

Annual Report - 2015/2016
Santa Clara Valley Open Space Authority
Measure Q Expenditure Oversight Committee

February 1, 2017



Rancho Cañada del Oro Open Space Preserve

Santa Clara Valley Open Space Authority (SCVOSA) Measure Q Expenditure Oversight Committee 2015/2016 Annual Report

This is the first annual report of the Measure Q Oversight Committee. The report includes background on Measure Q and the Oversight Committee, findings from required annual reviews, and oversight committee recommendations.

The general finding of the Committee is that annual expenditures have been presented in a fashion to demonstrate conformance to the Measure Q Expenditure Plan. However, there is insufficient detail and discussion of cost allocation and tracking methods in support of the totals provided, to find otherwise. Additionally, the independent audit does not explicitly state, nor appear to assure, that the revenues expended by the SCVOSA under the Measure Q Expenditure Plan are necessary and reasonable in carrying out its responsibilities under the Plan.

Measure Q

During November 2014, voters within the Open Space Authority boundaries approved the Measure Q parcel tax. The approval authorized the Authority to levy a tax of \$24 per parcel annually for 15 years. The tax was designed to produce an estimated \$7.8 million per year in additional revenue for the Authority.

Measure Q Expenditure Plan

The SCVOSA published The Open Space, Wildlife Habitat, Clean Water and Increased Public Access Expenditure Plan (Measure Q Expenditure Plan) which summarized how Measure Q funds would be used, identified four programs categories within which all funds would be expended, and identified administrative provisions and financial safeguards. The four program areas that are to benefit from this additional revenue were identified in Section B of the Measure Q Expenditure Plan as follows:

- (1) Protect open space, redwood forests, wildlife habitat, scenic hillsides and agriculture land,
- (2) Protect land and restore natural areas around our creeks, rivers and streams to prevent pollution and improve local water quality and supply,
- (3) Open, improve and maintain parks, open space and trails,
- (4) Create urban open space, parks and environmental education programs.

The administrative provisions and financial safeguards in Section C include:

Section C.1[b] – “... an Independent Oversight Committee shall be convened to review the expenditure of all parcel tax revenues collected under this measure...” and,

Section C.2[f] – “An independent audit shall be conducted to assure that the revenues expended by the Santa Clara County Open Space Authority under this plan are necessary and reasonable in carrying out its responsibilities under the Plan.”

Expenditure Oversight Committee

The Committee is an independent oversight committee established to review the expenditures of all parcel tax revenues collected under Measure Q. The Oversight Committee consists of seven at-large members appointed by the Open Space Authority Board. Members shall be residents within the Open Space Authority jurisdictional boundaries, not elected officials of any government, nor employees of any agency or organization that directly benefits financially from the proceeds of the parcel tax.

Meetings will be announced in advance and will be open to the public. The Committee shall meet at least once, but no more than four times per year. The two annual reviews, which are the primary responsibility of the Committee, are:

- Review expenditures on an annual basis to ensure they conform to the Measure Q Expenditure Plan.
- Review the annual audit and report prepared by the independent auditor and submit its recommendations and oversight report thereon.

Committee Members

Frank Cancilla
Hugh Graham
Chris Kangas
William Kirkpatrick
Jeff Micko
Marilyn Rodgers
Susan Skorey

Committee Activity

The Oversight Committee met four times during 2016 to carry out their Measure Q responsibilities. The dates and business of these meetings were as follows:

February 3, 2016 – Elect officers. Receive presentation on the history, purpose, mission, structure, jurisdiction and operations of the Santa Clara Valley Open Space Authority. The role of the Measure Q Expenditure Oversight Committee was explained.

April 19, 2016 – Committee provided input on Staff's draft request for proposal for independent audit services reviewing the income and expenditures of the Measure Q parcel tax.

November 16, 2016 – Presentation by Staff and Chavan and Associates of the FY 2015/2016 Measure Q Independent Audit Report. Committee members and Staff discussed reporting requirements for the Oversight Committee and a possible meeting schedule necessary to complete the Annual Oversight Report.

December 14, 2016 – Presentation by Staff of FY 2015/2016 Measure Q Status Report. Committee members received responses from Staff to their questions respecting the Status Report. Committee members and Staff discussed the approach and necessary schedule to fulfill the Committee's responsibility in developing the Annual Oversight Report.

Required Reviews

1. Review of Annual Expenditures for Conformance to the Measure Q Expenditure Plan

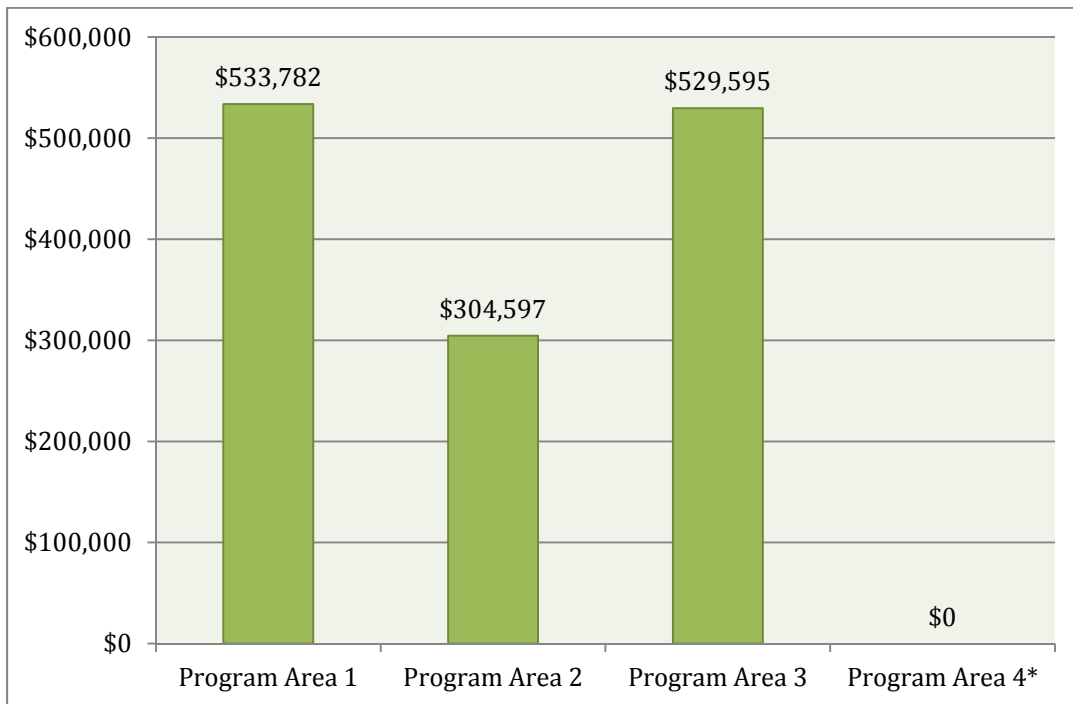
As categorized in the 2015/2016 Annual Measure Q Status Report, it must be concluded that the annual expenditures conform to the Measure Q Expenditure Plan. However, without additional detail, it is uncertain that individual expenditures were appropriately categorized for conformance to the Measure Q Expenditure Plan.

In order to comply with Measure Q Expenditure Plan requirements (Section C.1[a]) and ensure accountability, transparency and public oversight of all funds collected and allocated under Measure Q and in compliance with Government Code Sections 50075.1(d) and 50075.3, an annual report is provided to the Board on or before January 1 of each fiscal year. The purpose of the report is to explain (1) the amount of funds collected and expended under Measure Q and (2) the status of projects to be funded by Measure Q. The SCVOSA Fiscal Year 2015/2016 Annual Measure Q Status Report was submitted to the SCVOSA Board of Directors on December 8, 2016 and to the Oversight Committee on December 14, 2016. The FY 2015/2016 first Annual Report was prepared without the benefit of a new financial management system. The new system was implemented at the beginning of FY 2016/2017.

In the Report, expenditures of Measure Q funds have been categorized to fall within the four programs identified in the Measure Q Expenditure Plan. In conformance with Measure Q Expenditure Plan requirements (Section C.2[d]), administrative expenses (other than the cost of the Oversight Committee) do not exceed 5% of the revenue generated by Measure Q. Expenditures for Oversight Committee’s activities were one-tenth of one percent (.1%) of the gross proceeds of the parcel tax which is consistent with Measure Q Expenditure Plan Section C.2[g].

Actual expenditures were noted in the first three program areas. (See Figure 1.) The non-administrative expenditure total was \$1,367,974. The lack of noted expenditures in the fourth (urban open space, parks and environmental education programs) was due to these funds being subject to a different expenditure process.

Figure 1. FY 2015/2016 Measure Q Expenditures by Program



** Funds awarded to urban entities would only be actually expended by the Open Space Authority after successful completion of the financed projects. Therefore, the two projects in the fourth program area for which a grant of money was awarded would actually only receive that money in a future fiscal year. At that point, after the project was completed, the Measure Q funds would reimburse the awarded organization for money it had spent to complete the project.*

Without additional detail, it cannot be concluded that individual expenditures were appropriately categorized for conformance to the Measure Q Expenditure Plan. Allocation methods and guidelines are not clear. How an administrative cost was distinguished from a planning or operations cost is not clear. There is no discussion

to support or evidence given that the listed administrative costs were actually associated with Measure Q implementation. Administrative activities erroneously categorized as planning cost would not be discoverable from the information provided. An unreasonable expenditure (hypothetical example might be 2 weeks in Hawaii to collect sand samples) assigned as a project or administrative cost would not be discoverable from the information provided. The FY 2015/2016 Annual Report does not provide sufficient transparency to allow public oversight of funds collected and allocated under Measure Q.

2. Review of the Annual Audit and Report Prepared by the Independent Auditor

The annual report did not appear to fulfill the requirement of Section C.2[f] of the Measure Q Expenditure Plan. As stated previously, C.2 [f] states, “An independent audit shall be conducted to assure that the revenues expended by the Santa Clara Valley Open Space Authority under this plan are necessary and reasonable in carrying out its responsibilities under the Plan.”

The Santa Clara Valley Open Space Authority, Measure Q Parcel Tax Audit Report was prepared on June 30, 2016 by Chavan & Associates, LLP, Certified Public Accountants.

The audit report spoke to appropriateness of accounting policies but did not provide assurance that the revenues expended by the SCVOSA were necessary and reasonable. In the Report, the auditor asserted that the “audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.” The auditor found “In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Measure Q, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.” The Measure Q Parcel Tax Audit Report did not address appropriateness of expenditures in relation to Measure Q.

The Measure Q Expenditure Oversight Committee did not independently review the income and expenditures of the Open Space Authority for conformance to Measure Q requirements. That should have been the task of the independent auditor. Future audit contracts should require an explicit finding related to Section C.2[f] of the Measure Q Expenditure Plan.

Oversight Committee Recommendations

1. As noted above, under the review of annual expenditures for conformance to the Measure Q Expenditure Plan, the FY 2015/2016 Annual Report does not provide sufficient transparency to allow public oversight of funds collected and allocated under Measure Q. Program expenditures should be

more fully explained where their rationale might not be clear based on the description provided.

2. As noted in the above review of the annual audit and report prepared by the independent auditor, future audit contracts should require an explicit finding related to Section C.2[f] of the Measure Q Expenditure Plan.
3. The text of Measure Q says, “*No more than 5% of the revenue generated by this measure and provided to the Santa Clara Valley Open Space Authority may be used for administrative expenses.*” As part of future annual status reports, additional administrative expense allocation details must be provided.
4. In the 2015/2016 Annual Measure Q Status Report, Section 1, Table 2 provides Measure Q expenditures by program. Eight programs are listed and described.

Section 2 includes a table which is a Summary of Projects Funded by Measure Q. Projects are further broken down by the four Measure Q objectives (also called programs) and then by “Project Type”. The Section 2 Summary does not neatly rollup into the Section 1, Table 2.

Reading the two tables together is confusing. The programs mentioned are both similar and different. Project types are related to programs. The two sections and associated tables should be rewritten so that terms are used consistently and the totals reconcile.

5. An able editor should be given sufficient time to review wording of Measure Q Reports for clarity, correct spelling and use of proper English. We found some report wording confusing and unclear.