



Due to the risk of COVID-19 transmission, local guidelines in effect for social distancing, and recent State Executive Orders allowing local government bodies to conduct meetings remotely, this meeting will only be held remotely.

To join the meeting, click on:
<https://us02web.zoom.us/j/89159179222>

or call by phone: 669-900-6833,,89159179222#

**San Mateo County Flood & Sea Level Rise
Resiliency District**

Board of Directors

Supervisors:

District 3 Don Horsley
At-Large: Dave Pine - **Chair**

City Representatives:

North: Donna Colson
Central: Diane Papan
South: Lisa Gauthier
Coast: Debbie Ruddock – **Vice Chair**
At-Large Maryann Moise Derwin

Public Comment can be submitted during the meeting via Zoom Chat or by raising your hand, by speaking up at the appropriate time if joining by phone, or via email to cboland@oneshoreline.org prior to 2:00 pm on the day of the Board meeting; please indicate the specific agenda item to which your comment applies. All written public comments received by this deadline will be read or summarized at the meeting by the Clerk of the Board.

AGENDA

June 8, 2020

4:00 PM

1. Roll Call

2. Public Comment This item is reserved for persons wishing to address the Board for up to two minutes on any District-related matters not listed on this agenda. Public comments for up to two minutes on matters listed on the agenda shall be heard at the time the matter is called.

3. Actions to Set the Agenda

4. Approval of Consent Agenda

- A. Approve Minutes of May 11, 2020 District Board Meeting (ACTION)
- B. Adopt District Conflict of Interest Code (ACTION)
- C. Adopt Resolution authorizing the CEO to apply for grant funds for the California Natural Resources Agency Urban Flood Protection Grant Program (ACTION)

5. Regular Agenda

- A. Approve Fiscal Year 2020-2021 Operating Budget
- B. Approve an Agreement with Macias Gini & O’Connell, LLP for financial auditing services
- C. Adopt Resolution amending San Mateo County Flood and Sea Level Rise Resiliency District Fiscal Year 2019-2020 Salary Schedule effective April 1, 2020

6. Chair’s Report*

7. CEO’s Report*

8. Board Member Reports*

9. Items for Future Agenda

10. Adjournment

* Indicates that there is no written staff report for this item.

Meeting Rules and Procedures

Please contact the Clerk of the Board, Christine Boland, by 10:00 am on the day of the Board of Directors meeting at cboland@OneShoreline.org or at 650-623-5934 if you require auxiliary aids or services to attend or participate in the meeting or if you wish to submit written communication or materials to all Board Members. Public records that relate to any open session item on the agenda of a Regular Board meeting are available for public inspection at least 72 hours prior to the meeting, at the same time records are distributed to members of the Board. Public records related to a Special Board meeting are available at least 24 hours prior to that meeting. Such public records will be available for inspection at the San Mateo County Flood and Sea Level Rise Resiliency District office, 1700 El Camino Real, Suite 502, San Mateo, CA 94402 and at www.oneshoreline.org. Should you wish to have such documents sent to you by email, please email cboland@OneShoreline.org.

**SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Board of Directors meeting held remotely via Zoom
May 11, 2020
MINUTES**

1. Roll Call

Chair Pine called the meeting to order at 4:01 p.m. via Zoom video conference software. Interim Clerk Boland took the roll call and confirmed a quorum was present.

Directors Present:

Dave Pine, Representing Board of Supervisors, At Large (Chair)
Donna Colson, Representing Northern San Mateo County cities
Maryann Moise Derwin, Representing San Mateo County cities at-large
Lisa Gauthier, Representing Southern San Mateo County cities
Don Horsley, Representing Board of Supervisors, District 3
Diane Papan, Representing Central San Mateo County cities (4:02 p.m.)
Debbie Ruddock, Representing Coastside (Vice Chair)

Directors Absent:

None

Staff Present:

Len Materman, Chief Executive Officer
Larry Patterson, Interim/Outgoing Chief Executive Officer
Brian Kulich, Esq., Lead Deputy County Counsel
Erika Powell, Senior Project Manager
Colin Martorana, Associate Project Manager
Lucy Dong, Senior Accountant
Christine Boland, Interim Clerk of the Board

2. Public Comment

None.

3. Action to Set the Agenda

Motion/Second: Ruddock/Horsley moved to set the agenda, as posted.
Ayes: Colson, Derwin, Gauthier, Horsley, Papan, Ruddock, Pine
Noes: None
Absent: None
Vote: 7-0-0

4. Approval of Consent Agenda

Motion/Second: Ruddock/Gauthier moved to approve the Consent Agenda.
Ayes: Colson, Derwin, Gauthier, Horsley, Papan, Ruddock, Pine
Noes: None
Absent: None
Vote: 7-0-0

4.1 Approved Minutes of April 13, 2020 District Board Meeting

- 4.2 Adopted Resolution 2020-511A, Authorizing the Chief Executive Officer to:
(A) Execute An Amendment To Grant Agreement With The California Department Of Water Resources For The California Flood Emergency Response Grant Replacing The County Of San Mateo With The District As A Party To The Grant Agreement; (B) Take All Steps Reasonably Necessary To Carry Out The Terms Of The Amended Grant Agreement; And (C) Execute Any Further Amendments To The Amended Grant Agreement Within The District's Fiscal Provisions
- 4.3 Adopted Resolution 2020-511B, Adopting District Records Inspection, Retention, and Disposition Policy

5. Regular Agenda

- 5.1 Approved amendments to consultant contracts with BKF, GEI, Horizon Environmental and Paradigm to extend contract terms to December 31, 2021

CEO Materman explained the need to extend the term of consultants working on both the Bayfront Canal project and countywide flood early warning system. Responding to inquiries about the extension date chosen and funding, Mr. Materman stated that the date chosen allows sufficient time for the completion of the projects. Regarding source of funds, Outgoing CEO Patterson stated the funding has been derived through the Memorandums of Understanding for the flood zones and/or through grants, noting that the projects are fully funded.

Motion/Second: Horsley/Colson moved to authorize the CEO to sign amendments to consultant contracts with BKF, GEI, Horizon Environmental, and Paradigm, to extend contract terms to December 31, 2021.

Ayes: Colson, Derwin, Gauthier, Horsley, Papan, Ruddock, Pine
Noes: None
Absent: None
Vote: 7-0-0

- 5.2 Review Fiscal Year 2020-2021 Preliminary Budget

CEO Materman provided an overview of the draft budget for the coming fiscal year. He discussed four "buckets" or areas of the budget, consisting of General Operations and Administration, Regional Projects Implementation and Administration, Flood Control Zones, and Countywide Projects and Financing Strategies. He proposed and discussed six priorities for FY 2020-21: the Bayfront Canal project, the Belmont Creek project, Flood Control Zones, achieving financial independence from the County, a possible project from Colma Creek to Burlingame, and a possible project on the Pacific Coast.

Board members discussed and provided commentary about several financial issues (achieving financial independence, securing a funding source), and the need for outreach/communications directly to the partner cities. Discussion ensued regarding Colma Creek construction project, regional stormwater projects, city partnerships, federal stimulus funds, and the possibility of new agreement with the Army Corps. Of Engineers.

CEO Materman stated he would seek Board approval of the budget on June 8.

5.3 Review draft of new District website

CEO Materman provided a preliminary look at the District's new website, including a new logo and tagline "Building Solutions for a Changing Climate." Board members provided positive commentary and provided a few suggestions, including linking to member cities and their climate/sea-change webpages, if any; project-related photos with people; and additional opportunities for further functionality.

6. **Chair's Report**

Chair Pine reported on the tracking of legislation regarding a resiliency bond for an upcoming ballot.

7. **CEO's Report**

CEO Materman reported on the hiring of Lucy Dong, the new senior accountant and discussed the other personnel, contractors, and consultants working on various projects.

8. **Flood Zones Report**

No report.

9. **Board Member Reports**

Vice Chair Ruddock reported on polling supporting a climate resiliency bond.

10. **Items for Future Agenda**

None.

11. **Adjournment**

The meeting adjourned at 5:25 p.m.

**SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
AGENDA REPORT**

Date: June 8, 2020
To: San Mateo County Flood and Sea Level Rise Resiliency District Board of Directors
From: Len Materman, CEO
Subject: Resolution Adopting District Conflict of Interest Code

RECOMMENDATION:

That the Board of Directors (the "Board") adopt a resolution adopting the Conflict of Interest Code for the San Mateo County Flood and Sea Level Rise Resiliency District (the "District").

BACKGROUND:

The Political Reform Act (the "Act"), which is set forth in Government Code Sections 81000-91014, prohibits a public official from using his or her official position to influence a governmental decision in which he or she has an economic interest. Every State agency and local agency must adopt a conflict of interest code that identifies all officials and employees within the agency who make governmental decisions based on the positions they hold. The individuals in the designed positions must disclose their economic interests as specified in the agency's conflict of interest code.

To help identify potential conflicts of interest, the law requires public officials and employees in positions designated by their agency's conflict of interest code to report their economic interests on a form called Statement of Economic Interests ("Form 700"). An agency's conflict of interest code and Form 700s are fundamental tools in ensuring that officials are acting in the public's best interest and not their own.

As a newly formed public agency, the District must adopt a conflict of interest code. Staff presented the Board with a draft conflict of interest code ("Code") at the April 13, 2020 meeting. During the meeting, the Board suggested revising the "Disclosure Categories" in the Code to expressly include a materiality standard, which is consistent with Title 2, Section 18730, of the California Code of Regulations ("Section 18730"). A revised Code incorporating the Board's suggested revision is Attachment 1 to this Report and incorporated by this reference.

DISCUSSION:

As with the original draft, there remain three components of the Code.

1. Incorporation Section (Terms of the Code). Section 18730(a) provides that "[i]ncorporation by reference of the terms of this regulation along with the designation of employees and the formulation of disclosure categories in the Appendix referred to below constitute the adoption and promulgation of a conflict of interest code..." Thus, the first component of the Code incorporates by reference Section 18730, which provides the rules for disqualification procedures, reporting economic interests, and references the current gift limit. ***This component of the Code remains unchanged from the initial draft provided to the Board.***

2. List of Designated Positions. The second component of the Code lists all agency positions involving the making or participation in making of decisions that “may foreseeably have a material effect on economic interests.” (Section 18730(b)(2).) ***This component of the Code remains unchanged from the initial draft provided to the Board.***

3. Detailed Disclosure Categories. The final component of the Code describes the types of economic interests that officials in one or more job classifications must disclose on their Form 700s. Pursuant to Section 18730(b), “the economic interests set forth in a designated employee’s disclosure categories are the kinds of economic interests which he or she foreseeably can affect materially through the conduct of his or her office.” (See also *Alperin* Opinion, 3 FPPC Ops. 77, pp. 3-4 (explaining that a conflict of interest code cannot “require disclosure of interests which may not foreseeably be affected materially by decisions made or participated in by designated employees”).) Thus, as required by law, the categories set forth in the Code are tailored to the economic interests affected and do not require public officials to disclose private financial information unrelated to their public employment. ***This component of the Code has been revised from the initial draft provided to the Board to expressly include the materiality standard set forth in Section 18730(b).***¹

Once the Code is adopted, it must be submitted for approval to the County Board of Supervisors as the code reviewing body pursuant to Government Code Section 82011(b).

District Counsel has reviewed the Code and Resolution.

FISCAL IMPACT:

There is no fiscal impact associated with adoption of the resolution adopting the Code.

ATTACHMENT:

1. Conflict of Interest Code
2. Resolution

¹ Because the previous draft of the Code incorporated by reference the provisions of Section 18730, it included the materiality standard. The revised Code makes that standard explicit.

Attachment 1

**CONFLICT OF INTEREST CODE
SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
State of California**

The Political Reform Act (Government Code Section 81000, *et seq.*) requires State and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (specifically, Title 2, Section 18730, of the California Code of Regulations Section 18730 (“Section 18730”)) that contains the terms of a standard conflict of interest code, which can be incorporated by reference in an agency’s code. After public notice and hearing, the standard code may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference. Section 18730 and the attached Appendix designating positions and establishing disclosure categories shall constitute the Conflict of Interest Code of the San Mateo County Flood and Sea Level Rise Resiliency District (the “Code”).

As directed by Government Code Section 82011, the Code reviewing body for all districts within the County of San Mateo is the Board of Supervisors. Pursuant to Title 2, Section 18227, of the California Code of Regulations and Government Code Section 87500, the County Clerk is responsible for reviewing and retaining statements of economic interests and making the statements available for public inspection and reproduction.

Individuals holding designated positions shall file their Statements of Economic Interests with the Clerk of the Board of the Flood and Sea Level Rise Resiliency District (the “District”), which will make the statements available for public inspection and reproduction (*see* Gov. Code Sec. 81008). Upon receipt of the statements, the District shall make and retain copies and forward the originals to the County Clerk.

**SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
CONFLICT OF INTEREST CODE**

List of Designated Positions and Financial Disclosure Categories

Each person holding any position listed below must file statements disclosing the kinds of economic interest shown for the designated employee’s position. Statements must be filed at the times and on the forms prescribed by law. Failure to file statements on time may result in penalties including but not limited to late fines.

| Designated Employees | Disclosure Category |
|-----------------------------------|---------------------|
| Member, Board of Directors | 1,2,3,4 |
| Chief Executive Officer | 1,2,3,4 |
| Senior Accountant | 1,2,3,4 |
| Manager, Flood Resiliency Program | 1,2,3,4 |
| County Counsel | 1,2,3,4 |
| | |
| Consultants/New Positions* | 1,2,3,4 |

*Consultants/New Positions are included in the list of designated positions and shall disclose pursuant to the broadest disclosure category in the Code subject to the following limitation: the CEO may determine in writing that a particular consultant or new position, although a “designated position,” is hired to perform a range of duties that is limited in scope and thus is not required to fully comply with the disclosure requirements in this section. Such written determination shall include a description of the consultant or new position’s duties and, based upon that description, a statement of the extent of disclosure requirements. The CEO’s determination is a public record and shall be retained for public inspection in the same manner and location as this Code. (See Gov. Code Section 81008.)

Officials Who Manage Public Investments

The following positions are *not* covered by the Code because they must file under Government Code Section 87200 and, therefore, are listed for informational purposes only:

| Designated Employees | Disclosure Category |
|----------------------------|---------------------|
| Member, Board of Directors | 1,2,3,4 |
| Chief Executive Officer | 1,2,3,4 |

An individual holding one of the above-listed positions may contact the Fair Political Practices Commission for assistance or written advice regarding their filing obligations if they believe their position has been categorized incorrectly. The Fair Political Practices Commission makes the determination whether a position is covered by Government Code Section 87200.

2020 DISCLOSURE CATEGORIES

Pursuant to Title 2, Section 18730(b) of the California Code of Regulations, the disclosure categories listed below identify the types of economic interests that the designated individual must disclose for each disclosure category to which the individual is assigned and reflect the kinds of economic interests which the assigned individual foreseeably can affect materially through conduct of his or her office or position at the District.

Category 1: Individuals in this category must report all interests in real property located entirely or partially within the jurisdiction of the District (San Mateo County) and/or within a two-mile radius of any land owned or used by the District.

Category 2: Individuals in this category must report all investments in, business positions held in (including director, officer, partner, trustee, employee, or any position of management), and income derived from (including receipt of gifts, loans, and travel payments) sources of the type that provide products, services, supplies, materials, machinery, or equipment utilized by the District or in projects funded by the District that may foreseeably be affected materially by any decision made or participated in by the designated individual through the conduct of his or her office or position at the District.

Category 3: Individuals in this category must report all investments in, business positions held in (including director, officer, partner, trustee, employee, or any position of management), and income derived from (including receipt of gifts, loans, and travel payments) sources that have filed a claim with or against the District within the last two years or have a claim pending with or against the District that may foreseeably be affected materially by any decision made or participated in by the designated individual through the conduct of his or her office or position at the District.

Category 4: Individuals in this category must report all investments in, business positions held in (including director, officer, partner, trustee, employee, or any position of management), and income derived from (including receipt of gifts, loans, and travel payments) sources of the type that provide products, services, supplies, materials, machinery, or equipment utilized by the designated individual or the designated individual's department, if any, that may foreseeably be affected materially by any decision made or participated in by the designated individual through the conduct of his or her office or position at the District.

RESOLUTION NO. 2020 - __

BOARD OF DIRECTORS OF THE SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE
RESILIENCY DISTRICT

RESOLUTION ADOPTING DISTRICT CONFLICT OF INTEREST CODE

WHEREAS, pursuant to the Political Reform Act of 1974, the San Mateo County Flood and Sea Level Rise Resiliency District (“District”) is required by law to adopt an initial Conflict of Interest Code (“Code”); and

WHEREAS, at its meeting on April 13, 2020, the District’s Board of Directors (the “Board”) reviewed the draft Code and recommended revisions, and staff has presented the Board with a revised Code, a copy of which is attached as **Exhibit A** to this Resolution and incorporated by this reference; and

WHEREAS, the Board has reviewed the revised Code and determined that, consistent with the Political Reform Act and current Fair Political Practices Commission regulations and advice, it properly lists the designated positions who must disclose their economic interests on an annual basis and the disclosure categories for such positions; and

WHEREAS, once adopted, the Code must be submitted for approval by the San Mateo County Board of Supervisors as the code reviewing body pursuant to Government Code Section 82011(b).

NOW, THEREFORE, BE IT RESOLVED by the Board that the Code, a copy of which is attached as **Exhibit A** to this Resolution, is hereby adopted; and

BE IT FURTHER RESOLVED that the Clerk of the Board is directed to transmit a copy of the Code to the Board of Supervisors of the County of San Mateo for its review and adoption.

* * * * *

Regularly passed and adopted this 8th day of June, 2020 by the following vote:

AYES:

NOES:

ABSENT:

Chair of the San Mateo County Flood and
Sea Level Rise Resiliency District

ATTEST:

Clerk of the San Mateo County Flood and
Sea Level Rise Resiliency District Board of Directors

San Mateo County Flood and Sea Level Rise Resiliency District Agenda Report

Date: June 8, 2020

To: San Mateo County Flood and Sea Level Rise Resiliency District Board of Directors

From: Len Materman, CEO

Subject: Adopt Resolution authorizing the CEO to apply for grant funds for the California Natural Resources Agency Urban Flood Protection Grant Program

RECOMMENDATION:

That the Flood and Sea Level Rise Resiliency District (“District”) Board of Directors (“Board”) adopt the attached draft Resolution to authorize the District CEO to submit an application requesting a grant from the California Natural Resources Agency’s Urban Flood Protection Program.

BACKGROUND:

California voters passed the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018 (Proposition 68) on June 5, 2018, which authorized a competitive grant program for the purpose of multi-benefit projects in urbanized areas to address flooding. This round of funding makes approximately \$87.5 million available for Urban Flood Protection projects, with a project maximum grant award amount of \$6 million.

The California Natural Resources Agency requires resolution by the applicant agency’s governing board, approving the filing of an application for the Urban Flood Protection Grant Program, and which appoints the Chief Executive Officer as agent to execute and submit all documents which may be necessary for the completion of this grant fund request.

DISCUSSION:

The District is currently coordinating with the Cities of Belmont and San Carlos, and the County of San Mateo, to begin the design and environmental documentation and permitting of a stormwater capture basin, bank stabilization, and water quality improvements along Belmont Creek, and within Twin Pines Park. The funds the District would request with this grant would support the implementation of the Belmont Creek Twin Pines Park stormwater capture basin and channel restoration efforts.

FISCAL IMPACT:

There is no fiscal impact associated with approval of the application for grant funds for the California Natural Resources Agency Urban Flood Protection Program.

ATTACHMENTS:

1. Resolution

RESOLUTION NO. 2020 - ____

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
APPROVING THE APPLICATION FOR GRANT FUNDS FOR THE
URBAN FLOOD PROTECTION GRANT PROGRAM

* * * * *

WHEREAS, the Legislature and Governor of the State of California have provided funds for the program shown above; and

WHEREAS, the California Natural Resources Agency has been delegated the responsibility for the administration of this grant program and establishing necessary procedures; and

WHEREAS, said procedures established by the California Natural Resources Agency require a resolution certifying the approval of application(s) by the Applicant's governing board before submission of said application(s) to the State; and

WHEREAS, the Applicant, if selected, will enter into an agreement with the State of California to carry out the project.

NOW, THEREFORE, BE IT RESOLVED that the District Board of Directors

1. Approves the filing of an application for the Belmont Creek Twin Pines Park Storm Water Capture; and
2. Certifies that Applicant understands the assurances and certification in the application; and
3. Certifies that Applicant or title holder will have sufficient funds to operate and maintain the project consistent with the land tenure requirements or will secure the resources to do so; and
4. Certifies that it will comply with all provisions of Section 1771.5 of the California Labor Code; and
5. If applicable, certifies that the project will comply with any laws and regulations including, but not limited to, the *California Environmental Quality Act (CEQA)*, legal requirements for building codes, health and safety codes, and disabled access laws and that prior to commencement of construction all applicable permits will have been obtained; and
6. Certifies that Applicant will work towards the State Planning Priorities intended to promote equity, strengthen the economy, protect the environment, and promote public health and safety as included in Government Code Section 65041.1; and
7. Appoints the Chief Executive Officer, or designee, as agent to conduct all negotiations, execute and submit all documents including, but not limited to, applications, agreements, payment requests and so on, which may be necessary for the completion of the aforementioned project.

Approved and adopted the 8th day of June 2020. I, the undersigned, hereby certify that the foregoing Resolution Number 2020 - _____ was duly adopted by the District Board of Directors.

Following Roll Call Vote: Ayes: _____
Noes: _____
Absent: _____

Chair of the San Mateo County Flood and Sea Level Rise Resiliency District Board

Clerk of the Board

**San Mateo County Flood and Sea Level Rise Resiliency District
Agenda Report**

Date: June 8, 2020

To: San Mateo County Flood and Sea Level Rise Resiliency District Board of Directors

From: Len Materman, CEO

Subject: Approve the Fiscal Year 2020-21 Operating Budget

RECOMMENDATION:

That the San Mateo County Flood and Sea Level Rise Resiliency District Board of Directors (Board) approve the recommended Fiscal Year 2020-2021 Budget for operations and the flood zones.

BACKGROUND:

Each year by June 30, the Board must adopt an annual budget for the coming fiscal year beginning on July 1st that reflects the staffing and priorities of the District. A preliminary draft budget was presented to the Board at its May 11, 2020 meeting. This budget includes revenues and expenses within two areas: 1) operation of the District including the development and implementation of regional and countywide projects and 2) management and maintenance of the flood control zones.

The District's proposed FY2020-21 Operating Budget (Attachment 1) includes revenue from the County and 20 cities, plus a small amount of interest. Budget expenses include administrative operations, staff involvement in projects established through Memorandums of Understanding (MOU) among multiple agencies, and new efforts now in development. While grant and local funding is planned as revenue in the annual operating budget, in FY2020-21 grant funds are targeted towards advancing projects.

The District's proposed FY2020-21 Budget for Flood Control Zones (Attachment 2) is funded primarily by property taxes from four zones, three of which have current activities. Expenses within this budget are for San Mateo County Public Works support to manage projects and maintenance, projects and maintenance contractors, District staff time to oversee the zones, and District participation in the San Francisquito Creek Joint Powers Authority, which has on-going major capital projects.

DISCUSSION:

The proposed budget reflects District priorities for FY 2020-21 as presented to the Board on May 11, 2020.

1. Initiate construction of the Bayfront Canal project
2. Initiate design and environmental documentation of a restoration and regional stormwater project along Belmont Creek
3. Advance one or more projects associated with the flood zones and MOUs at 1) Colma Creek, San Bruno Creek and Navigable Slough and 2) San Francisquito Creek (with the SFCJPA)
4. Advance new regional efforts to protect against sea level rise along the Bay, potentially including SFO and cities to the north and south, as well as around Redwood Shores
5. Explore partnerships to advance at least one project along the Pacific Coast.

Based on input from the Board, the budget has been modified to include additional funding for public and local agency outreach and to allow for the investigation of potential on-going funding.

District Operating Budget

The ending balance brought forward from the FY 2019-20 Budget is now expected to be \$890,000, an amount that will be finalized once all fiscal year-end invoices are received from the County. This balance is due to the fact that the County supported operations during the last six months of 2019 and District

operations did not until the spring of 2020, and the County has made a \$500,000 in one-time commitment of Measure K funds. The proposed budget does not anticipate use of these funds in FY 2020-21, so this amount is shown as fiscal year-end reserves at the bottom of the FY2020-21 Budget.

Contributions in FY2019-20 from the 20 cities and the County total \$1,495,000, and the FY2020-21 Budget assumes receipt of a second of three years of similar contributions. This budget assumes no revenue from projects for operations because work funded by the previous MOUs is largely complete and new MOUs will focus on project advancement and reimburse the District for contractor costs. We anticipate substantial revenue and expenses during construction of the Bayfront Canal project this fiscal year, and one issue already discussed with project partners is the District's inability to advance construction funding.

Estimated expenditures for FY2020-21 District operations provided in Attachment 1 now reflects the following changes as compared to information provided at the May 11, 2020 Board meeting:

- Includes a modest amount of revenue from interest (\$500)
- The estimated carryover of the FY 2019-20 fund balance reflects current information
- Costs for contracted financial services provided by the County has been reduced to reflect the District's intent to implement its own independent accounting system in this calendar year
- Annual audit costs reflect information gained through the selection process.
- Additional funding is provided to ensure effective communication with the public and local jurisdictions and to initiate the investigation into on-going funding for District operations
- Staffing costs have been revised to reflect recent changes

The FY2020-21 estimated revenue is \$1,495,000, and estimated expenditures total \$1,493,700. When combined with the fund balance from FY2019-20, this will result in an reserves balance of \$891,800 at the end of FY2020-21 that can be used for significant unanticipated or future year costs.

Flood Control Zones Budget

On January 1, 2020, the District Board assumed from the County responsibility for the flood zones, and it must approve the flood zone budget and decide on projects to move forward. Through FY2020-21, the District will contract with the County to manage project and maintenance activities within the zones. Thus, the recommended budget reflects year two the County's previously approved two-year budget and the ending balances will be updated once the actual FY2019-20 ending balances are known.

The established flood control zones are funded primarily through property taxes; taxes collected in one zone must benefit that zone. Property taxes and other revenue sources within the flood zones are projected to be over \$3.9 million in FY 2020-21 with approximately 84% collected within the Colma Creek zones (Attachment 2). Revenue from all sources is anticipated to be approximately \$4.3 million.

Activities within all of the flood zones will continue to include on-going maintenance of the channels and pump stations. Approximately \$1.0 million is estimated in FY 2020-21 for contract County support. The largest planned expenditures will occur in the Colma Creek zone, including \$4 million for a capital improvement project that would require Board authorization and approximately \$1.5 million for debt service on a bond. The District's share of funding for the San Francisquito Creek Joint Powers Authority (SFCJPA), which was discussed at previous Board meetings, will total \$308,000 in FY2020-21. The anticipated expenditures by flood control zone provided in Attachment 2.

FISCAL IMPACT: There is no fiscal impact of adopting the District budget by resolution.

ATTACHMENTS:

1. Proposed FY2020-21 Operating Budget
2. Proposed FY2020-21 Flood Control Zones Budgets

San Mateo County Flood & Sea Level Rise Resiliency District

Proposed Fiscal Year 2020-21 Operating Budget

| Budget Item | General Operations & Admin | Regional Projects Admin |
|--|---|--|
| REVENUE | | |
| County and City Contributions | 1,495,000 | 0 |
| Interest Earned | 500 | 0 |
| Revenue | 1,495,500 | 0 |
| Total Revenue - All Sources | | 1,495,500 |
| EXPENSES | | |
| <i>Personnel</i> | | |
| Salary & Related Costs | 334,341 | 161,791 |
| Medicare and Social Security | 20,593 | 14,948 |
| Retirement Benefits | 52,207 | 15,900 |
| Medical, Dental, Vision Benefits | 38,977 | 25,134 |
| Contribution to Insurance Plans | 2,437 | 1,922 |
| Total Personnel Costs | 448,555 | 219,694 |
| <i>General Operations & Support</i> | | |
| Office Lease and Supplies | 108,632 | 0 |
| Computers and Software | 5,500 | 2,500 |
| Advertising and Legal Notices | 4,700 | 1,500 |
| Meetings and Travel | 8,600 | 0 |
| Payroll and Administration Services | 95,600 | 0 |
| Contract - Legal Services | 75,000 | 0 |
| Contract - Audit Services | 55,000 | 0 |
| Contract - County Financial Services | 140,000 | 0 |
| Contract - Engineering Services | 0 | 173,419 |
| Contract - Planning Services | 0 | 100,000 |
| Outreach/Funding Option Development | 0 | 55,000 |
| Total Operations and Support | 493,032 | 332,419 |
| Total Expenses | 941,587 | 552,113 |
| Combined Total Expenses | | 1,493,700 |
| Total Revenue minus Total Expenses | | 1,800 |
| Estimated carryover of FY2019-20 fund balance | | 890,000 |
| Estimated reserves at conclusion of FY2020-21 | | 891,800 |

San Mateo County Flood & Sea Level Rise Resiliency District
Proposed Fiscal Year 2020-21 Budget for Active Flood Zones

| Budget Item | Colma Creek | San Bruno Creek | San Francisquito Creek |
|---|------------------------|----------------------------|---------------------------------------|
| Reserves Fund Balance | 22,076,483 | 2,993,142 | 874,353 |
| REVENUE | | | |
| Taxes | 3,280,160 | 278,289 | 351,045 |
| Rent and Interest income | 343,000 | 44,500 | 20,000 |
| Homeowners Property Tax Relief | 2,998 | 1,259 | 1,304 |
| Total Revenue | 3,638,239 | 324,048 | 372,349 |
| Total Revenue plus Fund Balance | 25,714,722 | 3,317,190 | 1,246,702 |
| EXPENSES | | | |
| <i>Services and Supplies provide by County</i> | | | |
| Administrative Expenses | 59,200 | 16,000 | 2,000 |
| Maintenance Supplies and Services | 14,000 | 173,000 | 0 |
| Equipment and Other Rentals | 2,000 | 20,620 | 0 |
| Utilities | 0 | 14,500 | 0 |
| Employee Reimbursible Expenses | 1,600 | 0 | 0 |
| Contract Engineering | 790,500 | 357,700 | 25,000 |
| Contract Planning and Environmental | 200,000 | 0 | 0 |
| Contract Construction | 300,000 | 100,000 | 0 |
| Other Contract Services | 198,534 | 26,692 | 8,775 |
| Other Special District Expense | 235,000 | 12,500 | 19,000 |
| Total Services and Supplies | 1,800,834 | 721,012 | 54,775 |
| Capital project costs | 4,000,000 | 0 | 0 |
| Debt Service | 1,515,650 | 0 | 0 |
| <i>Other Charges</i> | | | |
| Contracts with other agencies | 1,700,000 | 0 | 0 |
| Annual contribution to SFCJPA | 0 | 0 | 308,000 |
| Other Fees | 349 | 0 | 0 |
| General Liability Insurance | 5,000 | 1,300 | 0 |
| Total Other Charges | 1,705,349 | 1,300 | 308,000 |
| Total Expenses | 9,021,833 | 722,312 | 362,775 |
| Reserves at conclusion of FY2020-21 | 16,692,889 | 2,594,878 | 883,927 |

**San Mateo County Flood and Sea Level Rise Resiliency District
Agenda Report**

Date: June 8, 2020

To: San Mateo County Flood and Sea Level Rise Resiliency District Board of Directors

From: Len Materman, CEO

Subject: Approve an Agreement with Macias, Gini & O’Connell, LLP for Professional Financial Auditing Services

RECOMMENDATION:

Approve an agreement with Macias, Gini & O’Connell, LLP (“Contractor”) to provide professional services for the annual financial audit for a three-year term beginning June 8, 2020 through May 31, 2023 and a not-to-exceed amount of \$223,300.00, with an option to extend for an additional three years through May 31, 2026 and a not-to-exceed amount of \$243,950.00 during the extended three-year period (“Agreement”).

BACKGROUND:

The California Government Code requires the San Mateo County Flood and Sea Level Rise Resiliency District (the “District”), as an independent special district, to submit an annual financial audit performed by an independent certified public accountant. On March 31, 2020, the District issued a Request for Proposals (RFP) for professional financial auditing services and received four proposals. Following a review of the proposals and interviews, District staff selected Contractor. In addition to meeting all requirements, Contractor has a very large state and local government practice, including as the financial auditor of San Mateo County and thus has a working knowledge of County financial systems and controls (including cash disbursements, cash receipts, journal entries), which is especially important for audits of FY2019-20 and FY2020-21 while the District is linked to County financial controls.

DISCUSSION:

Staff recommends that the Board of Directors approve the attached draft Agreement, which has an initial three-year term of June 8, 2020 through May 31, 2023 and a not-to-exceed amount of \$223,300, with an option to extend at the District’s sole discretion for an additional three years through May 31, 2026. The draft Agreement, which has been reviewed by District Counsel as to its form, covers all required audits and financial statements, additional audits that may be required by grant programs, and the reporting requirements of the State.

FISCAL IMPACT: The anticipated cost of the Agreement during the first three years is as follows:

- FY2019-20: \$56,500 (includes Financial Statements, reporting to State, as-needed services)
- FY2020-21: \$66,800 (also includes \$9K if a Single Audit is required due to receipt of federal funds)
- FY2021-22: \$69,200 (similar deliverables as FY2020-21)

ATTACHMENT: 1. Draft Agreement with Macias, Gini & O’Connell, LLP

Agreement No. FSLRRD20200603

**AGREEMENT BETWEEN THE
SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
AND MACIAS GINI & O'CONNELL, LLP**

This Agreement is made this 8th day of June, 2020, by and between the San Mateo County Flood and Sea Level Rise Resiliency District, an independent special district ("District"), and Macias Gini & O'Connell, LLP ("Contractor") (together, the "Parties").

* * *

Whereas, pursuant to the San Mateo County Flood Control District Act, as amended by Assembly Bill 825, District may contract with independent contractors for the furnishing of such services to or for District; and

Whereas, it is necessary and desirable that Contractor be retained for the purpose of providing financial auditing services for District; and

Whereas, this Agreement was competitively procured through a Request for Proposal ("RFP") issued on March 31, 2020, in which District selected Contractor as the highest qualified scorer pursuant to the RFP.

Now, therefore, it is agreed by the parties to this Agreement as follows:

1. Exhibits and Attachments

The following exhibits and attachments are attached to this Agreement and incorporated into this Agreement by this reference:

- Exhibit A—Services
- Exhibit B—Payments and Rates

2. Services to be performed by Contractor

In consideration of the payments set forth in this Agreement and in Exhibit B, Contractor shall perform services for District in accordance with the terms, conditions, and specifications set forth in this Agreement and in Exhibit A.

3. Payments

In consideration of the services provided by Contractor in accordance with all terms, conditions, and specifications set forth in this Agreement and in Exhibit A, District shall make payment to Contractor based on the rates and in the manner specified in Exhibit B. District reserves the right to withhold payment if District determines that the quantity or quality of the work performed is unacceptable.

In no event shall District's total fiscal obligation under this Agreement exceed TWO HUNDRED TWENTY-THREE THOUSAND THREE HUNDRED DOLLARS AND ZERO CENTS (\$223,300.00) for the initial term through May 31, 2023, and an additional TWO-HUNDRED FORTY-THREE THOUSAND NINE HUNDRED FIFTY DOLLARS AND ZERO CENTS (\$243,950.00) if the District exercises its option to extend the Agreement pursuant to Section 4 of the Agreement. In the event that the District makes any advance payments, Contractor agrees to refund any amounts in excess of the amount owed by the

District at the time of contract termination or expiration. Contractor is not entitled to payment for work not performed as required by this agreement.

4. Term

Subject to compliance with all terms and conditions, the initial term of this Agreement shall commence on June 8, 2020 and expire on May 31, 2023, unless earlier terminated as otherwise provided herein ("Initial Term").

The District has an option to extend the Initial Term for a period of three (3) years through May 31, 2026, which option the District may exercise at its sole and absolute discretion. In the event of the District exercises such option, this Agreement shall be deemed to be extended for the additional period pursuant to all the terms and conditions set forth herein.

5. Termination

This Agreement may be terminated by Contractor or by District at any time without a requirement of good cause upon thirty (30) days' advance written notice to the other party. Subject to availability of funding, Contractor shall be entitled to receive payment for work/services provided prior to termination of the Agreement. Such payment shall be that prorated portion of the full payment determined by comparing the work/services actually completed to the work/services required by the Agreement.

District may terminate this Agreement or a portion of the services referenced in the Attachments and Exhibits based upon the unavailability of Federal, State, or District funds by providing written notice to Contractor as soon as is reasonably possible after District learns of said unavailability of outside funding.

District may terminate this Agreement for cause. In order to terminate for cause, District must first give Contractor notice of the alleged breach. Contractor shall have five business days after receipt of such notice to respond and a total of ten calendar days after receipt of such notice to cure the alleged breach. If Contractor fails to cure the breach within this period, District may immediately terminate this Agreement without further action. The option available in this paragraph is separate from the ability to terminate without cause with appropriate notice described above. In the event that District provides notice of an alleged breach pursuant to this section, District may, in extreme circumstances, immediately suspend performance of services and payment under this Agreement pending the resolution of the process described in this paragraph. District has sole discretion to determine what constitutes an extreme circumstance for purposes of this paragraph, and District shall use reasonable judgment in making that determination.

6. Contract Materials

At the end of this Agreement, or in the event of termination, except for Contractor's audit documentation as defined herein, all finished or unfinished documents, data, studies, maps, photographs, reports, and other written materials (collectively referred to as "contract materials") prepared by Contractor under this Agreement shall become the property of District and shall be promptly delivered to District. Upon termination, Contractor may make and retain a copy of such contract materials if permitted by law. Audit Documentation shall mean all records related to the Agreement, excluding financial records that report Contractor's professional hours and expenses, that are required by professional standards or Contractor's internal policies to support the services performed under the Agreement. Examples of Audit Documentation are audit programs, analysis, memoranda, letters of confirmation and representation, extract or copies of District documents, and schedules or commentaries prepared by or obtained by Contractor. Audit Documentation may be in paper form, electronic form, or other media.

7. Relationship of Parties

Contractor agrees and understands that the work/services performed under this Agreement are performed as an independent contractor and not as an employee of District and that neither Contractor nor its employees acquire any of the rights, privileges, powers, or advantages of District employees.

8. Mutual Hold Harmless, Indemnity, and Limitation of Liability

Each of the Parties shall indemnify, defend, protect, hold harmless, and release the other, its officers, agents, representatives, insurers, employees, and servants from and against any and all claims, loss, proceedings, damages, causes of action, liability, costs, or expense (including attorneys' fees and costs) arising from or in connection with, or caused by any act, omission, or negligence of such indemnifying Party or its agents, representatives, employees, servants, contractors, subcontractors, or invitees. The duty of District to indemnify and hold harmless Contractor shall not apply to injuries or damage for which Contractor has been found in a court of competent jurisdiction to be solely liable by reason of its own negligence or willful misconduct, nor does the duty of Contractor to indemnify and hold harmless District apply to injuries or damage for which District has been found in a court of competent jurisdiction to be solely liable by reason of its own negligence or willful misconduct.

The duty to indemnify and hold harmless set forth in this Section 8 shall include the duty to defend as set forth in Section 2778 of the California Civil Code, and survives the Agreement.

9. Assignability and Subcontracting

Contractor shall not assign this Agreement or any portion of it to a third party or subcontract with a third party to provide services required by Contractor under this Agreement without the prior written consent of District. Any such assignment or subcontract without District's prior written consent shall give District the right to automatically and immediately terminate this Agreement without penalty or advance notice.

10. Insurance

a. General Requirements

Contractor shall not commence work or be required to commence work under this Agreement unless and until all insurance required under this Section has been obtained and such insurance has been approved by District's Risk Management, and Contractor shall use diligence to obtain such insurance and to obtain such approval. Contractor shall furnish District with certificates of insurance evidencing the required coverage, and there shall be a specific contractual liability endorsement extending Contractor's coverage to include the contractual liability assumed by Contractor pursuant to this Agreement. These certificates shall specify or be endorsed to provide that thirty (30) days' notice must be given, in writing, to District of any pending change in the limits of liability or of any cancellation or modification of the policy.

b. Workers' Compensation and Employer's Liability Insurance

Contractor shall have in effect during the entire term of this Agreement workers' compensation and employer's liability insurance providing full statutory coverage. In signing this Agreement, Contractor certifies, as required by Section 1861 of the California Labor Code, that (a) it is aware of the provisions of Section 3700 of the California Labor Code, which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of the Labor Code, and (b) it will comply with such provisions before commencing the performance of work under this Agreement.

c. Liability Insurance

Contractor shall take out and maintain during the term of this Agreement such bodily injury liability and property damage liability insurance as shall protect Contractor and all of its employees/officers/agents while performing work covered by this Agreement from any and all claims for damages for bodily injury, including accidental death, as well as any and all claims for property damage which may arise from Contractor's operations under this Agreement, whether such operations be by Contractor, any subcontractor, anyone directly or indirectly employed by either of them, or an agent of either of them. Such insurance shall be combined single limit bodily injury and property damage for each occurrence and shall not be less than the amounts specified below:

- (a) Comprehensive General Liability... \$1,000,000
- (b) Professional Liability..... \$1,000,000

District and its officers, agents, employees, and servants shall be named as additional insured on any such policies of insurance, which shall also contain a provision that (a) the insurance afforded thereby to District and its officers, agents, employees, and servants shall be primary insurance to the full limits of liability of the policy and (b) if the District or its officers, agents, employees, and servants have other insurance against the loss covered by such a policy, such other insurance shall be excess insurance only.

In the event of the breach of any provision of this Section, or in the event any notice is received which indicates any required insurance coverage will be diminished or canceled, District, at its option, may, notwithstanding any other provision of this Agreement to the contrary, immediately declare a material breach of this Agreement and suspend all further work and payment pursuant to this Agreement.

11. Compliance With Laws

All services to be performed by Contractor pursuant to this Agreement shall be performed in accordance with all applicable Federal, State, District, and municipal laws, ordinances, and regulations, including but not limited to the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and the Federal Regulations promulgated thereunder, as amended (if applicable), the Business Associate requirements set forth in Attachment H (if attached), the Americans with Disabilities Act of 1990, as amended, and Section 504 of the Rehabilitation Act of 1973, which prohibits discrimination on the basis of disability in programs and activities receiving any Federal or District financial assistance. Such services shall also be performed in accordance with all applicable ordinances and regulations, including but not limited to appropriate licensure, certification regulations, provisions pertaining to confidentiality of records, and applicable quality assurance regulations. In the event of a conflict between the terms of this Agreement and any applicable State, Federal, District, or municipal law or regulation, the requirements of the applicable law or regulation will take precedence over the requirements set forth in this Agreement.

Contractor will timely and accurately complete, sign, and submit all necessary documentation of compliance.

12. Non-Discrimination and Other Requirements

a. General Non-discrimination

No person shall be denied any services provided pursuant to this Agreement (except as limited by the scope of services) on the grounds of race, color, national origin, ancestry, age, disability (physical or mental), sex, sexual orientation, gender identity, marital or domestic partner status, religion, political beliefs or affiliation, familial or parental status (including pregnancy), medical condition (cancer-related), military service, or genetic information.

b. Equal Employment Opportunity

Contractor shall ensure equal employment opportunity based on objective standards of recruitment, classification, selection, promotion, compensation, performance evaluation, and management relations for all employees under this Agreement. Contractor's equal employment policies shall be made available to District upon request.

c. Section 504 of the Rehabilitation Act of 1973

Contractor shall comply with Section 504 of the Rehabilitation Act of 1973, as amended, which provides that no otherwise qualified individual with a disability shall, solely by reason of a disability, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination in the performance of any services this Agreement. This Section applies only to contractors who are providing services to members of the public under this Agreement.

d. Compliance with Equal Benefits Laws

Contractor shall comply with all laws relating to the provision of benefits to its employees and their spouses or domestic partners, including, but not limited to, such laws prohibiting discrimination in the provision of such benefits on the basis that the spouse or domestic partner of the Contractor's employee is of the same or opposite sex as the employee.

e. Discrimination Against Individuals with Disabilities

The nondiscrimination requirements of 41 C.F.R. 60-741.5(a) are incorporated into this Agreement as if fully set forth here, and Contractor and any subcontractor shall abide by the requirements of 41 C.F.R. 60-741.5(a). This regulation prohibits discrimination against qualified individuals on the basis of disability and requires affirmative action by covered prime contractors and subcontractors to employ and advance in employment qualified individuals with disabilities.

f. History of Discrimination

Contractor certifies that no finding of discrimination has been issued in the past 365 days against Contractor by the Equal Employment Opportunity Commission, the California Department of Fair Employment and Housing, or any other investigative entity. If any finding(s) of discrimination have been issued against Contractor within the past 365 days by the Equal Employment Opportunity Commission, the California Department of Fair Employment and Housing, or other investigative entity, Contractor shall provide District with a written explanation of the outcome(s) or remedy for the discrimination prior to execution of this Agreement. Failure to comply with this Section shall constitute a material breach of this Agreement and subjects the Agreement to immediate termination at the sole option of the District.

g. Reporting; Violation of Non-discrimination Provisions

Contractor shall report to the District Chief Executive Officer ("CEO") the filing in any court or with any administrative agency of any complaint or allegation of discrimination on any of the bases prohibited by this Section of the Agreement or the Section titled "Compliance with Laws". Such duty shall include reporting of the filing of any and all charges with the Equal Employment Opportunity Commission, the California Department of Fair Employment and Housing, or any other entity charged with the investigation or adjudication of allegations covered by this subsection within 30 days of such filing, provided that within such 30 days such entity has not notified Contractor that such charges are dismissed or otherwise unfounded. Such notification shall include a general description of the circumstances involved and a general description of the kind of discrimination alleged (for example, gender-, sexual orientation-, religion-, or race-based discrimination).

Violation of the non-discrimination provisions of this Agreement shall be considered a breach of this Agreement and subject the Contractor to penalties, to be determined by the District CEO, including but not limited to the following:

- i. termination of this Agreement;
- ii. disqualification of the Contractor from being considered for or being awarded a District contract for a period of up to 3 years;
- iii. liquidated damages of \$2,500 per violation; and/or
- iv. imposition of other appropriate contractual and civil remedies and sanctions, as determined by the District CEO.

To effectuate the provisions of this Section, the District CEO shall have the authority to offset all or any portion of the amount described in this Section against amounts due to Contractor under this Agreement or any other agreement between Contractor and District.

13. Retention of Records; Right to Monitor and Audit

(a) Contractor shall maintain all required records relating to services provided under this Agreement for seven (7) years after District makes final payment and all other pending matters are closed, and Contractor shall be subject to the examination and/or audit by District, a Federal grantor agency, and the State of California.

(b) Contractor shall comply with all program and fiscal reporting requirements set forth by applicable Federal, State, and local agencies and as required by District.

(c) Contractor agrees upon reasonable notice to provide to District, to any Federal or State department having monitoring or review authority, to District's authorized representative, and/or to any of their respective audit agencies access to and the right to examine all records and documents necessary to determine compliance with relevant Federal, State, and local statutes, rules, and regulations, to determine compliance with this Agreement, and to evaluate the quality, appropriateness, and timeliness of services performed.

14. Merger Clause; Amendments

This Agreement, including the Exhibits and Attachments attached to this Agreement and incorporated by reference, constitutes the sole Agreement of the parties to this Agreement and correctly states the rights, duties, and obligations of each party as of this document's date. In the event that any term, condition, provision, requirement, or specification set forth in the body of this Agreement conflicts with or is inconsistent with any term, condition, provision, requirement, or specification in any Exhibit and/or Attachment to this Agreement, the provisions of the body of the Agreement shall prevail. Any prior agreement, promises, negotiations, or representations between the parties not expressly stated in this document are not binding. All subsequent modifications or amendments shall be in writing and signed by the parties.

15. Controlling Law; Venue

The validity of this Agreement and of its terms, the rights and duties of the parties under this Agreement, the interpretation of this Agreement, the performance of this Agreement, and any other dispute of any nature arising out of this Agreement shall be governed by the laws of the State of California without regard to its choice of law or conflict of law rules. Any dispute arising out of this Agreement shall be venued either in the San Mateo County Superior Court or in the United States District Court for the Northern District of California.

16. Dispute Resolution

If any dispute arises among the Parties hereto under the Agreement, or any claim related to a claim concerning the services provided for under this Agreement or the fees charged to the extent they exceed \$25,000, the Parties agree to attempt to informally resolve the dispute, and, if necessary, to first try in good faith to settle the dispute by mediation administered by the American Arbitration Association (AAA) under its Rules for Professional Accounting and Related Services Disputes, or JAMS, or ADR Services, Inc. (ADR), before filing a complaint or otherwise resorting to litigation. Each of the Parties shall be responsible for its own mediation expenses, and shall share equally in the mediator's fees and expenses.

17. Notices

Any notice, request, demand, or other communication required or permitted under this Agreement shall be deemed to be properly given when both: (1) transmitted via facsimile to the telephone number listed below or transmitted via email to the email address listed below; and (2) sent to the physical address listed below by either being deposited in the United States mail, postage prepaid, or deposited for overnight delivery, charges prepaid, with an established overnight courier that provides a tracking number showing confirmation of receipt.

In the case of District, to:

Name/Title: Chief Executive Officer
Address: 1700 South El Camino Real, Suite 502
San Mateo, CA 94402
Telephone: 650-623-5931
Email: len@onshoreline.org

In the case of Contractor, to:

Name/Title: Annie Louie, Partner
Address: 2121 N. California Blvd., Suite 750, Walnut Creek, CA 94596
Telephone: 925-395-2831
Facsimile: 925-274-3819
Email: alouie@mgocpa.com

18. Electronic Signature

Both District and Contractor wish to permit this Agreement and future documents relating to this Agreement to be digitally signed in accordance with California law. Any party to this Agreement may revoke such agreement to permit electronic signatures at any time in relation to all future documents by providing notice pursuant to this Agreement.

19. Payment of Permits/Licenses

Contractor bears responsibility to obtain any license, permit, or approval required from any agency for work/services to be performed under this Agreement at Contractor's own expense prior to commencement of said work/services. Failure to do so will result in forfeit of any right to compensation under this Agreement.

* * *

In witness of and in agreement with this Agreement's terms, the parties, by their duly authorized representatives, affix their respective signatures:

For Contractor:

| | | |
|-------------------------------|---------------|--|
| _____ Contractor Signature | _____ Date | _____ Contractor Name (please print) |
|-------------------------------|---------------|--|

For District:

Purchasing Agent Signature
(or Authorized Designee)
San Mateo County Flood and Sea
Level Rise Resiliency District

Date

Len Materman
Chief Executive Officer (or
Authorized Designee)
San Mateo County Flood and Sea
Level Rise Resiliency District

Exhibit A – Scope of Services

In consideration of the payments set forth in this Agreement and in Exhibit B, Contractor shall perform the following services for fiscal periods ending June 30, 2020 through June 30, 2023 with options to extend to June 30, 2026.

Contractor will audit the District's basic financial statements, and if applicable, the District's compliance over major federal award programs. Our audits will be conducted with the objectives of our expressing an opinion on each opinion unit and an opinion on compliance regarding the District's major federal award programs. In addition, Contractor will assist the District with preparation and electronic submission of the District's Special Districts Financial Transactions Report.

Contractor will prepare and provide copies of the District's basic financial statements, and if applicable, single audit reports and the Comprehensive Annual Financial Report (CAFR).

- a. Basic financial statements or CAFR – 10 copies and digital file in Adobe Acrobat format.
- b. Single audit reports – 7 copies and digital file in Adobe Acrobat format.
- c. State of California Special Districts Financial Transactions Report – electronic submission through the California State Controller's website.

Accounting principles generally accepted in the United States of America, (U.S. GAAP,) as promulgated by the Governmental Accounting Standards Board (GASB) require that certain supplementary information, such as the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of this engagement, Contractor will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation and comparing the information for consistency with management's responses to Contractor's inquiries. Contractor will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by accounting principles generally accepted in the United States of America. This RSI will be subjected to certain limited procedures but will not be audited:

1. Management's discussion and analysis
2. Budgetary comparison information (if required)

Supplementary information other than RSI may accompany the District's basic financial statements. Contractor will subject the following supplementary information to the auditing procedures applied in Contractor's audit of the basic financial statements and certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. Contractor intends to provide an opinion on the following supplementary information in relation to the financial statements as a whole:

1. Schedule of Expenditures of Federal Awards (if applicable)

Schedule of Expenditures of Federal Awards

If applicable, Contractor will subject the schedule of expenditures of federal awards to the auditing procedures applied in Contractor's audit of the basic financial statements and certain additional procedures, including comparing and reconciling the schedule to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in

accordance with auditing standards generally accepted in the United States of America. Contractor intends to provide an opinion on whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements as a whole.

Also, if the District decides to prepare a comprehensive annual financial report (CAFR), the CAFR will include introductory and statistical sections that will not be subjected to the auditing procedures applied in Contractor's audit of the financial statements.

Data Collection Form

If applicable, prior to the completion of Contractor's engagement, Contractor will complete the sections of the Data Collection Form that are Contractor's responsibility. The form will summarize Contractor's audit findings, amounts and conclusions. It is District management's responsibility to submit a reporting package including financial statements, schedule of expenditure of federal awards, summary schedule of prior audit findings and corrective action plan along with the Data Collection Form to the federal audit clearinghouse. The financial reporting package must be text searchable, unencrypted, and unlocked. Otherwise, the reporting package will not be accepted by the federal audit clearinghouse. Contractor will assist management in the electronic submission and certification.

The Data Collection Form is required to be submitted within the *earlier* of 30 days after receipt of Contractor's auditors' reports or nine months after the end of the audit period, unless specifically waived by a federal cognizant or oversight agency for audits. Data Collection Forms submitted untimely are one of the factors in assessing the District at a higher risk.

Audit of the Financial Statements and Internal Control over Financial Reporting

Contractor will conduct the audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that Contractor plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement, whether caused by error or fraud, and whether effective internal control over financial reporting was maintained in all material respects. Accordingly, there is some risk that a material misstatement of the financial statements or a material weakness in internal control over financial reporting would remain undetected. Although not absolute assurance, reasonable assurance is a high level of assurance. If, for any reason, Contractor is unable to complete the audit or are unable to form or have not formed an opinion, Contractor may decline to express an opinion or decline to issue a report as a result of the engagement.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. If appropriate, Contractor's procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of Contractor's audit process, Contractor will request written representations from the District's attorneys, and they may bill the District for responding. At the conclusion of Contractor's audit, Contractor will also request certain written representations from management about the financial statements and related matters.

The audits will include obtaining an understanding of the District and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that Contractor considers relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Contractor's tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in Contractor's report on internal control issued pursuant to *Government Auditing Standards*.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance (whether caused by errors, fraudulent financial reporting, misappropriation of assets, detected abuse or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards* of the Comptroller General of the United States of America. Please note that the determination of abuse is subjective and *Government Auditing Standards* does not require auditors to detect abuse.

In making Contractor's risk assessments, Contractor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. However, Contractor will communicate to management in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that Contractor has identified during the audit. Contractor's responsibility as auditors is, of course, limited to the period covered by Contractor's audit and does not extend to any other periods.

Contractor will issue a written report upon completion of its audit of the District's basic financial statements. Contractor's report will be addressed to the governing body of the District. Contractor cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for Contractor to modify Contractor's opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In accordance with the requirements of *Government Auditing Standards*, Contractor will also issue a written report describing the scope of Contractor's testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

Contractor will issue written reports by November 25 upon completion of Contractor's audits.

Audit of Major Program Compliance

Our audit of the District's major federal award program(s) compliance, if applicable, will be conducted in accordance with the requirements of the Single Audit Act, as amended; and the Uniform Guidance, and will include tests of accounting records, a determination of major programs in accordance with the Uniform Guidance and other procedures Contractor consider necessary to enable Contractor to express such an opinion on major federal award program compliance and to render the required reports. Contractor cannot provide assurance that an unmodified opinion on compliance will be expressed. Circumstances may arise in which it is necessary for Contractor to modify Contractor's opinion or withdraw from the engagement.

The Uniform Guidance requires that Contractor also plan and perform the audit to obtain reasonable assurance about whether the District has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major federal award programs. Contractor's procedures will consist of determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the District's major programs. The purpose of those procedures will be to express an opinion on the District's compliance with requirements applicable to each of its major programs in Contractor's report on compliance issued pursuant to the Uniform Guidance.

Also, as required by the Uniform Guidance, Contractor will perform tests of controls to evaluate the effectiveness of the design and operation of controls that Contractor considers relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of the District's major federal award programs. However, Contractor's tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in Contractor's report.

Contractor will issue a report on compliance that will include an opinion or disclaimer of opinion regarding the entity's major federal award programs, and a report on internal controls over compliance that will report any significant deficiencies and material weaknesses identified; however, such report will not express an opinion on internal control.

Management's Responsibilities

Our audit will be conducted on the basis that management acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. For the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
3. For identifying, in its accounts, all federal awards received and expended during the period and the federal programs under which they were received, including federal awards and funding increments received prior to December 26, 2014 (if any), and those received in accordance with the Uniform Guidance (generally received after December 26, 2014);
4. For maintaining records that adequately identify the source and application of funds for federally funded activities;
5. For preparing the schedule of expenditures of federal awards (including notes and noncash assistance received) in accordance with the Uniform Guidance;
6. For the design, implementation, and maintenance of internal control over federal awards;
7. For establishing and maintaining effective internal control over federal awards that provides reasonable assurance that the nonfederal entity is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards;
8. For identifying and ensuring that the entity complies with federal statutes, regulations, and the terms and conditions of federal award programs and implementing systems designed to achieve compliance with applicable federal statutes, regulations, and the terms and conditions of federal award programs;
9. For disclosing accurately, currently, and completely the financial results of each federal award in accordance with the requirements of the award;

10. For identifying and providing report copies of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented;
11. For taking prompt action when instances of noncompliance are identified;
12. For addressing the findings and recommendations of auditors, for establishing and maintaining a process to track the status of such findings and recommendations and taking corrective action on reported audit findings from prior periods and preparing a summary schedule of prior audit findings;
13. For addressing the findings and recommendations of auditors, for establishing and maintaining a process to track the status of such findings and recommendations and taking corrective action on current year audit findings and preparing a corrective action plan for such findings;
14. For submitting the reporting package and data collection form to the appropriate parties;
15. For making the auditor aware of any significant contractor relationships where the contractor is responsible for program compliance;
16. To provide Contractor with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements and to management's assessment of internal control over financial reporting, and relevant to federal award programs, such as records, documentation, and other matters;
 - b. Additional information that Contractor may request from management for the purpose of the audit; and
 - c. Unrestricted access to persons within the District from whom Contractor determine it necessary to obtain audit evidence.
17. For adjusting the financial statements to correct material misstatements and confirming to Contractor in the management representation letter that the effects of any uncorrected misstatements aggregated by Contractor during the current engagement and pertaining to the fiscal period(s) under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole;
18. For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;
19. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
20. For informing Contractor of any known or suspected fraud affecting the entity involving management, employees with significant role in internal control and others where fraud could have a material effect on compliance;
21. For the accuracy and completeness of all information provided;
22. For taking reasonable measures to safeguard protected personally identifiable and other sensitive information; and
23. For confirming management's understanding of management responsibilities as defined in this letter to Contractor in the management representation letter.

With regard to the schedule of expenditures of federal awards referred to above, management acknowledge and understand their responsibility (a) for the preparation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance, (b) to provide Contractor with the appropriate written representations regarding the schedule of expenditures of federal awards, (c) to include Contractor's report on the schedule of expenditures of federal awards in any document that contains the schedule of expenditures of federal awards and that indicates that Contractor has reported on such schedule, and (d) to present the schedule of expenditures of federal awards with the audited financial statements, or if the schedule will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the District of the schedule and Contractor's report thereon.

As part of Contractor's audit process, Contractor will request from management written confirmation concerning representations made to Contractor in connection with the audit.

Contractor understands that District employees will prepare all confirmations Contractor requests and will locate any documents or invoices selected by Contractor for testing.

If the District intends to publish or otherwise reproduce the financial statements and make reference to Contractor's firm, District management agree to provide Contractor with printers' proofs or masters for Contractor's review and approval before printing. Management also agree to provide Contractor with a copy of the final reproduced material for Contractor's approval before it is distributed.

Annie Louie is the engagement partner for the audit services specified in this letter. Her responsibilities include supervising Contractor's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Invoices will be rendered every month and are payable upon presentation. Contractor will notify management immediately of any circumstances Contractor encounter that could significantly affect Contractor's fees.

Other Matters

In the performance of Contractor's professional services, Contractor may communicate with each other and/or with others via fax or email transmission. The District should be aware that communication in those mediums contains a risk of misdirected or intercepted communications. As emails can be intercepted and read, disclosed, or otherwise used by an unintended third party, Contractor cannot guarantee that such email communication will be properly delivered and read only by the addressee. While Contractor will use its best efforts to keep such communications secure in accordance with Contractor's obligations under applicable laws and professional standards, District management recognize and accept that Contractor has no control over the unauthorized interception of these communications once they have been sent. Therefore, the District hereby waives any liability whatsoever for any unintended interception or unintentional disclosure of email transmissions in connection with the performance of Contractor's professional services. Contractor uses cloud-based computing services, including the storage of data and files, at third party, offsite, secure facilities. In that regard, the District agrees that Contractor shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions and cloud-based computing, including any direct or indirect damages that may result from any inadvertent or unanticipated disclosure of confidential or proprietary information, or disclosure through third party criminal conduct (e.g., hackers or hacking activities).

Regarding the electronic dissemination of audited financial statements, including financial statements published electronically on the District's Internet website, management understand that electronic sites are a means to distribute information and, therefore, Contractor is not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

The audit documentation for this engagement is the property of the Contractor and constitutes confidential information. However, Contractor may be requested to make certain audit documentation available to regulators, federal agencies, and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Contractor's personnel. Furthermore, upon request, Contractor may

provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date. If Contractor are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, Contractor will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation. Upon expiration of the seven-year period, Contractor will be free to destroy Contractor's records related to this engagement. However, Contractor does not keep any original client records, so Contractor will return those to management at the completion of the services rendered under this engagement. When records are returned to management, it is management's responsibility to retain and protect the records for possible future use, including potential examination by any government or regulatory agencies.

Further, Contractor will be available during the year to consult with management on financial management and accounting matters of a routine nature. With respect to any nonattest services Contractor performs, such as the preparation of financial statements, the schedule of expenditures federal awards and data collection form (if applicable), and the State of California Special Districts Financial Transactions Report, Contractor will not assume management responsibilities on behalf of the District. However, Contractor will provide advice and recommendations to assist management in performing its responsibilities.

The District's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries.

The District's management agree to inform Contractor of facts that may affect the financial statements of which they may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

At the conclusion of Contractor's audit engagement, Contractor will communicate to the District Board of Directors the following significant findings from the audit:

1. Our view about the qualitative aspects of the District's significant accounting practices;
2. Significant difficulties, if any, encountered during the audit;
3. Uncorrected misstatements, other than those Contractor believes are trivial, if any;
4. Disagreements with management, if any;
5. Other findings or issues, if any, arising from the audit that are, in Contractor's professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
6. Material, corrected misstatements that were brought to the attention of management as a result of Contractor's audit procedures;
7. Representations Contractor requested from management;
8. Management's consultations with other accountants, if any; and
9. Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

Independence

Professional and certain regulatory standards require Contractor to be independent, in both fact and appearance, with respect to the District in the performance of Contractor's services. Any discussions that the District's representatives have with professional personnel of Contractor regarding employment could pose a threat to Contractor's independence. Therefore, management agree to inform Contractor prior to any such discussions so that Contractor can implement appropriate safeguards to maintain Contractor's independence.

Moreover, to the extent that the District have engaged a company affiliated with Contractor to provide services related to its efforts to identify, interview, and hire officers, directors, or management, or related human resource efforts on its behalf, the District agrees to inform Contractor so that Contractor can evaluate whether there are any potential or actual independence considerations that may preclude, or otherwise limit the services Contractor is able to perform. Therefore, District management agree to inform Contractor prior to any such discussions so that Contractor can implement appropriate safeguards to maintain Contractor's independence.

If Contractor provide both attest and non-attest services to the District, then in order to maintain Contractor's independence, District management assume all management responsibilities for any non-attest services that Contractor provides as part of the services. Management will designate a qualified individual with suitable skill, knowledge, or experience, from senior management to oversee the non-attest services, evaluate the adequacy and results of the non-attest services, and accept responsibility for such services.

Engagement with MGO Affiliates

If the District has or expects to engage an affiliate of Macias Gini & O'Connell LLP ("MGO"; see list of affiliates below) to perform services during the audit and professional engagement period (as defined below), the District must notify Contractor prior to entering into such engagement with the MGO affiliate. In addition, prior to signing this engagement letter, management must notify Contractor of any service an MGO affiliate has performed prior to the audit and professional engagement period in order for Contractor to ensure Contractor's independence in relation to this engagement. Management will also be required to provide such representation within the management representation letter prior to the issuance of Contractor's report.

Audit and professional engagement period includes both:

- i. The period covered by any financial statements being audited or reviewed (the "audit period"); and
- ii. The period of the engagement to audit or review the audit client's financial statements or to prepare a report to be issued (the "professional engagement period"):
 - a. The professional engagement period begins when MGO either signs an initial engagement letter (or other agreement to review or audit a client's financial statements) or begins audit, review, or attest procedures, whichever is first; and
 - b. The professional engagement period ends when the audit client or MGO terminate the engagement and the audit client is no longer a client of MGO.

MGO Affiliates:

- MGO Group LLC
- MGO Realty Advisors, Inc.
- MGO India Private Limited
- MGO Wealth Advisors, LLC
- MGO Technology Group, LLC
- MGO Risk Management Group LLC
- Cresta Management Services, LLC
- ELLO LLC

- ELLO Capital, LLC
- ELLO Advisors, LLC
- Fiorello, LLC
- IntelliBridge Partners LLC
- Sands Lane Capital Fund I, L.P.
- Sands Lane Capital GP I, L.L.C

Potential Impact of the Coronavirus (COVID-19) Outbreak

Notwithstanding the unprecedented circumstances resulting from the COVID-19 outbreak, Contractor continues to have a professional obligation to gather sufficient appropriate audit evidence in support of the District’s financial statements. Travel restrictions, actual or suspected infections, work from home requirements, changes – such as work force reductions – made to accommodate the current business environments, or other similar matters may result in delays in the District’s employees’ ability to provide Contractor the necessary audit evidence on a timely basis or at all. Similarly, such matters may impact Contractor’s own ability to collect or appropriately assess necessary audit evidence on a timely basis or at all.

Should such events occur, the District and Contractor will make good faith efforts to complete alternative procedures to gather and assess necessary audit evidence. Such procedures might include, but not be limited to, Contractor’s respective employees working from home, transferring more audit information via electronic modes (preferably through Contractor’s secure MGO Exchange portal), and meeting virtually rather than in-person. As to audit evidence transferred via electronic modes, the District is responsible to ensure that such evidence is authentic, complete, and accurate for the purposes it is meant to serve. MGO will perform, as it deems necessary, incremental procedures to validate the authenticity, completeness, and accuracy of such audit evidence.

Should impacts from the COVID-19 outbreak impede the ability to provide full cooperation and access, the District will instead work with Contractor in good faith to make alternative arrangements to accomplish the objectives of Contractor’s audit. As necessary, Contractor will notify the District if such alternative procedures require additional efforts and, if possible, an estimate of the additional cost.

Peer Review Report

In accordance with the requirements of *Government Auditing Standards*, Contractor has provided a copy of Contractor’s latest external peer review report of Contractor’s firm for the District’s consideration and files.



9250 EAST COSTILLA AVENUE, SUITE 450
GREENWOOD VILLAGE, COLORADO 80112
303-792-3020 (o) | 303-792-5153 (f)
WWW.WCRCPA.COM

Report on the Firm's System of Quality Control

October 25, 2018

To the Partners of
Macias Gini & O'Connell LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Macias Gini & O'Connell LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2018. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included an engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; an audit of an employee benefit plan and an examination of a service organization, SOC 1 engagement.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Macias Gini & O'Connell LLP engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2018, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Macias Gini & O'Connell LLP has received a peer review rating of *pass*.

Watson Coon Ryan, LLC

Watson Coon Ryan, LLC

Exhibit B – Payments and Rates

In consideration of the services provided by Contractor described in Exhibit A and subject to the terms of the Agreement, the District shall pay Contractor based on the following fee schedule and terms.

| Services | FY 2019-20 | FY 2020-21 | FY 2021-22 | FY 2022-23 (option) | FY 2023-24 (option) | FY 2024-25 (option) |
|---|------------------|------------------|------------------|------------------------|------------------------|------------------------|
| Basic Financial Statements | \$ 47,050 | \$ 48,450 | \$ 49,900 | \$ 51,400 | \$ 52,900 | \$ 54,450 |
| Single Audit (if applicable, up to one major program) | 8,800 | 9,050 | 9,300 | 9,600 | 9,900 | 10,200 |
| Financial Transactions Report to the State Controller | 2,450 | 2,500 | 2,600 | 2,700 | 2,800 | 2,900 |
| Comprehensive Annual Financial Report (optional) | 7,000 | 7,200 | 7,400 | 7,600 | 7,850 | 8,100 |
| As-needed services | 7,000 | 7,200 | 7,400 | 7,600 | 7,850 | 8,100 |
| Total | \$ 72,300 | \$ 74,400 | \$ 76,600 | \$ 78,900 | \$ 81,300 | \$ 83,750 |

Hourly rates for as needed services and for work performed under this Agreement are as follows:

| Position | FY 2019-20 | FY 2020-21 | FY 2021-22 | FY 2022-23 (option) | FY 2023-24 (option) | FY 2024-25 (option) |
|--------------------------|------------|------------|------------|------------------------|------------------------|------------------------|
| Partner | \$ 345 | \$ 355 | \$ 366 | \$ 377 | \$ 388 | \$ 400 |
| Senior Manager | \$ 290 | \$ 299 | \$ 308 | \$ 317 | \$ 327 | \$ 337 |
| Senior Associate | \$ 165 | \$ 170 | \$ 175 | \$ 180 | \$ 185 | \$ 191 |
| Experienced Associate | \$ 150 | \$ 155 | \$ 160 | \$ 165 | \$ 170 | \$ 175 |
| Staff Associate | \$ 130 | \$ 134 | \$ 138 | \$ 142 | \$ 146 | \$ 150 |
| Administrative Assistant | \$ 100 | \$ 103 | \$ 106 | \$ 109 | \$ 112 | \$ 115 |

**San Mateo County Flood and Sea Level Rise Resiliency District
Agenda Report**

Date: June 8, 2020

To: San Mateo County Flood and Sea Level Rise Resiliency District Board of Directors

From: Len Materman, CEO

Subject: Adopt Resolution amending San Mateo County Flood and Sea Level Rise Resiliency District Fiscal Year 2019-2020 Salary Schedule effective April 1, 2020

RECOMMENDATION:

Adopt a resolution amending San Mateo County Flood and Sea Level Rise Resiliency District (“District”) fiscal year 2019-2020 salary schedule effective April 1, 2020 (“Resolution”).

BACKGROUND:

A. 2019-2020 Salary Resolution

On February 10, 2020, the District’s Board of Directors (the “Board”) adopted an ordinance setting forth rules, regulations, standards, and procedures for appointment, suspension, and termination of employment (the “Ordinance”). The Ordinance provides, in relevant part, that: “[e]ach fiscal year, the Chief Executive Officer shall prepare an annual schedule of salaries, including benefits, for District employees. Upon review and approval of said schedule of salaries by the Board, either as proposed by the Chief Executive Officer or as amended by the Board, the Board by resolution shall adopt same. The resolution shall be regularly reviewed by the Chief Executive Officer, who shall recommend any such amendments to the Board as may be appropriate.”

On February 24, 2020, the Board adopted by resolution a salary schedule for fiscal year 2019-2020, which included the classifications and number of positions, as well as compensation and benefits other than retirement/deferred compensation benefits (the “2019-2020 Salary Resolution”).

The 2019-2020 Salary Resolution provides that District employees accrue paid vacation leave as follows: for the first five (5) years of employment with the District, two (2) weeks of vacation (80 hours) each calendar year, accrued at 6.66 hours each month, and then after five (5) years of employment with the District, an additional two (2) weeks, for a total of four (4) weeks (160 hours) of vacation each calendar year, which shall accrue at 13.33 hours each month, but in no event shall an employee’s accrued vacation exceed a total of 180 hours. The 2019-2020 Salary Resolution is silent regarding employee paid sick leave and expressly does not cover retirement/deferred compensation benefits.

B. Revised Benefits

In reviewing the 2019-20 Salary Resolution during the process of hiring the first District employees, the CEO felt it would be appropriate to revise the paid vacation leave policy so that all full-time employees would, at minimum, accrue 12 days (96 hours) of paid vacation each calendar year, accrued at 8 hours each month, still subject to the existing cap of 180 hours.

The CEO also developed an employee paid sick leave policy that mirrors the revised employee paid vacation leave, so that paid sick leave for all full-time employees accrues as follows: 12 days (96 hours) each calendar year, accrued at 8 hours each month, with no limit on total accrued sick leave.

Finally, CEO has implemented the same retirement/deferred compensation policy for all full-time employees as the Board approved in the CEO's contract. Under that policy, the District will (a) contribute to a 401(a) retirement account an amount equal to 6% of the employee's annual salary and (b) match, on a dollar-for-dollar basis, any contributions the employee makes (subject to IRS contribution limits) into a 457(b) retirement account, up to an amount equal to 9% of the employee's annual salary.

The District hired new full-time employees, effective April 1, 2020, and offered them paid vacation leave, paid sick leave, and retirement/deferred compensation benefits based on the above revised benefits developed by the CEO.

DISCUSSION:

Staff recommends that the Board adopt the attached draft Resolution, which makes the following changes to the 2019-2020 Salary Resolution effective April 1, 2020:

- Provides that all full-time employees accrue at least 12 paid vacation days (96 hours) each year, 8 hours each month, and part-time employees accrue paid vacation leave on a pro rata basis; and
- Clarifies that, when an employee separates from the District, the employee's remaining accrued paid vacation leave *is* added to their final compensation; and
- Adds paid sick leave which all full-time employees accrue monthly at the same rate as vacation leave—12 days (96 hours) each year—and part-time employees accrue on a pro rata basis; and
- Clarifies that accrued paid sick leave is not subject to a cap and, when an employee separates from the District, their remaining accrued paid sick leave *is not* added to their final compensation; and
- Adds retirement/deferred compensation benefits for all full-time employees under which the District will (a) contribute to a 401(a) retirement account an amount equal to 6% of the employee's annual salary and (b) match, on a dollar-for-dollar basis, any contributions the employee makes (subject to IRS contribution limits) into a 457(b) retirement account, up to an amount equal to 9% of the employee's annual salary, and provides that, for part-time employees, such benefits will be determined by the CEO and cannot exceed those offered to full-time employees; and
- Clarifies that the District's health, vision, and dental benefits, under which the District covers 75% of the costs of such benefits while full-time employees cover 25% of the costs, are available to all full-time District employees and provides that, for part-time employees, such benefits will be determined by the CEO and cannot exceed those offered to full-time employees, and
- Changes to the job classification of engineers to the actual titles given to District employees.

The Resolution has been reviewed and approved by District Counsel.

FISCAL IMPACT:

The fiscal impacts associated with offering employment benefits to District employees, including retirement/deferred compensation benefits, have already been considered by the Board. However, the overall fiscal impacts associated with the Resolution—specifically, impacts resulting from adjustments to the accrual of paid vacation leave, addition of paid sick leave, implementation of the retirement/deferred compensation benefits policy, and clarification regarding the District's health, vision, and dental benefits—are currently unknown. The cost of these benefits are included in the Fiscal Year 2020-21 Operating Budget being considered at this Board meeting.

ATTACHMENT: 1. Draft Resolution

RESOLUTION NO. -----

**BOARD OF DIRECTORS OF THE
SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT**

*** * * * ***

**RESOLUTION AMENDING THE SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE
RESILIENCY DISTRICT 2019-2020 SALARY SCHEDULE EFFECTIVE APRIL 1, 2020**

RESOLVED, by the Board of Directors (the “Board”) of the San Mateo County Flood and Sea Level Resiliency District (the “District”), that:

WHEREAS, Assembly Bill No. 825, (“AB 825”) amended, added, and repealed certain sections of the San Mateo County Flood Control District Act (Chapter 2108 of the Statutes of 1959), relating to the District; and

WHEREAS, pursuant to AB 825, the District is now governed by an independent Board of Directors (the “Board”), effective January 1, 2020; and

WHEREAS, pursuant to AB 825 the District “may in its discretion appoint an executive officer, a clerk, and any other officers and employees for the Board or District as in its judgement may be deemed necessary, prescribe their duties, and fix their compensation. The employment of those officers and employees shall be governed in accordance with an ordinance setting forth rules, regulations, standards, and procedures for appointment, suspension, and termination of employment”; and

WHEREAS, on February 10, 2020, the Board adopted an ordinance setting forth rules, regulations, standards, and procedures for appointment, suspension, and termination of employment (the “Ordinance”), which took effect March 12, 2020; and

WHEREAS, the Ordinance provides that, “[e]ach fiscal year, the Chief Executive Officer shall prepare an annual schedule of salaries, including benefits, for District employees. Upon review and approval of said schedule of salaries by the Board, either as proposed by the Chief Executive Officer or as amended by the Board, the Board by resolution shall adopt same. The

resolution shall be regularly reviewed by the Chief Executive Officer, who shall recommend any such amendments to the Board as may be appropriate”; and

WHEREAS, on February 24, 2020, the Board adopted by resolution a salary schedule for the fiscal year 2019-2020, which included the classifications and number of positions, as well as compensation and benefits other than retirement/deferred compensation benefits (the “2019-2020 Salary Resolution”); and

WHEREAS, the 2019-2020 Salary Resolution provides that paid vacation leave for employees accrues as follows: for the first five (5) years of employment with the District, two (2) weeks of vacation (80 hours) each calendar year, accrued at 6.66 hours each month, and then after five (5) years of employment with the District, an additional two (2) weeks, for a total of four (4) weeks (160 hours) of vacation each calendar year, which shall accrue at 13.33 hours each month, but in no event shall an employee’s accrued vacation exceed a total of 180 hours; and

WHEREAS, after adoption of the 2019-2020 Salary Resolution, the Chief Executive Officer (“CEO”) determined that, effective April 1, 2020, employee paid vacation leave should be revised to accrue for all full-time employees as follows: 12 days (96 hours) each calendar year, accrued at 8 hours each month, but in no event shall an employee’s total accrued vacation exceed 180 hours; and

WHEREAS, the CEO also developed an employee paid sick leave policy that mirrors the revised employee paid vacation leave, so that, also effective April 1, 2020, paid sick leave for all full-time employees accrues as follows: 12 days (96 hours) each calendar year, accrued at 8 hours each month, with no limit on total accrued sick leave; and

WHEREAS, also effective April 1, 2020, the District implemented a retirement/deferred compensation policy for all full-time employees under which the District will (a) contribute to a 401(a) retirement account an amount equal to 6% of the employee’s annual salary and (b) match, on a dollar-for-dollar basis, any contributions the employee makes (subject to IRS

contribution limits) into a 457(b) retirement account, up to an amount equal to 9% of the employee's annual salary; and

WHEREAS, effective April 1, 2020, the District hired full-time employees who were offered paid vacation leave based on the above-described revised employee paid vacation leave policy (12 days (96 hours) each calendar year), sick leave based on the above-described employee paid sick leave policy (12 days (96 hours) each calendar year), and retirement/deferred compensation benefits based on the above-described retirement/deferred compensation benefits policy; and

WHEREAS, this Board ratifies the revised employee paid vacation leave policy, the employee paid sick leave policy, and the retirement/deferred compensation benefits policy, effective April 1, 2020, prior to the date of the adoption of this Resolution.

NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED that the following shall constitute the classifications and number of positions, as well as compensation and benefits, including retirement/deferred compensation benefits, for District employees for the fiscal year 2019-2020:

SECTION 1. SCHEDULE OF SALARIES

| Job Classification | Position Count | Salary Range | |
|---|----------------|--------------|--------------|
| | | Low | High |
| CEO | 1 | | \$235,000 |
| Associate Project Manager | 1 | \$94,702.40 | \$118,352.00 |
| Clerk to the Board of Directors | 1 | \$83,844.80 | \$104,811.20 |
| Senior Project Manager or Senior Engineer | 1 | \$143,062.40 | \$178,838.40 |
| Senior Accountant | 1 | \$90,417.60 | \$113,048.00 |

SECTION 2. ANNUAL SALARY ADJUSTMENTS

The District authorizes the CEO to approve without prior Board approval annual merit increases, equity adjustments, and cost of living adjustments so long as the annual increases for

each employee (in aggregate) do not exceed five percent (5%) of the employee's annual salary without prior approval of the Board. Any adjustments to the CEO's salary, however, must be approved by the Board.

SECTION 3. VACATION & LEAVE POLICY

(a) **CEO Vacation and Management Leave.** The CEO shall accrue four (4) weeks (160 hours) of vacation each calendar year, which shall accrue at 13.33 hours each month, but in no event shall the CEO's vacation accrual exceed 180 hours in total. In addition, the CEO shall also receive 40 hours of management leave at the beginning of each calendar year, which must either be used or cashed out by December 31 each year (in other words, no portion of CEO's management leave may be carried over to the following year). If CEO is employed by the District for a portion of a calendar year, the 40 hours of management leave shall be prorated for that calendar year.

(b) **All Other Employee Vacation Leave.** Effective April 1, 2020, all other District full-time employees shall, at a minimum, accrue 12 days (96 hours) of paid vacation each calendar year, accrued at 8 hours each month. All part-time District employees shall accrue paid vacation leave on a pro rata basis. Thus, by way of example only, a part-time employee who works the equivalent of 50% time will accrue 6 days (48 hours) of paid vacation each year, accrued at 4 hours each month. In no event shall an employee's vacation accrual exceed 180 hours in total. When an employee separates from the District their remaining accrued paid vacation leave shall be added to their final compensation.

(c) **Employee Paid Sick Leave.** Effective April 1, 2020, all full-time District employees, including the CEO, shall accrue 12 days (96 hours) of paid vacation each calendar year, accrued at 8 hours each month. All part-time District employees shall accrue paid vacation leave on a pro rata basis. Thus, by way of example only, a part-time employee who works the equivalent of 50% time will accrue 6 days (48 hours) of paid vacation each year, accrued at 4 hours each month. There shall be no limit on an employee's total accrued sick leave. When an

employee separates from the District their remaining accrued sick leave shall not be added to their final compensation.

SECTION 4. RETIREMENT/DEFERRED COMPENSATION BENEFITS

Effective April 1, 2020, for all full-time District employees, including the CEO, the District will (a) contribute to a 401(a) retirement account an amount equal to 6% of the employee's annual salary and (b) match, on a dollar-for-dollar basis, any contributions the employee makes (subject to IRS contribution limits) into a 457(b) retirement account, up to an amount equal to 9% of the employee's annual salary. The CEO shall determine the retirement/deferred compensation benefits of all part-time District employees, which benefits shall not exceed those offered to full-time employees.

SECTION 5. TRAVEL AND EXPENSE REIMBURSEMENT

Employees shall be reimbursed for budgeted and reasonable out-of-pocket expenses incurred in connection with the District's business, including reasonable expenses for mileage, travel, conferences, and membership dues in professional organizations that are appropriate to the District's goals, in accordance with the District's Travel and Expense Reimbursement Policy.

SECTION 6. HEALTH, VISION, DENTAL BENEFITS

All full-time District employees shall be eligible for health, vision, and dental benefits. A plan will be offered under which the District pays approximately 75% of the costs of such benefits while full-time employees pay approximately 25% of the costs of such benefits. The CEO shall determine the health, vision, and dental benefits of all part-time District employees, which benefits shall not exceed those offered to full-time employees.

SECTION 6. SEVERABILITY

If any portion of this Resolution is for any reason held to be unconstitutional or invalid, such unconstitutionality or invalidity shall not affect the constitutionality or validity of the remaining portions of this Resolution.

* * * * *