



Midpeninsula Regional
Open Space District



BOND OVERSIGHT COMMITTEE – MEASURE AA

March 27, 2024

AGENDA ITEM 3

AGENDA ITEM

Report from the Bond Oversight Committee to the Board of Directors for the review period from July 1, 2022 to June 30, 2023

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, 2022 to June 30, 2023 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 86% (\$19 million over \$22 million) of the Fiscal Year ending June 30, 2023 (FY23) 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 FY23 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.

Prior to the end of FY23, the BOC reviewed the proposal to amend the Expenditure Plan by closing Portfolios 18 and 23 and reallocating the remaining funds to Portfolio 3. There are currently 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

June 6, 2023 meeting

The BOC met to review and provide an advisory opinion on the closure of completed Measure AA Portfolios 18 and 23 and the reallocation of the remaining \$6,357,920 funds to Portfolio 3.

The BOC supported the General Manager's recommendation to close the two portfolios and reallocate the remaining funds. The Board of Directors adopted a resolution amending the Expenditure Plan for Measure AA on June 14, 2023.

January 16, 2024 meeting

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

Staff presented the [MAA webpage](#), which the BOC reviewed and discussed.

Staff presented the FY23 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 (Numerically by Portfolio Number)
- Financial Report by Project

Measure AA Bond Program Schedule of Program Expenditures.

The Accountability Report includes a reference to the ACFR posted on the District's website (<https://www.openspace.org/sites/default/files/ACFR-FY23.pdf>).

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 FY23. The BOC requested back-up documentation for the following FY23 transactions:

- All expenses associated with three land acquisitions
- Top ten 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 3 land purchase expenditures cover 79% of the total Measure AA expenditures and the other selected expenditures cover 7%, for a combined coverage of 86% of the FY23 expenditures.

February 13, 2024 meeting

The BOC reviewed the sample of 20 transactions and supporting documentation as selected in 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 the audit found no instances where funds were inappropriately charged to Measure AA and that approximately 90% of total Measure AA expenditures were tested as part of the FY23 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. The BOC appointed a three-member ad-hoc committee to draft the annual report to the Board.

March 5, 2024 meeting

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

Staff provided a preview of expected portfolio progress during FY24 and beyond.

FISCAL IMPACT

None

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 2023-24 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 2025.

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>

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