



Midpeninsula Regional  
Open Space District



R-17-53  
Meeting No. 17-09  
April 12, 2017

### **AGENDA ITEM 3**

#### **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 Bond Oversight Committee (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 and District's independent external auditor.

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 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; proof of final payment of retention amounts due undervendor 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 annual reimbursement for internal labor and the fact that the project managers are only able to review these internal labor charges once a year. District staff agreed that the frequency should shift to a quarterly reimbursement process.

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

#### **DISCUSSION**

The BOC was established by Measure AA and its members are appointed by the Board of Directors. The work of the Committee is 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) [BOC] 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 Membership and Composition**

In 2016, applications were received from citizens residing in the District interested in serving on the BOC. The Board reviewed the applications and after interviewing the top candidates, appointed the members of the BOC:

Paul Betlem (term expiring 2020)  
 Carla Dorow (term expiring 2018)  
 Elizabeth Eischen (term expiring 2018)  
 Denise Gilbert (term expiring 2018)  
 John Melton (term expiring 2020)  
 Tom Scannell (term expiring 2020)  
 Jo Zientek (term expiring 2020)

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

Prior to the meeting on January 17<sup>th</sup>, 2017, John Melton resigned. At the regular Board meeting on January 25<sup>th</sup>, the Board of Directors appointed Bruce Tolley to fill the vacated seat with a term expiring in 2020.

## 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 three 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***

The BOC finalized its report to the Board of Directors, and previewed 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:

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	Miramontes 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>