



Midpeninsula Regional
Open Space District



BOND OVERSIGHT COMMITTEE – MEASURE AA

April 12, 2023

AGENDA ITEM 4

AGENDA ITEM

Report from the Bond Oversight Committee to the Board of Directors for the review period from July 1, 2021 to June 30, 2022

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, 2021 to June 30, 2022 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 29% of the Fiscal Year ending June 30, 2022 (FY22) expenditures, and requested and reviewed additional documentation as needed.

The BOC met three times. During those meetings, the BOC reviewed its Agreed-Upon Procedures (confirmed annually) for conducting its review of FY22 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.

Paul Pham 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 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 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)
Curtis Cole (term expiring 2026)
David Emery (term expiring 2024)
Kit Gordon (term expiring 2026)
Steven Permut (term expiring 2026)
Bruce Tolley (term expiring 2024)

Committee Activity

Below is a summary of activities and discussions held at the various 2023 BOC meetings.

January 17, 2023 meeting

The BOC elected Brian Cilker as Chair and David Emery as Vice-Chair.

Staff presented the FY22 Annual Accountability Report (see Attachment 1). The report includes 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
- Measure AA Bond Program Schedule of Program Expenditures (unaudited). At a later point in time the Committee confirmed the audited report matched the unaudited Schedule of Program Expenditures.

The Accountability Report includes a reference to the ACFR posted on the District's website [Midpen Annual Comprehensive Financial Report 2021-22 \(openspace.org\)](https://www.openspace.org)

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 FY22. The BOC requested back-up documentation for the following FY22 transactions:

- All expenses associated with one land acquisition
- Top twelve 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 single land purchase expenditure covers 2.8% of the total Measure AA expenditures for FY22 and the other selected expenditures cover 26%, for a combined coverage of approximately 29% of the expenditures.

February 28, 2023 meeting

The BOC reviewed the sample of 20 transactions and supporting documentation as selected at the January meeting. The invoices were discussed, 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.

Paul Pham from Chavan & Associates was present and discussed the audit procedures and level of testing on Measure AA expenditures with the BOC. Mr. Pham reported that they sampled Measure AA disbursements to test the strength of the District's internal controls and that the expenditures were allowable under the bond measure. Overall, the sampling tested approximately 72% of total Measure AA expenditures as part of the FY22 audit.

Mr. Pham 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 14, 2023 meeting

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

Staff provided a preview of expected portfolio progress during FY23 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 FY23 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 2024.

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

Prepared by:

Bond Oversight Committee

Stefan Jaskulak, Chief Financial Officer/Director of Administrative Services

Contact:

Brian Cilker, Measure AA Bond Oversight Committee Chair

Andrew Taylor, Finance Manager