



Midpeninsula Regional  
Open Space District



## BOND OVERSIGHT COMMITTEE – MEASURE AA

March 1, 2018

### AGENDA ITEM 2

#### AGENDA ITEM

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

#### ACTING GENERAL MANAGER'S RECOMMENDATION

Review the draft report for the Bond Oversight Committee to finalize and present to the Board of Directors on April 11, 2018.

#### SUMMARY

At the January 11, 2018 meeting, the Bond Oversight Committee (BOC) expressed interest in receiving a strawman report to generate the final report to the Board of Directors. District staff presented the strawman report to the BOC Ad Hoc Committee for review and discussion at their February 15, 2018 meeting. The BOC Ad Hoc Committee edited this strawman report into the final draft report for review and discussion by the full BOC at the scheduled March 1, 2018 BOC 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 July 1, 2016 to June 30, 2017, the BOC selected sample transactions and reviewed supporting documentation to ensure that the expenditures conform to 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, staff prepared a strawman report that follows standard District format. On January 31, 2018, the BOC formed an Ad Hoc Report Committee which met on February 15, 2018 to edit the strawman report into the final draft report. The final draft report will be reviewed and discussed by the full BOC at the scheduled March 1, 2018 meeting. The chair of the BOC will present the report to the Board of Directors on April 11, 2018.

**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 final BOC report will be presented by the Chair of the BOC to the Board of Directors on April 11, 2018.

Attachment

1. Draft report to the Board of Directors

Responsible Department Head:

Stefan Jaskulak, Chief Financial Officer/Director of Administrative Services

Prepared by:

Stefan Jaskulak, Chief Financial Officer/Director of Administrative Services

Marion Shaw, Budget & Analysis Analyst II

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Midpeninsula Regional  
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## **BOND OVERSIGHT COMMITTEE – MEASURE AA**

April 11, 2018

**AGENDA ITEM XX**

### **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**

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

### **SUMMARY**

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.

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 Bond Oversight Committee (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. This opinion is based on documentation and supporting information provided by the District and District's independent external auditor.

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 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:

- Four (4) expenditures related to land purchases
- Ten (10) non-land expenditures with the highest dollar values
- Six (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 will be provided. The samples selected of the land purchase expenditures cover 10.8% of the total Measure AA expenditures for the 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*

The BOC and Staff discussed documentation supporting the transactions selected in the samples.

Based on a request from the BOC, 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. In Section 5 of the Memo dated February 14<sup>th</sup> to the BOC, Staff outlined that for future reports to the BOC, staff will provide the following information to help make expenditure reviews easier:

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

### *March 1, 2018 meeting*

Finalize report to the Board of Directors  
Preview of portfolio progress during Fiscal Year 2018-19 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 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