



Midpeninsula Regional
Open Space District



BOND OVERSIGHT COMMITTEE – MEASURE AA

March 14, 2017

AGENDA ITEM 2

AGENDA ITEM

Draft of Annual Bond Oversight Committee Report to the Board of Directors for the review period from May 11, 2014 to June 30, 2016

GENERAL MANAGER'S RECOMMENDATION

Review the draft report for the Bond Oversight Committee to finalize and present to the Board of Directors on April 12, 2017.

SUMMARY

At the January 31, 2017 meeting, the Bond Oversight Committee (BOC) expressed interest in receiving a strawman report that can be used to generate the final report to the Board of Directors.

District staff prepared the strawman report for the BOC to edit and complete and provided the strawman to the BOC for discussion at the February 21, 2017 meeting. After review and discussion, the BOC formed an Ad Hoc sub-committee to edit this strawman report into the final draft report for full for review and discussion at the scheduled March 14, 2017 meeting.

DISCUSSION

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 District's 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.

To carry out their responsibilities for the review period from May 11, 2014 to June 30, 2016, the BOC has selected sample transactions and reviewed the supporting documentation to ensure the expenditures are conform Measure AA. The BOC will report to the Board of Directors on their findings and opinion.

To assist the BOC in developing their final report, based on District format and standards, staff prepared a strawman report. On February 21, 2017, the BOC formed an Ad Hoc Report Committee to edit this strawman report into the final draft report. This final draft report will be

reviewed and discussed by the full BOC at the scheduled March 14, 2017 meeting. The chair of the BOC will present the report to the Board of Directors on April 12, 2017.

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

The BOC to edit and finalize the draft report into their final report to the Board of Directors. The Chair of the BOC will present the report to the Board of Directors on April 12, 2017.

Attachment

1. Draft report to the Board of Directors

Responsible Department Head:

Stefan Jaskulak, Chief Financial Officer/Director of Administrative Services

Prepared by:

BOC Ad Hoc Report Committee

Paul Betlem

Carla Dorow

Denise Gilbert

Stefan Jaskulak, Chief Financial Officer/Director of Administrative Services



Midpeninsula Regional
Open Space District



BOND OVERSIGHT COMMITTEE – MEASURE AA

April 12, 2017

AGENDA ITEM XX

AGENDA ITEM

Report from the Bond Oversight Committee to the Board of Directors for the review period from May 11, 2014 to June 30, 2016

COMMITTEE RECOMMENDATION

The Bond Oversight Committee recommends that the Board of Directors accepts this report.

SUMMARY

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 May 11, 2014 to June 30, 2016 fairly represents and is in accordance with the Measure AA Expenditure Plan. This opinion is based on documentation and supporting information provided by the District.

District staff compiled a report for BOC review covering the initial period from May 11, 2014 to June 30, 2016. The BOC met four times to organize and orient, establish Agreed-Upon Procedures, review sample transactions, and develop the report to the Board of Directors on the BOC's findings and recommendations.

In order to streamline the review process for future annual reviews, the BOC asked that staff to include additional documentation in the following areas: Board approval of the purchase price for land/easement acquisition (new process in place as of July 1, 2016 addresses this request); staff labor charged back to Measure AA; payment of the retention in vendor contracts; and reconciling invoices to Portfolio Project accomplishments. Specifically with respect to staff labor charged back to Measure AA, the BOC voiced concern over the frequency of the annual reimbursement for internal labor and the fact that the project manager will only be able to review these internal labor charges once a year. District staff agreed that the frequency should shift to a quarterly reimbursement process.

DISCUSSION

The Bond Oversight Committee (BOC) 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 District's 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.

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, consisting 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 Duties and Responsibilities

The Bond Oversight Committee 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 District's 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.

Committee Membership and 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
John Melton
Tom Scannell
Jo Zientek

At their orientation meeting on November 29th, 2016, the BOC voted to select Paul Betlem as Chair and Carla Dorow as Vice-Chair.

Prior to the next meeting on January 17th, 2017, John Melton resigned. At the regular Board on January 25th, the Board of Directors appointed Bruce Tolley to fill the vacated seat.

Committee Activities

January 17, 2016 meeting

Staff presented the Annual Accountability Report for the review period from May 11, 2014 to June 30, 2016 (see attachment 2). The structure of the report was reviewed and explained in the following chapters:

- Executive Summary
- Priority Portfolio Actions by Region (from Measure AA Expenditure Plan)
- Portfolio Expenditure Summary (Numerically by Portfolio Number)
- Financial Report from New World ERP by Project

January 31, 2017 meeting

At this meeting, the Annual Accountability Report was discussed and questions from BOC members were answered by staff. The District's external auditor, Sheldon Chavan from Chavan & Associates, provided a walk-through of the scope of the external audit regarding compliance of the Measure AA expenditures and explained that approximately 70% of the Measure AA expenditures were tested as part of the audit. The BOC approved the staff recommended Agreed-Upon Procedures to request the following samples:

- 5 Expenditures related to land purchases
- 10 non-land expenditures with the highest dollar values
- 5 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 will be provided. The samples selected of the land purchase expenditures cover 58.4% of the total Measure AA expenditures to date and the samples selected of the non-land expenditures cover 7.1%, for a combined sample coverage of 65.5% of the expenditures.

Staff also agreed to provide documentation on 3 journal entries that BOC members requested, in addition to the agreed upon sampling size.

February 21, 2017 meeting

The BOC reviewed and discussed the supporting documentation for the selected transactions. Staff provided additional information in response to the questions previously submitted by BOC members. All questions and prepared responses are included in the record.

The BOC requested more detailed information and support regarding the labor reimbursement charges for the sample selected for review. District staff explained that the current process is to reimburse the internal labor expenses once per fiscal year, and that the timecards are signed by the Area Superintendent and the Operations Manager for each pay-period as the year progresses. The BOC voiced concern over the frequency of the reimbursement and the fact that the project manager will only be able to review these internal labor charges once a year.

District staff understands the BOC's concern and agrees that the frequency should be increased, improving the visibility of the charges for the project managers. For the current fiscal year ending June 30, 2017, staff is preparing a six-month reimbursement (July-December), after which staff will start with a quarterly reimbursement processing. Meanwhile, staff is also exploring options to embed this information/process in the time-keeping system, effectively booking the reimbursement for internal labor to each project on a bi-weekly basis.

March 14, 2017 meeting

It is anticipated that at the March 14, 2017 meeting, the BOC will finalize its report to the Board of Directors, and preview a of portfolio progress during Fiscal Year 2016-17 and beyond.

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 Annual Accountability Report for the Fiscal Year 2016-17 are 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 2018.

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:

Stefan Jaskulak, Chief Financial Officer/Director of Administrative Services
Measure AA Bond Oversight Committee

Contact:

Paul Betlem, Measure AA Bond Oversight Committee Chair

Midpeninsula Regional Open Space District
Measure AA Bond Program
Schedule of Program Expenditures
June 30, 2016

| Project No. | Project Description | Expenditures from April 1, 2015 through June 30, 2016 | Expenditures from Inception through June 30, 2016 |
|-------------|---|---|---|
| 20005 | New Trail Easement - SFPUC, Ravenswood (MAA 2-2) | \$ - | \$ 22,603 |
| 20088 | POST Hendry's Creek Restoration (MAA 22-1) | 645 | 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) | 3,625 | 34,196 |
| 31309 | Mt Um Bald Mtn Staging to Summit Trail (MAA 23-2) | 6,020 | 17,646 |
| 31310 | Mt Um Summit Restor & Improv (MAA 23-4) | 30,815 | 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) | 21,901 | 108,788 |
| 65201 | Lower Stevens Canyon Hiking Bridge (MAA 17-4) | 60,971 | 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 | Miramonites Ridge - Gateway to San Mateo Coast | 6,315 | 6,315 |
| AA02 | Bayfront Habitat Protection & Public Access Partnerships | 74,834 | 74,834 |
| AA03 | Purisima Creek Redwoods: Purisma-to Sea Trail, Watershed/Graze | 13,180 | 375,680 |
| AA04 | El Corte de Madera Creek: Bike Trail & Water Quality | 308,684 | 308,684 |
| AA05 | La Honda Creek - Upper Recreation Area | 1,872,574 | 1,892,574 |
| AA07 | Driscoll Ranch Public Access, Wildlife Protection, Grazing | 9,915,158 | 9,915,158 |
| AA09 | Russian Ridge: Public Recreation, Grazing & Wildlife Protection | 66,241 | 66,241 |
| AA15 | Regional: Redwood Protection & Salmon Fishery Conservation | (12,982) | 2,487,018 |
| AA17 | Regional: Complete Upper Stevens Creek Trail | 27,338 | 1,497,338 |
| AA19 | El Sereno Dog Park & Connections | 715 | 715 |
| AA20 | South Bay Foothills: Wildlife Passage/Ridge Trail Improvements | 90,038 | 90,038 |
| AA21 | CR:Pub Recreation Proj | 330,410 | 330,410 |
| AA22 | Cathedral Oaks Public Access & Conservation | 560,364 | 560,364 |
| AA23 | Mt Um Pub Access/Intrep | 2,785,549 | 2,785,549 |
| AA24 | Rancho de Guadalupe Family Recreation | 300,056 | 300,056 |
| AA25 | Loma Prieta Area Public Access | 400,000 | 410,000 |
| | Total MAA Bond Project Expenditures | 16,862,451 | 22,213,067 |
| | Reimbursements from Grants and Contributions | (1,010,970) | (1,010,970) |
| | Total MAA Bond Project Expenditures - Net Reimbursements | <u>\$ 15,851,481</u> | <u>\$ 21,202,097</u> |