted for repairs to the Alpine House and general property maintenance, only approximately \$20,000 was spent on patrol, utilities, and creating the plans and specifications for the Alpine House in preparation for a Request for Bids in FY2015-16.

The Hawthorn Endowment Fund balance as of March 31, 2015, net of all expenditures, was \$1,694,802 (See Table 4 below).

**Table 4: Hawthorn –Endowment/Cash Balance**

<b>HAWTHORN ENDOWMENT FUND</b>				
<b>Hawthorn Fund Original Endowment</b>				\$ 2,018,445
FY2011-12 Interest Income				\$ 3,267
FY2011-12 Expenditures				\$ (50,672)
FY2012-13 Interest Income				\$ 7,854
FY2012-13 Expenditures				\$ (112,347)
FY2013-14 Interest Income				\$ 6,121
FY2013-14 Expenditures				\$ (160,111)
FY2014-15 Interest Income				\$ 5,818
FY2014-15 Expenditures				\$ (23,573)
<b>ENDING BALANCE</b>				<b>\$ 1,694,802</b>

**BOARD COMMITTEE REVIEW**

There was no Committee review for this agenda item.

**FISCAL IMPACT**

The Year-End review of the FY2014-15 budget has no fiscal impact on the FY2015-16 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 fall of 2015, the District Controller and General Manager will prepare the FY2015-16 Midyear Report and present it to the Board for review.

Attachment:

1. District Budget by Department Summary FY2014-15 Annual Review

Responsible Department Manager:

Kate Drayson, Administrative Services Manager

Prepared by:

Frank Hernandez, Finance and Budget Analyst

Kate Drayson, Administrative Services Manager

Michael Newburn, Operations Manager

Jane Mark, Planning Manager

Tina Hugg, Senior Planner

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:

Frank Hernandez, Finance and Budget Analyst

Kate Drayson, Administrative Services Manager

	FY 2014-15 Adopted Budget (1)	FY 2014-15 Midyear Budget (2)	FY 2014-15 Actuals (Unaudited)	\$ Change from FY2014-15 Midyear Budget	% Spent of FY2014-15 Midyear Budget
<b>DISTRICT EXPENDITURES</b>					
<b>DISTRICT BUDGET BY DEPARTMENT</b>					
<b>Administration</b>					
Salaries and Benefits	3,153,650	3,153,650	2,921,591	(232,059)	93%
Services and Supplies	1,023,695	1,033,695	1,093,477	59,782	106%
<b>Total Operating Expense</b>	<b>4,177,345</b>	<b>4,187,345</b>	<b>4,015,068</b>	<b>(172,277)</b>	<b>96%</b>
Strategic/Vision Plan	1,043,075	1,043,075	714,088	(328,987)	68%
Capital	71,200	171,200	49,956	(121,244)	29%
<b>Total Non-Operating Expense</b>	<b>1,114,275</b>	<b>1,214,275</b>	<b>764,044</b>	<b>(450,231)</b>	<b>63%</b>
<b>Total Administrative Expenditures</b>	<b>5,291,620</b>	<b>5,401,620</b>	<b>4,779,112</b>	<b>(622,508)</b>	<b>88%</b>
<b>Natural Resources</b>					
Salaries and Benefits	1,073,745	1,073,745	909,239	(164,506)	85%
Services and Supplies	468,551	468,551	382,869	(85,682)	82%
<b>Total Operating Expense</b>	<b>1,542,296</b>	<b>1,542,296</b>	<b>1,292,108</b>	<b>(250,188)</b>	<b>84%</b>
Capital	915,000	840,000	719,426	(120,574)	86%
<b>Total Non-Operating Expense</b>	<b>915,000</b>	<b>840,000</b>	<b>719,426</b>	<b>(120,574)</b>	<b>86%</b>
<b>Total Natural Resources Expenditures</b>	<b>2,457,296</b>	<b>2,382,296</b>	<b>2,011,533</b>	<b>(370,763)</b>	<b>84%</b>
<b>Operations</b>					
Salaries and Benefits	6,900,055	6,900,055	6,603,950	(296,105)	96%
Services and Supplies	1,707,440	1,702,440	1,472,307	(230,133)	86%
<b>Total Operating Expense</b>	<b>8,607,495</b>	<b>8,602,495</b>	<b>8,076,257</b>	<b>(526,238)</b>	<b>94%</b>
Capital	2,262,266	2,232,266	1,704,935	(527,331)	76%
<b>Total Non-Operating Expense</b>	<b>2,262,266</b>	<b>2,232,266</b>	<b>1,704,935</b>	<b>(527,331)</b>	<b>76%</b>
<b>Total Operations Expenditures</b>	<b>10,869,761</b>	<b>10,834,761</b>	<b>9,781,192</b>	<b>(1,053,569)</b>	<b>90%</b>
<b>Planning</b>					
Salaries and Benefits	1,402,824	1,402,824	1,257,522	(145,302)	90%
Services and Supplies	199,501	349,501	145,080	(204,421)	42%
<b>Total Operating Expense</b>	<b>1,602,325</b>	<b>1,752,325</b>	<b>1,402,602</b>	<b>(349,723)</b>	<b>80%</b>
Strategic/Vision Plan	234,000	184,000	92,121	(91,879)	50%
Capital	1,856,610	1,761,610	788,500	(973,110)	45%
<b>Total Non-Operating Expense</b>	<b>2,090,610</b>	<b>1,945,610</b>	<b>880,621</b>	<b>(1,064,989)</b>	<b>45%</b>
<b>Total Planning Expenditures</b>	<b>3,692,935</b>	<b>3,697,935</b>	<b>2,283,223</b>	<b>(1,414,712)</b>	<b>62%</b>
<b>Public Affairs</b>					
Salaries and Benefits	1,135,930	1,135,930	1,074,534	(61,396)	95%
Services and Supplies	597,790	592,790	493,783	(99,007)	83%
<b>Total Operating Expense</b>	<b>1,733,720</b>	<b>1,728,720</b>	<b>1,568,317</b>	<b>(160,403)</b>	<b>91%</b>
Strategic/Vision Plan	170,836	170,836	121,382	(49,454)	71%
<b>Total Non-Operating Expense</b>	<b>170,836</b>	<b>170,836</b>	<b>121,382</b>	<b>(49,454)</b>	<b>71%</b>
<b>Total Public Affairs Expenditures</b>	<b>1,904,556</b>	<b>1,899,556</b>	<b>1,689,699</b>	<b>(209,857)</b>	<b>89%</b>
<b>Real Property</b>					
Salaries and Benefits	856,402	856,402	707,455	(148,947)	83%
Services and Supplies	129,550	129,550	55,021	(74,529)	42%
<b>Total Operating Expense</b>	<b>985,952</b>	<b>985,952</b>	<b>762,477</b>	<b>(223,475)</b>	<b>77%</b>
Property Mgt.	470,550	470,550	615,280	144,730	131%
Debt Service	8,893,601	8,893,601	8,893,601	0	100%
Land and Assoc. Costs	9,354,000	9,354,000	4,771,119	(4,582,881)	51%
<b>Total Non-Operating Expense</b>	<b>18,718,151</b>	<b>18,718,151</b>	<b>14,280,001</b>	<b>(4,438,150)</b>	<b>76%</b>
<b>Total Real Property Expenditures</b>	<b>19,704,103</b>	<b>19,704,103</b>	<b>15,042,478</b>	<b>(4,661,625)</b>	<b>76%</b>
<b>DISTRICT EXPENDITURES BY CATEGORY</b>					
Salaries and Benefits	14,522,606	14,522,606	13,474,293	(1,048,313)	93%
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Strategic/Vision Plan	1,447,911	1,397,911	927,591	(470,320)	66%
Capital (CAPEX)	5,105,076	5,005,076	3,262,817	(1,742,259)	65%
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Debt Service	8,893,601	8,893,601	8,893,601	0	100%
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<b>Total Non-Operating Expense</b>	<b>25,271,138</b>	<b>25,121,138</b>	<b>18,470,408</b>	<b>(6,650,730)</b>	<b>74%</b>
<b>Total District Expenditures</b>	<b>43,920,271</b>	<b>43,920,271</b>	<b>35,587,238</b>	<b>(8,333,033)</b>	<b>81%</b>
TOTAL OPERATING BUDGET: (OPEX)	18,649,133	18,799,133	17,116,829	(1,682,304)	91%
<small>(1) FY2014-15 Adopted Budget: Original Annual Budget adopted by Board on 3/26/14.</small>					
<small>(2) FY2014-15 Midyear Budget: Modified Budget includes Board approved Midyear budget changes. □</small>					