



Midpeninsula Regional
Open Space District



BOND OVERSIGHT COMMITTEE – MEASURE AA

R-18-36
Meeting 18-14
April 11, 2018

AGENDA ITEM 5

AGENDA ITEM

Report from the Bond Oversight Committee to the Board of Directors for the review period from July 1, 2016 to June 30, 2017.

COMMITTEE RECOMMENDATION

Accept the Measure AA Bond Oversight Committee report for FY2016-17

SUMMARY

The Bond Oversight Committee (BOC, Committee) was appointed by the Board of Directors as a component of implementing Measure AA.

The BOC has the following three responsibilities for each of the years the Measure AA general obligation tax is collected or revenues expended:

1. Review Plan expenditures on an annual basis to verify conformity with the Expenditure Plan.
2. Review the Midpeninsula Regional Open Space District's (District) Annual Audit and Annual Accountability report and present the Committee's findings to the Board at a public meeting.
3. Review any proposed amendments to the Expenditure Plan.

District staff compiled a report for BOC review covering the period from July 1, 2016 to June 30, 2017. The BOC met three times to review and amend Agreed-Upon Procedures, review sample transactions, and develop the report to the Board of Directors on the BOC's findings and recommendations. The BOC would like to acknowledge that the changes requested as part of the 2016 Final BOC Report to the Board were incorporated into the process for this year.

The District did not submit any proposed amendments to the Expenditure Plan.

In the opinion of the BOC, the Schedule of Program Expenditures as presented in the Measure AA Bond Annual Accountability Report covering the period from July 1, 2016 to June 30, 2017 fairly represents and is in accordance with the Measure AA Expenditure Plan. In coming to this opinion, the BOC reviewed the Annual Accountability Report, sampled transactions representing 62% of the Fiscal Year 2016-17 Measure AA expenditures, requested additional documentation as needed, and reviewed a letter from the District's external auditor outlining their audit objectives, audit method, and sampling process for their audit of Measure AA expenditures.

In conclusion, the BOC would like to acknowledge the professionalism and responsiveness of District staff in supporting the work of the Committee.

DISCUSSION

Committee Formation

The Measure AA ballot included a section to establish the Bond Oversight Committee:

“An Independent Citizen Oversight Committee will be formed to verify expenditures of bond proceeds. The Independent Citizen Oversight Committee will consist of seven at-large members, all of whom shall be District residents. The Citizen Oversight Committee will be selected by the Board of Directors and interviewed and approved in open session, and will be subject to the conflict of interest constraints of the California Political Reform Act.” (NOTE: the independent Citizen Oversight Committee was established as the Bond Oversight Committee.)

As an integral part of the implementation of Measure AA, the Board of Directors adopted, as part of the Board Policy Manual, the Measure AA Oversight Committee Bylaws, Policy 1.10 with the stated purpose:

The Measure AA Bond Oversight Committee (Committee) is appointed by the Board of Directors (Board) for the Midpeninsula Regional Open Space District (District) in order to promote transparency, and ensure oversight and accountability for all funds collected and allocated under Measure AA.

Committee Composition

In 2016, applications were received from citizens interested in serving on the BOC. The Board reviewed the applications and after interviewing the top candidates, appointed the Bond Oversight Committee:

Paul Betlem
Carla Dorow
Elizabeth Eischen
Denise Gilbert
Tom Scannell
Bruce Tolley
Jo Zientek

Committee Activity

January 11, 2018 meeting

The Committee voted to select Paul Betlem as Chair and Denise Gilbert as Vice-Chair.

Staff presented the Annual Accountability Report for the review period from July 1, 2016 to June 30, 2017 (see Attachment 2). The structure of the report was reviewed and explained in the following chapters:

- Executive Summary
- Priority Portfolio Actions by Region (from the Measure AA Expenditure Plan)

- Portfolio Expenditure Summary (Numerically by Portfolio Number)
- Financial Report by Project
- Annual Financial Audit Report, Chavan & Associates, LLP, June 30, 2017

The Annual Accountability Report was discussed and questions from BOC members were answered by staff. The BOC amended the Agreed-Upon Procedures previously approved on January 31, 2017 to request the following samples:

- 4 Expenditures related to land purchases
- 10 non-land expenditures with the highest dollar values
- 6 assorted project expenditures not previously tested in prior BOC reviews

From the list of transactions, as provided by staff, the BOC selected the transactions on which supporting documentation were provided. The samples selected of the land purchase expenditures cover 10.8% of the total Measure AA expenditures for Fiscal Year 2016-17 and the samples selected of the non-land expenditures cover 51.2%, for a combined sample coverage of 62% of the expenditures.

January 31, 2018 meeting and follow-up

On January 31, the Committee and staff discussed documentation supporting the transactions selected in the samples.

Based on a request from the Committee, staff followed up the discussion by providing additional clarifications, supplemental documentation regarding the District's signature authorization process, retainage policy, internal controls over retainage, and invoice corrections. In addition, the BOC requested a letter from the District's external auditor, Sheldon Chavan from Chavan & Associates. This letter dated February 5, 2018 outlined the audit objectives, audit method, and sampling process that were followed for the audit of Measure AA expenditures. A subsequent email dated February 15, 2018 stated that the sample covered approximately 80.4% of the Measure AA expenditures.

Finally, the BOC requested that staff make selected changes to the supporting documentation provided to the BOC next year in order to facilitate BOC review. This includes a list of project managers associated with the sample transactions, and to clearly identify which of the Accomplishments in the Annual Accountability Report were the result of Measure AA-funded projects and which are related to Measure AA projects but are not funded by Measure AA. In Section 5 of the Memo dated February 14 to the BOC, staff outlined that for future reports to the BOC, staff will provide the following information to help make expenditure reviews easier:

- Each transaction or set of transactions will include a brief narrative as appropriate to anticipate reviewer questions such as:
 - Accounting method (i.e. application of contract retention and/or accounting policy)
 - Type of document, if not an invoice (i.e. Fee schedule)
 - Explanation for oddly-named transactions (i.e. "laundry site" and "streambed fee")
- Invoices indicating adjustments or amendments to base contract amounts will include change orders as supporting documentation.

March 1, 2018 meeting

The BOC approved the final report to then forward to the full Board of Directors.

FISCAL IMPACT

No fiscal impact.

PUBLIC NOTICE

Public notice was provided as required by the Brown Act.

CEQA COMPLIANCE

This item is not a project subject to the California Environmental Quality Act.

NEXT STEPS

After the Annual Audit and Report for the Fiscal Year 2017-18 is completed, the BOC will reconvene to review the transactions during that fiscal year and report their findings and/or recommendations to the Board of Directors in 2019.

Attachments:

1. Materials provided to the Measure AA Bond Oversight Committee may be viewed on the Committee's web page: <http://www.openspace.org/our-work/measure-aa/oversight>
2. Schedule of Program Expenditures from the District's Independent External Auditor's Report

Responsible Department Head:

Stefan Jaskulak, Chief Financial Officer/Director of Administrative Services

Prepared by:

Measure AA Bond Oversight Committee

Contact:

Paul Betlem, Measure AA Bond Oversight Committee Chair

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Midpeninsula Regional Open Space District

Measure AA Bond Program

Schedule of Program Expenditures

June 30, 2017

Project No.	Project Description	Expenditures from July 1, 2016 through June 30, 2017	Expenditures from Inception through June 30, 2017
20005	New Trail Easement - SFPUC, Ravenswood (MAA 2-2)	\$ -	\$ 22,603
20088	POST Hendry's Creek Restoration (MAA 22-1)	-	41,330
20101	Lysons Property (17-1 MAA)	-	27,059
20102	Lobner Demolition (MAA 17-2)	-	128,760
20109	Riggs Property Appraisal - (3-1 MAA)	-	6,500
20110	Purisima Creek Uplands Lot line Adjustment (3-1 MAA)	-	13,000
20112	Conservation Easement Upper Alpine Ranch Area (15-1 MAA)	-	8,695
20113	Preservation of Upper Los Gatos Creek Watershed (22-1 MAA)	-	5,000
20114	Land Conservation Opportunities MAA 25-1 (Burtons)	-	150
30503	ECdM Trail Improvements (MAA 4-4)	-	3,930
30904	Mindego Area - Mindego Hill Trail (MAA 9-4)	-	34,196
31309	Mt Um Bald Mtn Staging to Summit Trail (MAA 23-2)	-	17,646
31310	Mt Um Summit Restor & Improv (MAA 23-4)	-	79,491
31311	Mt Um Trail Overlook & Bridges (MAA 23-5)	-	243
31500	Measure AA Project 11-1	-	728
65101	PCR Harkins Bridge Replacement (MAA 3-4)	-	108,788
65201	Lower Stevens Canyon Hiking Bridge (MAA 17-4)	-	103,187
80016	ECdM Creek Watershed Protection Program (MAA 4-3)	-	45,507
80029	Pond DR05 Repair (MAA 7-5)	-	150,682
80037	Mindego Grazing Infrastructure (MAA 9-1)	-	135,748
80038	LHC Grazing Infrastructure - McDonald Ranch Fencing (MAA 5-2)	-	178,850
AA01	Miramontes Ridge - Gateway to San Mateo Coast	46,600	52,915
AA02	Bayfront Habitat Protection & Public Access Partnerships	212,334	287,168
AA03	Purisima Creek Redwoods: Purisma-to Sea Trail, Watershed/Graze	82,136	457,816
AA04	El Corte de Madera Creek: Bike Trail & Water Quality	10,067	318,751
AA05	La Honda Creek - Upper Recreation Area	215,022	2,107,596
AA07	Driscoll Ranch Public Access, Wildlife Protection, Grazing	913,025	10,828,183
AA09	Russian Ridge: Public Recreation, Grazing & Wildlife Protection	5,634	71,875
AA10	Coal Creek: Reopen Alpine Road for Trail Use	4,286	4,286
AA15	Regional: Redwood Protection & Salmon Fishery Conservation	522,837	3,009,855
AA17	Regional: Complete Upper Stevens Creek Trail	11,237	1,508,575
AA19	El Sereno Dog Park & Connections	-	715
AA20	South Bay Foothills: Wildlife Passage/Ridge Trail Improvements	101,936	191,974
AA21	CR:Pub Recreation Proj	888,883	1,219,293
AA22	Cathedral Oaks Public Access & Conservation	79,531	639,895
AA23	Mt Um Pub Access/Intrep	12,501,545	15,287,094
AA24	Rancho de Guadalupe Family Recreation	1,291,940	1,591,996
AA25	Loma Prieta Area Public Access	-	410,000
	Total MAA Bond Project Expenditures	<u>16,887,013</u>	<u>39,100,080</u>
	Reimbursements from Grants, Contributions, and Other Funds	<u>(624,338)</u>	<u>(1,635,308)</u>
	Total MAA Bond Project Expenditures - Net Reimbursements	<u>\$ 16,262,675</u>	<u>\$ 37,464,772</u>

The notes to the financial statements are an integral part of this statement.