



Midpeninsula Regional  
Open Space District

FUND BY

MEASURE AA

2014 OPEN SPACE BOND

## BOND OVERSIGHT COMMITTEE – MEASURE AA

April 13, 2022

AGENDA ITEM 3

### AGENDA ITEM

Report from the Bond Oversight Committee to the Board of Directors for the review period from July 1, 2020 to June 30, 2021

### BOND OVERSIGHT 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 July 1, 2020 to June 30, 2021 conforms with the Measure AA Expenditure Plan. Midpeninsula Regional Open Space District (District) staff compiled the Measure AA Bond Annual Accountability Report for BOC review.

In coming to this opinion, the BOC reviewed the Annual Accountability Report, sampled transactions representing 74% of expenditures for the Fiscal Year ending June 30, 2021 (FY21), and requested and reviewed additional documentation as needed.

The BOC met three times. During those meetings it reviewed its Agreed-Upon Procedures (which are confirmed annually) for conducting its review of FY21 Measure AA expenditures, sampled and reviewed selected transactions, heard a verbal report from the District's outside independent auditor, and developed its report to the Board of Directors on the BOC's findings and recommendations.

Sheldon Chavan from the District's external auditor, Chavan & Associates LLP, outlined the processes, procedures, and sampling method for the District's total fiscal year expenditures that included the Measure AA expenditures. Chavan & Associates reported that in its 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 Measure AA Expenditure Plan amendments 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 states 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**

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 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 11, 2022 meeting***

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

Staff presented the FY21 Annual Accountability Report (see Attachment 1). The report includes the following chapters:

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

- Portfolio Expenditure Summary (Organized Numerically by Portfolio Number)
- Financial Report by Project
- *Measure AA Bond Program Schedule of Program Expenditures* (as included in the Annual Comprehensive Financial Report (ACFR))

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

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 FY21. The BOC requested back-up documentation for the following FY21 transactions:

- All expenses associated with the four land acquisitions
- Top nine non-land expenditures from the top 25 transactions with the highest dollar amount with no vendor duplication
- Each committee member selected an expenditure to be reviewed as representative of various types of expenditures coded as Measure AA expenditures

The non-land sampled transactions included two credit card invoices and one payroll related transaction for the reimbursement of staff time charged to Measure AA projects. The selected land purchase expenditures cover 61% of the total Measure AA expenditures for FY21 and the other selected expenditures cover 13%, for a combined coverage of 74% of the expenditures.

#### ***February 8, 2022 meeting***

The BOC reviewed the sample of 20 transactions and supporting documentation as selected in the January meeting. The invoices were discussed and staff provided additional narrative and detail regarding the purpose of each. The BOC determined all transactions to be appropriate for Measure AA expenditures and projects.

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 80% of total Measure AA expenditures were tested as part of the FY21 audit.

Mr. Chavan stated that a separate financial statement is not issued for the bond audit, but a supplemental schedule of project expenditures is issued with the District's Annual Comprehensive Financial Report. Mr. Chavan reported that the audit found no findings or modifications to their opinion on the Schedule of Program Expenditures.

The BOC thanked staff for their professionalism and thoroughness in supporting the work of the BOC, including preparation of the documentation for the selected transactions.

***March 1, 2022 meeting***

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 FY22 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 2021-22 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 2023.

**Referenced Documents:**

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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