

SONOMA COUNTY OPEN SPACE FISCAL OVERSIGHT COMMISSION

COMMISSIONERS

Mike Sangiacomo (Sonoma)
Todd Mendoza (Petaluma)
Dee Swanhuysen (Sebastopol)

Bob Anderson (Healdsburg)
Eric Koenigshofer (Occidental)
Jeff Owen (Alternate)

Regular Meeting
747 Mendocino Avenue – Suite 100, Santa Rosa, CA 95401
May 7, 2015 5:00 pm

AGENDA

1. **Call to Order.**
2. **Agenda Items to be Held or Taken Out of Order; Off-Agenda Items.**
3. **General Announcements Not Requiring Deliberation or Decision.**
4. **Public Comment.**
The Brown Act requires that time be set aside for public comment on items not agendized.
5. **Correspondence/Communication.**
6. **Approval of Commission Minutes.** [Attachment 1]
April 9, 2015
7. **Ad Hoc Committee Reports.**
 - Annual Report/Audit Report Review (Anderson, Swanhuysen)
 - Investment (Swanhuysen, Owen)
 - Review of County Services (Mendoza, Koenigshofer)
 - Stewardship (Mendoza, Sangiacomo)
 - Operation and Maintenance Transaction Review (Anderson, Koenigshofer)
 - Matching Grant Program (Koenigshofer, Owen)
8. **Measure F Bond Refunding Review.** [Attachment 2]
9. **District Budget Review/Update.** [Attachment 3]
10. **Suggested Next Meeting.** June 4, 2015
11. **Adjournment.**

In compliance with Government Code §54954.2(a), the Sonoma County Open Space Fiscal Oversight Commission will, on request, make this agenda available in appropriate alternative formats to persons with a disability, as required by Section 202 of the ADA of 1990 (42 U.S.C. §12132), and the Federal rules and regulations adopted in implementation thereof. Individuals who need this agenda in another format or need a disability-related modification or accommodation should contact Sue Jackson at 707.565.7346 at least 72 hours prior to the meeting to ensure arrangements for accommodation. Pursuant to Government Code § 54957.5, a copy of all documents related to an item on this agenda submitted to the Fiscal Oversight Commission may be obtained from the Fiscal Oversight Commission office, 747 Mendocino Avenue, Santa Rosa, CA 95401.

**SONOMA COUNTY OPEN SPACE
FISCAL OVERSIGHT COMMISSION**

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UNAPPROVED

Minutes for Meeting of April 9, 2015

Commissioners Present: Koenigshofer (Chair), Anderson (Vice Chair), Mendoza, Swanhuysen, Owen

Staff Present: Bill Keene, General Manager; Mary Dodge, Administrative and Fiscal Services Manager; Sheri Emerson, Program Manager – Stewardship; Jennifer Kuszmar, Associate Planner – Matching Grant Coordinator; Sue Gallagher, Counsel; Christine Minkel, Administrative Aide to the Commission, Sue Jackson, Deputy Clerk/Recorder-Fiscal Oversight Commission.

Others Present: Caryl Hart, Director, Sonoma County Regional Parks; Bert Whitaker, Park Manager; Steve Ehret, Park Planning Manager.

1. **Call to Order.**
Commissioner Koenigshofer called the meeting to order at 5:09 pm.
2. **Agenda Items to be Held or Taken Out of Order; Off Agenda Items.**
There were none.
3. **General Announcements Not Requiring Deliberation or Decision.**
There were none.
4. **Public Comment.**
There was none.
5. **Correspondence/Communication.**
There was none.
6. **Approval of Commission Minutes.**
On a motion by Commissioner Mendoza and second by Alternate Commissioner Owen, the minutes of March 5, 2015 were approved as corrected, i.e., Commissioner Anderson's vote on Item 12, Foppiano Vineyards was corrected to read "Recused."

7. **Ad Hoc Committee Reports.**

- Investment (Swanhuyser, Owen). Alternate Commissioner Owen reported the following:
Committee Meeting Date: Friday, March 27, 2015.
In attendance for the Fiscal Oversight Commission: Alternate Commissioner Owen and Christine Minkel, Administrative Aide to the Commission
In attendance for District: Mary Dodge, Administrative and Fiscal Services Manager; Jonathan Kadlec, Assistant Treasurer, Sonoma County Treasurer's Office; Paul Cocking, Investment and Debt Officer, Sonoma County Treasurer's Office.

Also in attendance:

KNN Public Finance (the County's Financial Adviser for bond issuance)

David Leifer, Senior Managing Director

Bobby Cheung (via phone), Vice President

Under discussion: Potential refinancing of the 2007 County of Sonoma Measure F Sales Tax Revenue Bonds and potential investment opportunities for the Stewardship Fund.

Outcome/Recommendation:

1. KNN Public Finance will deliver a presentation on the proposed bond refinancing to the Fiscal Oversight Commission at the May 7, 2015, meeting. County and District staff have tentatively scheduled a presentation on the bond refinancing to the Board of Directors in late May, 2015. Additionally, Mr. Keene stated that he requested that KNN Public Finance include within their presentation, three scenarios to review the potential of paying down the bond debt.
 2. The current investment strategy for all District and Open Space Special Tax Account (OSSTA) funds is to remain in the Sonoma County Treasury's investment portfolio.
- Review of County Services (Mendoza, Koenigshofer) – nothing to report.
 - Stewardship (Mendoza, Sangiacomo)
Commissioner Mendoza announced that the committee met in January, 2015.
Commissioner Sangiacomo will provide a summary of that meeting at the May 2015 Fiscal Oversight Commission meeting.
 - Operation & Maintenance Transaction Review (Anderson, Koenigshofer) – nothing to report.
 - Annual Report/Audit Report Review (Anderson, Swanhuyser) – nothing to report.
 - Matching Grant Program (Koenigshofer, Owen) – nothing to report.

8. **Initial Public Access, Operation and Maintenance – Review Revised Policy.**

Carried over from November 6, 2014, February 5, 2015, March 5, 2015

Ms. Emerson facilitated the discussion, commencing where the previous discussion ended, i.e., page 3, last paragraph, “Qualifying expenditures typically do not include...”. The discussion included options for how the policy could be adopted to address the six properties currently owned by the District, and, separately, how initial public access, operation and maintenance of future acquisitions will be calculated. The discussion also included the interpretation of “initial public access,” the time frame calculation of District-funded operations, and sources of additional funding when needed to achieve public access. The Commission directed that the item be agendaized for further discussion.

9. **Suggested Next Meeting.** May 7, 2015 @ 5:00 pm

10. **Adjournment.**

Commissioner Koenigshofer adjourned the meeting at 6:35 pm.

Respectfully submitted,
Sue Jackson - Deputy Clerk/Recorder



Date: May 1, 2015 (Meeting May 7, 2015)

To: Fiscal Oversight Commission

From: Mary Dodge, Administrative and Fiscal Services Manager

Subject: Measure F Sales Tax Revenue Bond Refunding Proposal

On November 8, 2007 \$93,845,000 of tax exempt Measure F Sales Tax Revenue Bonds were issued for the purpose of repaying a line of credit from Sonoma County that arose from the purchase of land in fee and conservation easements, and to provide funding for future purchases. The interest rates varied from 4.0% for the first maturities in 2012 up to 5.0% in 2015 with final maturities having a 4.5% interest rate. See Attachment 1.

In March 2015 District staff was contacted by the County Deputy Treasurer, Jonathan Kadlec, regarding the concept of doing a refunding transaction where a new borrowing would be done at a lower rate and an escrow account would be established to service the existing bonds. Mr. Kadlec provided documentation to the District regarding the savings potential of this transaction as generated by KNN Public Finance, the entity functioning as the Financial Advisor. Preliminary estimates show a potential savings of around \$5 million. Please note that while the document provided is in a very small font, KNN will have this information available in electronic form that may be enlarged on our projection screen.

During our discussions with KNN and Mr. Kadlec the concept of contributing some of the cash currently in the Open Space Special Tax Account (OSSTA) was proposed. It is estimated that the OSSTA fund will have \$70 million in cash at June 30, 2015. A review of potential closings through FY17/18 estimates a cash requirement of approximately \$20 million. With the current balance of \$70 million, and over \$20 million in sales tax predicted each year to cover the \$15 million needed in operations and debt service, it appears providing additional cash to the transaction would increase the savings without putting the District at a cash flow risk.

Staff is requesting the FOC review and makes recommendations to the District's General Manager on the proposed transaction at Attachment 2 and the scenarios where the District contributes \$5, \$10 or \$15 million towards reducing the debt principal.

DEBT SERVICE SCHEDULE

The following table sets forth the annual debt service requirements for the 2007 Bonds.

Fiscal Year Ending June 30	Series 2007 A Bonds		Series 2007 B Bonds		Annual Debt Service
	Principal Amount	Interest Payment	Principal Amount	Interest Payment	
2008	-	\$ 1,388,801.39	-	\$ 44,371.33	\$ 1,433,172.72
2009	-	4,424,500.00	-	141,360.00	4,565,860.00
2010	-	4,424,500.00	-	141,360.00	4,565,860.00
2011	-	4,424,500.00	-	141,360.00	4,565,860.00
2012	-	4,424,500.00	\$3,040,000	70,680.00	7,535,180.00
2013	\$ 3,145,000	4,361,600.00	-	-	7,506,600.00
2014	3,275,000	4,233,200.00	-	-	7,508,200.00
2015	3,405,000	4,099,600.00	-	-	7,504,600.00
2016	3,565,000	3,942,375.00	-	-	7,507,375.00
2017	3,745,000	3,759,625.00	-	-	7,504,625.00
2018	3,940,000	3,567,500.00	-	-	7,507,500.00
2019	4,140,000	3,365,500.00	-	-	7,505,500.00
2020	4,355,000	3,153,125.00	-	-	7,508,125.00
2021	4,575,000	2,929,875.00	-	-	7,504,875.00
2022	4,785,000	2,719,800.00	-	-	7,504,800.00
2023	4,985,000	2,524,400.00	-	-	7,509,400.00
2024	5,215,000	2,294,325.00	-	-	7,509,325.00
2025	5,480,000	2,026,950.00	-	-	7,506,950.00
2026	5,760,000	1,745,950.00	-	-	7,505,950.00
2027	6,055,000	1,450,575.00	-	-	7,505,575.00
2028	6,365,000	1,140,075.00	-	-	7,505,075.00
2029	6,695,000	813,575.00	-	-	7,508,575.00
2030	7,020,000	488,250.00	-	-	7,508,250.00
2031	7,340,000	165,150.00	-	-	7,505,150.00
Total	\$93,845,000	\$67,868,251.39	\$3,040,000	\$539,131.33	\$165,292,382.72

THE MEASURE F SALES TAX

The Open Space Authority, the District and the Measure C Sales Tax

In 1990, the County Board of Supervisors created the Sonoma County Open Space Authority (the "Open Space Authority") and placed a measure on the November 1990 ballot seeking voter approval of the creation of the Sonoma County Agricultural Presentation and Open Space District. Concurrently, the Open Space Authority adopted an Open Space Expenditure Plan (the "1990 Expenditure Plan") and a one-fourth of one percent retail transactions and use tax ordinance (the "Measure C Sales Tax") to finance the 1990 Expenditure Plan, and placed both measures on the November 1990 ballot. Each of these measures received the requisite voter approval.

The geographic jurisdiction of the Open Space Authority and the District are the same as the boundaries of the County. The Open Space Authority is governed by a five-member board

County of Sonoma
Measure F Sales Tax Revenue Bonds Series 2007 A (Limited Tax Bonds) Refunding Analysis
Breakdown of Bond Sources and Uses (Partial Refunding, No Bond Insurance)

Sources

Par Amount:	\$68,625,000
Premium:	12,071,481
Total Sources:	\$80,696,481

Uses

Refunding Escrow: ¹	\$80,050,561
Costs of Issuance: ²	300,000
Underwriter's Discount: ³	343,125
Rounding Amount:	2,795
Total Uses:	\$80,696,481

Statistics

T.I.C.: ⁴	2.91%
Refunded/Defeased Maturities:	2018-2030
Final Maturity:	9/1/2030
Present Value Savings (\$): ⁵	\$4,755,616
Present Value Savings (%):	6.54%
Average Annual Savings (2019-30):	\$396,863

Negative Arbitrage: \$2,976,381

¹ Based upon market conditions as of March 12, 2015.

² Includes estimated costs for bond and disclosure counsel, credit rating, financial advisor, trustee, printing and misc. costs.

³ Estimated at \$5.00 per \$1,000 of bond par amount.

⁴ Based upon market conditions for "AA" category rated Sales Tax Revenue Bonds as of March 9, 2015.

⁵ Present value assumes discount rate equal to arbitrage yield of bond scenario.

County of Sonoma
Measure F Sales Tax Revenue Bonds Series 2007 A (Limited Tax Bonds) Refunding Analysis
Breakdown of Savings Cash Flow

Current 2007 A Bond Payments			Proposed Refunding ¹			Unrefunded Bonds (Non-Callable)			Estimated Savings								
Payment Date	Existing Principal	Existing Interest	Existing Total Payments	Payment Date	Principal	Interest	Total	Payment Date	Principal	Interest	Total	Total Current Payments	Total Refunding and Unrefunded Payments	Gross Savings	Gross Savings (FY)	Present Value Savings ²	
9/1/2015	3,565,000	2,015,750	5,580,750	9/1/2015	575,000	835,225	1,410,225	9/1/2015	3,565,000	281,250	3,846,250	5,580,750	5,256,475	324,275		322,195	
3/1/2016	0	1,926,625	1,926,625	3/1/2016		1,661,825	1,661,825	3/1/2016	0	192,125	192,125	1,926,625	1,853,950	72,675	396,950	71,285	
9/1/2016	3,745,000	1,926,625	5,671,625	9/1/2016	0	1,661,825	1,661,825	9/1/2016	3,745,000	192,125	3,937,125	5,671,625	5,598,950	72,675		70,374	
3/1/2017	0	1,833,000	1,833,000	3/1/2017		1,661,825	1,661,825	3/1/2017	0	98,500	98,500	1,833,000	1,760,325	72,675	145,350	69,474	
9/1/2017	3,940,000	1,833,000	5,773,000	9/1/2017	0	1,661,825	1,661,825	9/1/2017	3,940,000	98,500	4,038,500	5,773,000	5,700,325	72,675		68,585	
3/1/2018	0	1,734,500	1,734,500	3/1/2018		1,661,825	1,661,825	3/1/2018				1,734,500	1,661,825	72,675	145,350	67,708	
9/1/2018	4,140,000	1,734,500	5,874,500	9/1/2018	3,860,000	1,661,825	5,521,825	9/1/2018				5,874,500	5,521,825	352,675		324,370	
3/1/2019	0	1,631,000	1,631,000	3/1/2019		1,584,625	1,584,625	3/1/2019				1,631,000	1,584,625	46,375	399,050	42,108	
9/1/2019	4,355,000	1,631,000	5,986,000	9/1/2019	4,025,000	1,584,625	5,609,625	9/1/2019				5,986,000	5,609,625	376,375		337,371	
3/1/2020	0	1,522,125	1,522,125	3/1/2020		1,504,125	1,504,125	3/1/2020				1,522,125	1,504,125	18,000	394,375	15,928	
9/1/2020	4,575,000	1,522,125	6,097,125	9/1/2020	4,205,000	1,504,125	5,709,125	9/1/2020				6,097,125	5,709,125	388,000		338,952	
3/1/2021	0	1,407,750	1,407,750	3/1/2021		1,399,000	1,399,000	3/1/2021				1,407,750	1,399,000	8,750	396,750	7,546	
9/1/2021	4,785,000	1,407,750	6,192,750	9/1/2021	4,420,000	1,399,000	5,819,000	9/1/2021				6,192,750	5,819,000	373,750		318,206	
3/1/2022	0	1,312,050	1,312,050	3/1/2022		1,288,500	1,288,500	3/1/2022				1,312,050	1,288,500	23,550	397,300	19,794	
9/1/2022	4,985,000	1,312,050	6,297,050	9/1/2022	4,650,000	1,288,500	5,938,500	9/1/2022				6,297,050	5,938,500	358,550		297,507	
3/1/2023	0	1,212,350	1,212,350	3/1/2023		1,172,250	1,172,250	3/1/2023				1,212,350	1,172,250	40,100	398,650	32,847	
9/1/2023	5,215,000	1,212,350	6,427,350	9/1/2023	4,890,000	1,172,250	6,062,250	9/1/2023				6,427,350	6,062,250	365,100		295,243	
3/1/2024	0	1,081,975	1,081,975	3/1/2024		1,050,000	1,050,000	3/1/2024				1,081,975	1,050,000	31,975	397,075	25,526	
9/1/2024	5,480,000	1,081,975	6,561,975	9/1/2024	5,140,000	1,050,000	6,190,000	9/1/2024				6,561,975	6,190,000	371,975		293,158	
3/1/2025	0	944,975	944,975	3/1/2025		921,500	921,500	3/1/2025				944,975	921,500	23,475	395,450	18,264	
9/1/2025	5,760,000	944,975	6,704,975	9/1/2025	5,400,000	921,500	6,321,500	9/1/2025				6,704,975	6,321,500	383,475		294,541	
3/1/2026	0	800,975	800,975	3/1/2026		786,500	786,500	3/1/2026				800,975	786,500	14,475	397,950	10,976	
9/1/2026	6,055,000	800,975	6,855,975	9/1/2026	5,675,000	786,500	6,461,500	9/1/2026				6,855,975	6,461,500	394,475		295,290	
3/1/2027	0	649,600	649,600	3/1/2027		644,625	644,625	3/1/2027				649,600	644,625	4,975	399,450	3,676	
9/1/2027	6,365,000	649,600	7,014,600	9/1/2027	5,970,000	644,625	6,614,625	9/1/2027				7,014,600	6,614,625	399,975		291,798	
3/1/2028	0	490,475	490,475	3/1/2028		495,375	495,375	3/1/2028				490,475	495,375	-4,900	395,075	-3,529	
9/1/2028	6,695,000	490,475	7,185,475	9/1/2028	6,280,000	495,375	6,775,375	9/1/2028				7,185,475	6,775,375	410,100		291,581	
3/1/2029	0	323,100	323,100	3/1/2029		338,375	338,375	3/1/2029				323,100	338,375	-15,275	394,825	-10,722	
9/1/2029	7,020,000	323,100	7,343,100	9/1/2029	6,600,000	338,375	6,938,375	9/1/2029				7,343,100	6,938,375	404,725		280,446	
3/1/2030	0	165,150	165,150	3/1/2030		173,375	173,375	3/1/2030				165,150	173,375	-8,225	396,500	-5,626	
9/1/2030	7,340,000	165,150	7,505,150	9/1/2030	6,935,000	173,375	7,108,375	9/1/2030				7,505,150	7,108,375	396,775		267,950	
																396,775	
Total:	\$84,020,000	\$36,087,050	\$120,107,050		\$68,625,000	\$33,522,675	\$102,147,675		\$11,250,000	\$862,500	\$12,112,500	\$120,107,050	\$114,260,175	\$5,846,875	\$5,846,875	\$4,752,821	

¹ Based upon market conditions for "AA" category rated Sales Tax Revenue Bonds as of March 9, 2015.

² Present value assumes discount rate equal to arbitrage yield of bond scenario.

Plus Funds on Hand: 2,795
Total Present Value Savings: \$4,755,616

County of Sonoma
 Measure F Sales Tax Revenue Bonds Series 2007 A (Limited Tax Bonds) Refunding Analysis
 Breakdown of Refunding Escrow Sources and Uses

Proposed Refunding Escrow Cash Flow				Unrefunded Bonds (Non-Callable)				Total Refunding Escrow and Unrefunded Bonds				
Refunding Escrow Sources:				Unrefunded Bond Payment Sources:				Total Escrow and Measure F Sources:				
Deposit from Refunding Bond Proceeds:		\$80,050,561		Measure F Sales Tax Revenues:		\$12,112,500		Refunding Escrow Sources:		\$81,442,500		
Estimated Interest Earnings on Escrow: ¹		1,391,939						Measure F Revenues:		\$12,112,500		
Total Escrow Sources:		\$81,442,500						Total Sources:		\$93,555,000		
Refunding Escrow Uses:				Unrefunded Bond Payment Uses:				Total Escrow and Measure F Uses:				
Payment Date	Principal	Interest	Total	Payment Date	Principal	Interest	Total	Payment Date	Principal	Interest	Total	
9/1/2015	0	1,734,500	1,734,500	9/1/2015	3,565,000	281,250	3,846,250	9/1/2015	3,565,000	2,015,750	5,580,750	
3/1/2016	0	1,734,500	1,734,500	3/1/2016	0	192,125	192,125	3/1/2016	0	1,926,625	1,926,625	
9/1/2016	0	1,734,500	1,734,500	9/1/2016	3,745,000	192,125	3,937,125	9/1/2016	3,745,000	1,926,625	5,671,625	
3/1/2017	0	1,734,500	1,734,500	3/1/2017	0	98,500	98,500	3/1/2017	0	1,833,000	1,833,000	
9/1/2017	72,770,000	1,734,500	74,504,500	9/1/2017	3,940,000	98,500	4,038,500	9/1/2017	76,710,000	1,833,000	78,543,000	
Total Escrow Uses:	\$72,770,000	\$8,672,500	\$81,442,500		\$11,250,000	\$862,500	\$12,112,500		\$213,066	\$84,020,000	\$9,535,000	\$93,555,000

¹ Refunding escrow earnings based upon investment options as of March 12, 2015.

County of Sonoma
Measure F Sales Tax Revenue Bonds Series 2007 A (Limited Tax Bonds) Refunding Analysis
Refunding and Paydown Scenarios (\$5.0, \$10.0 and \$15.0 million)

Current 2007 A Bond Payments					Scenario 1 Proposed Refunding and No Cash Contribution					
Fiscal Yr. Ending	Existing Principal	Existing Interest	Interest Earnings (\$15m) ¹	Net Cost	Fiscal Yr. Ending	Unrefunded Payments	Refunding Principal	Refunding Interest ²	Interest Earnings (\$15m) ¹	Net Cost
6/30/2016	3,565,000	3,942,375	90,000	7,417,375	6/30/2016	4,038,375	575,000	2,497,050	90,000	7,020,425
6/30/2017	3,745,000	3,759,625	90,000	7,414,625	6/30/2017	4,035,625	0	3,323,650	90,000	7,269,275
6/30/2018	3,940,000	3,567,500	90,000	7,417,500	6/30/2018	4,038,500	0	3,323,650	90,000	7,272,150
6/30/2019	4,140,000	3,365,500	90,000	7,415,500	6/30/2019		3,860,000	3,246,450	90,000	7,016,450
6/30/2020	4,355,000	3,153,125	90,000	7,418,125	6/30/2020		4,025,000	3,088,750	90,000	7,023,750
6/30/2021	4,575,000	2,929,875	90,000	7,414,875	6/30/2021		4,205,000	2,903,125	90,000	7,018,125
6/30/2022	4,785,000	2,719,800	90,000	7,414,800	6/30/2022		4,420,000	2,687,500	90,000	7,017,500
6/30/2023	4,985,000	2,524,400	90,000	7,419,400	6/30/2023		4,650,000	2,460,750	90,000	7,020,750
6/30/2024	5,215,000	2,294,325	90,000	7,419,325	6/30/2024		4,890,000	2,222,250	90,000	7,022,250
6/30/2025	5,480,000	2,026,950	90,000	7,416,950	6/30/2025		5,140,000	1,971,500	90,000	7,021,500
6/30/2026	5,760,000	1,745,950	90,000	7,415,950	6/30/2026		5,400,000	1,708,000	90,000	7,018,000
6/30/2027	6,055,000	1,450,575	90,000	7,415,575	6/30/2027		5,675,000	1,431,125	90,000	7,016,125
6/30/2028	6,365,000	1,140,075	90,000	7,415,075	6/30/2028		5,970,000	1,140,000	90,000	7,020,000
6/30/2029	6,695,000	813,575	90,000	7,418,575	6/30/2029		6,280,000	833,750	90,000	7,023,750
6/30/2030	7,020,000	488,250	90,000	7,418,250	6/30/2030		6,600,000	511,750	90,000	7,021,750
6/30/2031	7,340,000	165,150	90,000	7,415,150	6/30/2031		6,935,000	173,375	90,000	7,018,375
Total:	\$84,020,000	\$36,087,050	\$1,440,000	\$118,667,050		\$12,112,500	\$68,625,000	\$33,522,675	\$1,440,000	\$112,820,175

¹ Estimated interest earnings are assumed at 0.60% per year.

² Based upon market conditions for "AA" category rated Sales Tax Revenue Bonds as of March 9, 2015.

Scenario 2
Proposed Refunding and \$5.0 million Cash Contribution

Fiscal Yr. Ending	Unrefunded Payments	Refunding Principal	Refunding Interest ²	Interest Earnings (\$10m) ¹	Net Cost
6/30/2016	4,038,375	305,000	2,347,200	60,000	6,630,575
6/30/2017	4,035,625	0	3,126,550	60,000	7,102,175
6/30/2018	4,038,500	0	3,126,550	60,000	7,105,050
6/30/2019		3,635,000	3,053,850	60,000	6,628,850
6/30/2020		3,785,000	2,905,450	60,000	6,630,450
6/30/2021		3,955,000	2,730,875	60,000	6,625,875
6/30/2022		4,160,000	2,528,000	60,000	6,628,000
6/30/2023		4,375,000	2,314,625	60,000	6,629,625
6/30/2024		4,600,000	2,090,250	60,000	6,630,250
6/30/2025		4,835,000	1,854,375	60,000	6,629,375
6/30/2026		5,080,000	1,606,500	60,000	6,626,500
6/30/2027		5,340,000	1,346,000	60,000	6,626,000
6/30/2028		5,615,000	1,072,125	60,000	6,627,125
6/30/2029		5,905,000	784,125	60,000	6,629,125
6/30/2030		6,205,000	481,375	60,000	6,626,375
6/30/2031		6,525,000	163,125	60,000	6,628,125
	\$12,112,500	\$64,320,000	\$31,530,975	\$960,000	\$107,003,475

Scenario 3
Proposed Refunding and \$10.0 million Cash Contribution

Fiscal Yr. Ending	Unrefunded Payments	Refunding Principal	Refunding Interest ²	Interest Earnings (\$5m) ¹	Total Payments
6/30/2016	4,038,375	30,000	2,197,538	30,000	6,235,913
6/30/2017	4,035,625	0	2,929,750	30,000	6,935,375
6/30/2018	4,038,500	0	2,929,750	30,000	6,938,250
6/30/2019		3,405,000	2,861,650	30,000	6,236,650
6/30/2020		3,545,000	2,722,650	30,000	6,237,650
6/30/2021		3,705,000	2,559,125	30,000	6,234,125
6/30/2022		3,895,000	2,369,125	30,000	6,234,125
6/30/2023		4,100,000	2,169,250	30,000	6,239,250
6/30/2024		4,310,000	1,959,000	30,000	6,239,000
6/30/2025		4,530,000	1,738,000	30,000	6,238,000
6/30/2026		4,760,000	1,505,750	30,000	6,235,750
6/30/2027		5,005,000	1,261,625	30,000	6,236,625
6/30/2028		5,260,000	1,005,000	30,000	6,235,000
6/30/2029		5,535,000	735,125	30,000	6,240,125
6/30/2030		5,820,000	451,250	30,000	6,241,250
6/30/2031		6,115,000	152,875	30,000	6,237,875
	\$12,112,500	\$60,015,000	\$29,547,463	\$480,000	\$101,194,963

Scenario 4
Proposed Refunding and \$15.0 million Cash Contribution

Fiscal Yr.	Unrefunded	Refunding	Refunding	Interest	Total
Ending	Payments	Principal	Interest²	Earnings (\$0)	Payments
6/30/2016	4,038,375	0	2,041,988	0	6,080,363
6/30/2017	4,035,625	0	2,722,650	0	6,758,275
6/30/2018	4,038,500	0	2,722,650	0	6,761,150
6/30/2019		3,165,000	2,659,350	0	5,824,350
6/30/2020		3,295,000	2,530,150	0	5,825,150
6/30/2021		3,445,000	2,378,125	0	5,823,125
6/30/2022		3,620,000	2,201,500	0	5,821,500
6/30/2023		3,810,000	2,015,750	0	5,825,750
6/30/2024		4,005,000	1,820,375	0	5,825,375
6/30/2025		4,210,000	1,615,000	0	5,825,000
6/30/2026		4,425,000	1,399,125	0	5,824,125
6/30/2027		4,650,000	1,172,250	0	5,822,250
6/30/2028		4,890,000	933,750	0	5,823,750
6/30/2029		5,145,000	682,875	0	5,827,875
6/30/2030		5,405,000	419,125	0	5,824,125
6/30/2031		5,680,000	142,000	0	5,822,000
	\$12,112,500	\$55,745,000	\$27,456,663	\$0	\$95,314,163

County of Sonoma
Measure F Sales Tax Revenue Bonds Series 2007 A (Limited Tax Bonds) Refunding Analysis
Comparison of Net Cost

Scenario:	Total Net Cost¹
Current 2007 Bond Payments (No Refunding):	\$118,667,050
Scenario 1: Refunding and No Cash Contribution:	\$112,820,175
Scenario 2: Refunding and \$5m Cash Contribution:	\$107,003,475
Scenario 3: Refunding and \$10m Cash Contribution:	\$101,194,963
Scenario 4: Refunding and \$15m Cash Contribution:	\$95,314,163

¹ Estimated interest earnings on cash are assumed at 0.60% per year.



Date: May 1, 2015 (Meeting May 7, 2015)

To: Fiscal Oversight Commission

From: Bill Keene, General Manager

Subject: Budget Update - FY 15/16 and FY 16/17

The budget summary at Attachment I and the Budget Narrative describing the major variances at Attachment II are the key portions of the District budget in the County budget report. Also included for your review is a schedule summarizing the District funds by major line item at Attachment III.

Sonoma County and the District are preparing two-year budgets for the first time beginning with FY15/16. It is an interesting time in the County budget processing as the new Enterprise Finance System (EFS) is evolving and the budget module will not be available until next year. Countywide, budgeting is being done with the Interim Budget Tool, an Excel based process developed by County Information Systems Department (ISD). The District is moving towards budgeting and reporting by program, but may not be able to accomplish that task until FY16/17 when the new budgeting module is fully implemented.

**SONOMA COUNTY AGRICULTURAL PRESERVATION AND OPEN SPACE DISTRICT
FINANCIAL SUMMARY**

Expenditures (Uses)	FY 2014-15			FY 2015-16			FY 2016-17		
	Adopted Budget	Recommended Budget	Change from 2014-15	% Change from 2014-15	Recommended Budget	Change from 2015-16	% Change from 2015-16		
Conservation Planning	2,527,791	3,235,828	708,037	28.0	2,057,859	(1,177,969)	(36.4)		
Stewardship	4,823,830	7,041,618	2,217,788	46.0	6,926,282	(115,336)	(1.6)		
Acquisition*	21,587,834	26,553,780	4,965,946	23.0	16,631,635	(9,922,145)	(37.4)		
Initial Public Access, O&M		2,966,500	2,966,500	N/A	2,097,000	(869,500)	(29.3)		
Debt Service	7,508,200	7,507,375	(825)	(0.0)	7,504,625	(2,750)	(0.0)		
Total Expenditures	36,447,655	47,305,101	10,857,446	29.8	35,217,401	(12,087,700)	(25.6)		
Revenues/Reimbursements/Use of Fund Balance (Sources)									
Sales Tax Earned (OSSTA & IPA, O&M)	19,051,200	20,800,000	1,748,800	9.2	21,320,000	520,000	2.5		
Rental Income	166,188	15,000	(151,188)	(91.0)	15,000	0	-		
Interest Earned	514,502	660,000	145,498	28.3	710,000	50,000	7.6		
Funding for Stewardship Reserve & FOC	882,082	3,052,122	2,170,040	246.0	3,052,122	0	-		
Use of Fund Balance	15,833,683	22,777,979	6,944,296	43.9	10,120,279	(12,657,700)	(55.6)		
Total Revenues/Use of Fund Balance	36,447,655	47,305,101	10,857,446	29.8	35,217,401	(12,087,700)	(25.6)		
Total Permanent Positions**	26.50	26.50	0.00	-	26.5	0	-		

BUDGET NARRATIVE

Agricultural Preservation and Open Space District
Bill Keene, General Manager

Attachment II

Overall Changes for FY 2015-2016

The recommended District budget includes expenditures totaling \$47,305,101, an increase of \$10,857,446 or 30% over FY 14/15. This change is driven by increases in funding for the Matching Grant Program, land and conservation easements, Initial Public Access and Operation and Maintenance, consulting services for Board directed Conservation Planning projects, and increases in transfers to the Stewardship Reserve. The District receives no contribution from the General Fund.

Total revenue and use of fund balance for the District also increases by \$10.9 million. This includes an increase of \$1.7 million in revenue from the District's sales tax. A decline in rental income of \$151,000 is due to the transfer of cell tower leases to Regional Parks and the completion of some grazing leases.

Funding for the Stewardship Reserve has been increased from \$600,000 to \$3 million to build on the reserve needed to provide stewardship of District properties and conservation easements in perpetuity if the tax sunsets in 2031.

The 43.9% increase in Use of Fund Balance from the Open Space Sales Tax Account (OSSTA) is needed to fund all of the discussed activities. The District budgets capital acquisitions at a high level to be able respond to opportunities that arise during the year. Acquisition transactions may take multiple years for completion and may be budgeted in multiple years. The beginning fund balance for FY14/15 in the OSSTA account is \$69 million and it is forecast to be higher at year end.

Conservation Planning

During FY14/15, the Board adopted a management review of the District that directs staff to develop a comprehensive integrated planning framework and strategic plan and substantially enhance community relations and grant funding coordination. The deployment of all of these and other Board directed projects and actions – especially in light of long term backlogs of work in these areas – will require additional short term consulting support and some operational costs, given the very small staff level in the Conservation Planning program, which leads to the \$708,000 increase. Over \$350,000 of this budget is from grant funding.

Stewardship

In the Stewardship program, change from the prior year of \$2.2 million is primarily due to the \$2.4 million increase in funding recommended for the Stewardship Reserve Fund offset by a minor reduction in operating expenditures.

BUDGET NARRATIVE

Acquisition

The Acquisition program's \$5.0 million increase includes a budget recommendation for the \$3 million Matching Grant Program approved by the Board in FY14/15, as well as an increase of \$2.2 million in capital acquisitions towards land and conservation easements offset by decreases in operating costs.

Initial Public Access, Operation and Maintenance

Initial Public Access, Operation and Maintenance is being broken out separately in the budget document for the first time this year. The anticipated expenditures include reimbursement to the District for Operations and Maintenance on District owned eligible properties in the amount of \$1,516,500 and \$1,450,000 of payments to other agencies for negotiated expenditures related to Initial Public Access, Operation and Maintenance.

Changes for FY 2016-2017

The recommended District budget includes expenditures totaling \$35,217,401, which is a decrease of \$12,087,700 or 25.6% from FY 15/16. The decrease is due to the completion of projects in FY15/16, as well as a decrease in projected expenditures for capital acquisitions of land and conservation easements.

Sales tax revenues are projected to increase \$520,000 in FY16/17 and the Use of Fund Balance declines by \$12.7 million due to the overall reduction in spending as discussed below.

Conservation Planning

Due to the expected completion in FY15/16 of planning projects related to the District's management review, expenditures in the Conservation Planning area will drop by \$1.2 million, or 36%.

Stewardship

Stewardship expenses will drop \$950,000 in FY16/17 due to the reduction of capital improvement projects of \$755,000 and \$195,000 decrease in consulting and other operating costs as trail projects such as East Slope Sonoma Mountain and North Sonoma Mountain Regional Park and Open Space Preserve are finalized and no other capital trail projects are scheduled to be started.

Acquisition

The FY 16/17 Acquisition budget drops by \$9.9 million due primarily to a decrease of \$6.7 million from the prior year projected expenditures for capital acquisitions of land and conservation easements and a \$3 million reduction in Matching Grant expenditures from the bi-annually budgeted program.

BUDGET NARRATIVE

Strategic Plan Alignment

Of the four goals in the County Strategic Plan, programs provided by the Agricultural Preservation and Open Space District most closely align with the goal of “Economic and Environmental Stewardship.” All activities under the District’s Programs are aimed at achieving the outcomes of this goal including:

- Protecting watersheds, promoting biodiversity and contributing to recreational and economic vitality.
- Protecting, maintaining, and managing public lands and open space systems.
- Continued stewardship of easements and management of properties the District owns in fee.
- Ensuring that agricultural resources are preserved and valued for food and for maintaining links to our County’s agricultural heritage.

2015-2017 Objectives

- Develop an integrated, hierarchical planning framework which will produce a long term strategic plan, annual work plans, property-specific plans, summary statistics for messaging and grants, and performance metrics.
- Enhance community outreach and focused youth engagement via a new website, stakeholder input, 25th anniversary celebration, community meetings, diverse media strategy, land stewardship, educational programs and hosting of workshops and events.
- Complete transfer of Tier 1 properties including Carrington Ranch, Haroutunian North, Mark West Regional Park and Open Space Preserve, and Healdsburg Ridge Open Space Preserve.
- Acquire six conservation easements that protect natural and scenic resources while furthering sustainable agricultural and forestry practices and recreational opportunities and initiate ongoing stewardship of each acquisition.
- Present six Matching Grant projects to the Board of Directors that preserve and enhance urban open spaces with opportunities for a variety of recreational enjoyment.
- Establish a 2031 funding target for the Stewardship Reserve Fund through development of a model that can be continuously updated as easements are acquired.
- Increase the frequency of conservation easement monitoring visits and other opportunities for communication with easement landowners.

Sonoma County Agricultural Preservation and Open Space District
Proposed District Operational Budgets
Fiscal Years 15-16 and 16-17

Attachment III

Account Description	Budget 14-15 Adopted	Budget 15-16 Proposed	Budget 16-17 Proposed
Revenues			
Sales Tax Revenues	\$1,905,120	\$2,080,000	\$2,132,000
Intergovernmental Revenues	28,119,470	36,019,884	24,910,956
Use of Money and Property	280,690	275,000	305,000
Other Financing Sources	1,632,082	4,571,342	3,629,820
Total Revenues	<u>31,937,362</u>	<u>42,946,226</u>	<u>30,977,776</u>
Expenditures			
Salaries and Employee Benefits	3,762,255	4,048,690	4,048,690
Services and Supplies	8,580,305	6,167,668	4,769,026
Other Charges		3,031,808	
Capital Expenditures	20,640,179	22,800,000	15,255,000
Other Financing Uses	1,616,556	4,584,560	3,640,060
Total Expenditures	<u>34,599,295</u>	<u>40,632,726</u>	<u>27,712,776</u>
Net Receipts (Costs)	<u>(\$2,661,933)</u>	<u>\$2,313,500</u>	<u>\$3,265,000</u>

Notes:

- Sales Tax Revenues represent 10% of the total available for IPA, O&M
- Intergovernmental Revenues are primarily transfers from the OSSTA fund. If grants were anticipated they would be included in this line item.
- Other Financing Sources/Uses represent transfers to/from other funds including internal transfers.
- Salaries and Employee Benefits have been rolled over for Proposed FY16-17 for budgeting purposes
- FY14-15 Services and Supplies budgets included multi-year budget for many service contracts. The process has been changed for FY15-16 and beyond.
- Other Charges represent funding for the bi-annual Matching Grant program.
- Capital Expenditures are budgeted at a high level to be able to respond to opportunities during the year. Acquisitions may be budgeted for multiple years before completion.