



Midpeninsula Regional
Open Space District



BOND OVERSIGHT COMMITTEE – MEASURE AA

February 25, 2021

AGENDA ITEM 2

AGENDA ITEM

Report from the Bond Oversight Committee to the Board of Directors for the review period from July 1, 2019 to June 30, 2020

COMMITTEE RECOMMENDATION

The Bond Oversight Committee recommends that the Board of Directors accept 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 July 1, 2019 to June 30, 2020 conforms with the Measure AA Expenditure Plan. District staff compiled the Measure AA Bond Annual Accountability Report for BOC review.

In coming to its opinion, the BOC reviewed the Annual Accountability Report, sampled transactions representing 30.3% of the Fiscal Year ending June 30, 2020 (FY20) expenditures and requested and reviewed additional documentation as needed.

The BOC met three times. During those meetings it reviewed its Agreed-Upon Procedures (confirmed annually) for conducting its review of FY20 Measure AA expenditures, sampled and reviewed selected transactions, heard a report from Sheldon Chavan, the District's outside independent auditor, and developed its report to the Board of Directors on the BOC's findings and recommendations.

Mr. Chavan from Chavan & Associates LLP outlined the processes, procedures and sampling method for the District's total fiscal year expenditures that included the Measure AA expenditures. Mr. Chavan reported that in the firm's opinion, the *Schedule of Program Expenditures* for the Measure AA Bond Program is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

There were no proposed amendments to the Measure AA Expenditure Plan for the BOC to review.

DISCUSSION

Committee Formation

The Measure AA ballot included a section to establish the BOC:

“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 adopted, as part of the Board Policy Manual, the Measure AA Oversight Committee Bylaws, Policy 1.10 which stated the BOC’s purpose as follows:

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 Responsibilities

Per its Bylaws, 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 BOC’s findings to the Board at a public meeting.*
- 3. Review any proposed amendments to the Expenditure Plan.*

Committee Composition

The Board formed the BOC in accordance with Measure AA in 2016. The BOC’s present members and their terms are as follows:

Paul Betlem (term expiring 2024)
Brian Cilker (term expiring 2024)
Carla Dorow (term expiring 2022)
David Emery (term expiring 2024)
Denise Gilbert (term expiring 2022)
Bruce Tolley (term expiring 2024)
Timothy Tomlinson (term expiring 2022)

Committee Activity

January 14, 2021 meeting

The BOC elected Bruce Tolley as Chair and Timothy Tomlinson as Vice-Chair.

Staff presented the FY20 Annual Accountability Report (see Attachment 1). The report includes the following:

- Executive Summary
- Priority Portfolio Actions by Region (from Measure AA Expenditure Plan)
- Portfolio Expenditure Summary (Numerically by Portfolio Number)
- Financial Report by Project
- Expenditure Plan (Exhibit A of the Measure AA ballot language)
- *Measure AA Bond Program Schedule of Program Expenditures and Measure AA Fund Balance Schedule*, as included in the Comprehensive Annual Financial Report (CAFR)

The Accountability Report includes a reference to the CAFR posted on the District's website (<https://www.openspace.org/about-us/district-reports#CAFR>).

The BOC discussed the Annual Accountability Report and received answers to its questions from District staff. The BOC reaffirmed that it would perform its duties in accordance with its Agreed-Upon Procedures.

District staff provided the BOC with a complete list of all transactions charged as Measure AA expenditures in FY20. The BOC requested back-up documentation for the following FY20 transactions:

- The single land purchase transaction
- Twelve other expenditures from the top 25 transactions with the highest dollar values
- Seven project expenditures selected by BOC members as representative of various types of expenditures coded as Measure AA expenditures

The non-land sampled transactions included one payroll related transaction for the reimbursement of staff time charged to Measure AA projects, one invoice for the rental of equipment and several invoices related to the Saratoga-to-the-Sea trail project (partnership with the City of Saratoga). The selected expenditures covered 30.3% of the total Measure AA expenditures for FY20.

February 4, 2021 meeting

The BOC and staff discussed the documentation supporting the transactions selected at the prior meeting. Sheldon Chavan from Chavan & Associates was present and discussed the audit procedures and level of testing on Measure AA expenditures with the BOC. Mr. Chavan reported that the audit found no instances where funds were inappropriately charged to Measure AA and that approximately 70% of total Measure AA expenditures were tested as part of the FY20 audit.

The BOC thanked staff for their professionalism and thoroughness in supporting the work of the BOC, including preparation of the documentation for selected transactions. The BOC requested that staff invite the District's external auditor to next year's meeting.

February 25, 2021 meeting

[BOC members are invited to provide any suggestions for future improvements/documentation/ etc. they may have.]

The Committee reviewed, discussed and approved the final report of the BOC to be forwarded to the Board.

Staff provided a preview of expected portfolio progress during FY21 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 Accountability Report for the Fiscal Year 2020-21 is completed, the BOC will reconvene to review the transactions during that fiscal year and report their findings and/or recommendations to the Board in 2022.

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>

Responsible Department Head:

Stefan Jaskulak, Chief Financial Officer/Director of Administrative Services

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Bond Oversight Committee

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