

**SONOMA COUNTY OPEN SPACE
FISCAL OVERSIGHT COMMISSION**

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February 5, 2015

Board of Directors
Sonoma County Agricultural Preservation and Open Space District
575 Administration Drive
Santa Rosa, CA 95403

Re: 2014 Annual Report

Dear Board Members:

This letter constitutes the Commission's Fourth Annual Report as required by Board of Supervisors' Resolution No. 10-0832 dated December 7, 2010. The report covers the period from February 7, 2014 to date.

Background

Following the voters approval of Measure F in 2006, the Board of Supervisors reorganized the Sonoma County Open Space Authority into the current Commission effective April 1, 2011. As part of that reorganization, the Commission is required to perform certain fiscal oversight duties with respect to the use of funds held in the County's Open Space Special Tax Account and to review and comment on the District's annual audit all as set forth in Resolution No. 10-0832.

What follows is the Commission's Fourth Annual Report to the District's Board of Directors on the Commission's progress in performing its assigned tasks.

Commission's Fourth Annual Report

1. *Transfer of Funds from the Open Space Special Tax Account to the County's General Fund.* To date, the Commission has no information of any funds that have been transferred from the Open Space Special Tax Account to the County's General Fund other than for the reasonable value of goods and services provided by the County to the District and reasonably necessary for the administration of the 2006 Expenditure Plan. In that regard, County departments that provide services to the District under contract or state-approved cost plan are doing so in accordance with the contracts or the plan, which require informative billing with respect to both direct and indirect costs.

2. *Operations and Maintenance Expenditures.* The Commission is required to review District operations and maintenance expenditures for compliance with the 2006 Expenditure Plan and the District's implementing policies. The Commission has been proceeding with this task on a case by case basis with reviews of the District's matching grants and reviews of fee lands transfers as well as conducting an overview of the fiscal year 2013-2014 accounting transactions for recreational lands. That review resulted in the Commission providing direction to District management to schedule an in-service training for District staff on the criteria for the operations and maintenance expenditure category for recreational lands. The training's intent is to improve initial coding for the operations and maintenance category on staff time cards and on non-labor expenditures.

3. *Procurement Practices.* During the Commission's last review period (the Commission's February 6, 2014 Annual Report), the Commission completed a review of the District's procurement practices for the purchase of goods and services from private vendors and determined that the District was meeting reasonable procurement standards. The District's practice is to follow the County's procurement practices. The Commission has determined that the District is continuing to utilize the County's procurement practices and that those practices assure reasonable pricing for goods and services and produce a usable audit trail. The General Manager is satisfied that the practice meets the District's needs.

4. *Respond to Requests of the Board of Directors for Advice.* During this report period, there was one request for advice from a District Board member. On May 1, 2014, Director Zane sent a letter requesting that the Commission consider a faster pace for the transfer of three recreational properties: Carrington, Calabazas, and Poff. At the May 1, 2014 Commission meeting, the Commissioners discussed Director Zane's letter and heard from District staff that the Carrington property is slated for transfer to Regional Parks and is included in the Tier One property transfer priority category. The Calabazas and Poff properties are included within the Tier Two property transfer category. The two categories were reviewed and approved by the Board in November 2012.

Additionally, the Commission has received and dealt with the following matters as requested by the District's General Manager:

- A. February 6, 2014: Review of the District's Long-range Financial Model. This management tool's purpose is to estimate costs of the District's responsibilities and goals with estimated sales tax revenue and other income to determine the amount of funding available for acquisitions.
- B. February 26, 2014: Review of District staff's proposal to develop a model to forecast the long-term cost of conservation easement monitoring. The Commission assisted District staff with the criteria to procure a service provider to develop the model. A more thorough report on the Commission's effort is detailed in section 9 of this report.
- C. May 1, 2014: Review of the District's Fee Lands Strategy. This strategy, presented by District staff to the District's Board of Directors in November 2012, provides a prioritization of the transfer of fee lands to recreational partners.
- D. May 13, 2014: Review of the County's March 31, 2014 Quarterly Investment Report. This review occurred with District staff and with County Treasury staff; investment activities and potential investment opportunities were evaluated. A more thorough report on the Commission's effort is detailed in section 9 of this report.
- E. May 15, 2014: Review of the District's current acquisition projects.
- F. June 5, 2014: Review of the District's biennial Matching Grant Program. This task included a

- review of the submitted grant applications and a review of the District's process for the funding of restoration and recreational development projects.
- G. September 17, 2014: Review of the FY 13/14 accounting transactions for recreational properties. The goal of the review is to assist District staff with identifying qualifying expenses to the Measure F 10% Operations and Maintenance category. A more thorough report on the Commission's effort is detailed in section 2 of this report.
 - H. October 2, 2014: Review of a concept plan for an Urban Farm Center as a location for the District's office. The Commission provided direction to District staff on this plan.
 - I. October 2, 2014: Review of the District's FY 13/14 Audit Report as prepared by Maze and Associates. The Commission provided direction to District staff to contact the independent auditor to enhance the readability of the report regarding the Measure F fund flow. A more thorough report on the Commission's effort is detailed in section 6 of this report.
 - J. October 2, 2014: Review of the District's Management Review prepared by Moss Adams & Associates. The Commission is looking forward to assisting District staff with the recommendations related to its role.
 - K. October 2, 2014: Review of the County Auditor's report on the District's Operations and Maintenance Reserve. The Commission found that the audit performed by the County Auditor's staff validated the beginning balance of the District's Operations and Maintenance Reserve.
 - L. November 6, 2014: Review of the District's draft Initial Public Access, Operations and Maintenance Policy, which District staff will present to the District's Board of Directors in early 2015.

For more details of the Commission's effort on the above matters, please refer to the Commission's meeting agendas and minutes. A link is provided at the end of this report.

5. *Preview District Borrowing Transactions.* To date, no preview has been necessary because no borrowing transactions have closed, are pending, or anticipated.

6. *District's Annual Audit.* The Commission's Audit Report Review Committee reviewed the District's FY 13/14 Audit Report as prepared by Maze & Associates. The Committee provided direction to District staff to contact Maze & Associates to enhance the report with the inclusion of a comprehensive explanation of sales tax revenue, debt service for the 2007 Measure F Sales Tax Revenue Bond issuance, and the overall Measure F fund flow that occurs within the County Treasury. Maze & Associates incorporated those recommendations into its final report.

7. *Annual Financial Report.* The County Auditor has identified the District as a "component unit" of the County in the 2012-2013 Comprehensive Annual Financial Report (commonly referred to as the "CAFR"). There is a difference of opinion between the Commission and the Auditor on this issue and that difference is explained in the Commission's second annual report to the District's Board dated April 23, 2013.

8. *Appraisal Review.* During the term of this report the Commission has reviewed the following District real property appraisals for compliance with the District's Appraisal Standards and, when appropriate, has reported its comments to the District's General Manager for consideration by the Board of Directors:

- A. April 3, 2014: Eliot Trail Easement Donation, Sonoma Mountain

- B. May 1, 2014: Windsor Town Green Conservation Easement, Windsor
- C. May 1, 2014: Hall Open Space Easement Conditional Approval, Geyserville
- D. May 1, 2014: Haroutunian North Sale of Real Property for Road Signal, Airport Blvd at Fulton Road, Sonoma County
- E. May 15, 2014 and June 5, 2014: Lawson Property Transfer to Sonoma County Regional Parks, Sonoma County
- F. June 5, 2014: Clover Springs Property Recreational Covenant, Cloverdale
- G. June 12, 2014: Curreri Property Conservation Easement, Glen Ellen
- H. August 7, 2014: Jones Dairy Property Conservation Easement, Penngrove

9. *District's Administration of the Stewardship Fund.* During this report term, the Commission's Stewardship Committee met with the District's Stewardship Manager and Finance Manager to review the District's plan to procure a service provider who will develop a model to forecast the long-term cost of conservation easement monitoring. After a competitive procurement, the District selected a vendor and the Board of Directors approved a professional services agreement. The Commission continues to receive updates on the model's progress, which has an anticipated completion date in early 2016.

Additionally, the Commission's Investment Committee has met with the County's Treasury staff to explore investment options for the District's Stewardship Fund and for other District funds as allowed by state law and the District's investment policies.

10. *Compliance with Measure F.* To date, no information has come to the attention of the Commission showing non-compliance with Measure F.

11. *Review of the Auditor's Annual Report on the Activities of the District (Government Code §50075.3).* As of the date of this report, the Commission's understanding is that the Auditor has yet to make this report for the time period covered herein. Thus, the Commission has directed District staff to submit an annual financial report for the Auditor's review and certification as specified in the agreement between the County and the District.

During the next report period, as part of its fiscal oversight duties, the Commission plans to assist District staff with its clarification to the District's Board regarding the Commission's role and responsibilities as recommended in the District's Management Review prepared by Moss Adams & Associates.

This report was approved by the Commission at its meeting held on February 5, 2015.

Respectfully submitted,



Eric Koenigshofer
Sonoma County Open Space Fiscal Oversight Commission Chair

cc: Mr. Bill Keene, Sonoma County Agricultural Preservation and Open Space District General Manager

Mr. David Sundstrom, Sonoma County Auditor-Controller Treasurer-Tax Collector
Mr. Bruce Goldstein, Sonoma County Counsel
Ms. Veronica Ferguson, Sonoma County Administrator

Links:

Measure F as approved by voters in November 2006

<http://smartvoter.org/2006/11/07/ca/sn/meas/F/>

Board of Supervisors' Meeting Minutes from December 7, 2010

Resolutions 10-0832, 10-0833, 10-0834

file:///C:/Users/C/Downloads/20101207_minutes.pdf

http://sonoma-county.granicus.com/MetaViewer.php?view_id=2&clip_id=130&meta_id=41975

Sonoma County Open Space District Fiscal Oversight Commission's Meeting Agendas & Minutes

<http://www.sonomaopenspace.org/Content/?p=10149/preview.html>

Official Statement County of Sonoma Measure F Sales Tax Revenue Bonds issued November 2007

<http://emma.msrb.org/MS61446-MS262167-MD505658.pdf>