

## **Mendocino Coast Recreation and Park District's Response to the June 27, 2017 Grand Jury Report**

MCRPD: The District appreciated the opportunity to respond to the Grand Jury report dated June 27, 2017. The District recognizes the important role of the Grand Jury in overseeing the operations of local government agencies. Unfortunately, the report which this Grand Jury has produced regarding the Mendocino Coast Recreation and Park District is riddled with factual errors and marred by needlessly inflammatory language. This response will hopefully correct the record. The Grand Jury report was unnecessarily entitled their final report, "*Mendocino Coast Recreation and Park District and their Field of Dreams*".

The errors begin in the very first line of the report as this District is the Mendocino Coast Recreation and Park (singular) District. We do not know who chose the subtitle "Their Field of Dreams", but it seems needlessly sarcastic and unfairly characterizes as a mere "dream" what could have been a fantastic opportunity to construct a golf course for the Mendocino Coast (prior to the financial meltdown in 2008-09).

*Grand Jury: The Mendocino County 2016-17 Grand Jury finds that the Mendocino Coast Recreation and Parks District (MCRPD) has been and continues to be financially irresponsible. MCRPD is currently and habitually delinquent on their capital lease and outstanding loans. MCRPD was over seven months late in completing the 2015-16 annual audit and is currently in Chapter 9 bankruptcy.*

MCRPD: The District strongly disagrees with the Grand Jury's contention that it is "financially irresponsible". The Board consists of volunteer elected officials using their best judgment to allocate limited funds among numerous programs serving the coastal community. Nor is the District "habitually delinquent" on its financial obligations. The primary significant unpaid obligation is the obligation to Westamerica Bank. The District sought Chapter 9 bankruptcy protection in order to renegotiate that obligation. Other than that and one private loan (both relating to the proposed golf course project), the District is current on all of its financial obligations. Nor was the District "over seven months late" in completing its last year's audit. Audits are not completed on the last day of the fiscal year; they are completed after all of the final reports are in and the CPA has completed the audit. Under generally accepted accounting principles six months or more following the end of the fiscal year is about average for obtaining an audited financial report (which involves information gathering, interviews, preparation of a draft report, staff review and adoption of the final audit). The Grand Jury's contention that the timing of the District's adoption of its final 2015-16 audit is "late" raises serious questions about the financial competency of the Grand Jury.

*Grand Jury: Because of the large debt and the absence of a long-term plan for repayment, the Grand Jury finds that these conditions raise substantial doubt about MCRPD's ability to continue as a viable entity.*

MCRPD: The MCRPD has no doubt about its ability to continue as a viable entity notwithstanding the Grand Jury's attempt to paint it as an irresponsible spendthrift.

Grand Jury: The C.V. Starr Center, an aquatic and community center, was initially planned with insufficient funding for ongoing operations and capital improvements. The \$14 million project increased to a \$27 million facility over the construction period. There is no basis for the Grand Jury's assertion that the CV Starr Center was "initially planned with insufficient funding". The City of Fort Bragg provided bailout funding to enable operations. The financial problems were unnecessarily compounded by the purchase of 580 +/- acres, a field of unrealized dreams. That property located on Highway 20 was intended to be developed as a golf course at some later date but the project failed to materialize.

MCRPD: The statement that the City of Fort Bragg provided "bailout funding to enable operations" is simply false. The City of Fort Bragg began operating the CV Starr Center in June 2012. The City invested \$311,000 to provide the CV Starr Center (which it then owned) with the necessary operating capital. The report implies that the District later purchased the Highway 20 property (which was intended for an 18 hole golf course among other amenities) after the City "bailout". This is also completely false; the 586 acres were purchased in 2006. That project did not simply "fail to materialize"; the District assiduously pursued the project including the preparation of an environmental impact report and the filing of a Notice of Determination. Unfortunately, the global financial meltdown which occurred in 2008-09 (and affected millions of persons and entities including this District) resulted in a virtual halt to many coastal development activities including the anticipated development of this golf course. Since that time the District has made numerous efforts to find a buyer for the property, and in more recent years has partnered with the California Recreation Alliance to protect the property and possibly develop the property for off road vehicle use among other uses. Towards that end, the District was recently the successful recipient of two grants (a planning grant and a restoration grant) with a total value of \$4,200,000 (which were nearly lost due to the inflammatory language of the recent Grand Jury report).

Grand Jury: In addition, MCRPD is not being fiduciary responsible in the use of Teeter (property tax) funds. MCRPD receives Teeter funds based on four coastal school district boundaries, yet the funds are not reallocated proportionately to the outlying coastal communities.

MCRPD: There is nothing financially irresponsible about the request for Teeter funds, nor is there any requirement that the District divide funds evenly between "four coastal school district boundaries". The report implies that only Fort Bragg residents use Fort Bragg facilities when in fact persons from along the entire Mendocino coast use the CV Starr Center and other MCRPD programs centered in Fort Bragg (which is the population center on the northern Mendocino coast). Just as the road department distributes funds where it sees projects are needed (rather than providing a proportional share of an individual's tax dollars by paving the road only in front of their house), the District distributes funds to numerous programs within the District's boundaries which it determines will best meet the recreational needs of the Mendocino coastal community.

Grand Jury: Monies are comingled in the MCRPD budget. The Grand Jury could not obtain complete financial and operating records to determine which specific funds were used to pay off MCRPD debt.

MCRPD: It is unclear what the Grand Jury means by stating that monies are "comingled in the MCRPD budget", nor did the District withhold any financial and operating records. These statements appear to be nothing more than sinister sounding innuendo intended to damage the reputation of the District. District budgets are freely available to members of the public including the Grand Jury.

Grand Jury: The Grand Jury interviewed past and current members of the MCRPD Board of Directors, the Administrator of the C.V. Starr Center (Starr Center), and the City Manager of Fort Bragg. The Grand Jury requested and reviewed documents supplied by the MCRPD and the City of Fort Bragg (City). In order to receive additional documents the Grand Jury had to issue a civil subpoena to MCRPD. These were eventually received and reviewed. Newspaper articles from the Mendocino Beacon, the Fort Bragg Advocate, and The Press Democrat were reviewed along with information from the websites of MCRPD, Friends of MCRPD, and the Starr Center.

MCRPD: It is also false to imply that the Grand Jury "had to issue a civil subpoena" in order to obtain District records. As the Grand Jury was promptly informed, the request for records came during the budget preparation time for the District (which has two executive employees) and additional time was needed to track down records many of which were over ten years old and not easily accessible. All requested records were ultimately provided, and would have been provided with or without a subpoena. In addition, the District has to question the use of newspaper articles as a source of information concerning governmental operations when original documents were available to the Grand Jury.

Grand Jury: MCRPD was formed in 1973 with the original boundaries encompassing 20 square miles around Fort Bragg. MCRPD is a Special District existing under and pursuant to the Constitution and laws of the State of California, with an elected five-member Board of Directors which employs an Administrator. The current Administrator has been on the job for approximately one year. A series of bookkeepers have also been hired. Within the last two years, there have been three different bookkeepers and a series of District Administrators. This has hampered the ability for MCRPD to provide audit information and financial transparency. The current District Administrator has used the lack of continuity as a reason for MCRPD's inability to provide complete financial records.

MCRPD: The District does not employ a "bookkeeper"; it employs a business manager. To imply that there has been a "series" of business managers or administrators is false and misleading. Michelle Gordon served as the business manager for more than thirteen years, there was an interim business manager and Jill Rexrode is the current manager. There have been two administrators during the last four years. Nothing regarding District personnel has hampered the ability to provide "financial transparency". The phrasing of this report is indicative of bias and appears to be intentionally misleading to the reader.

Grand Jury: MCRPD's annual audits have not been completed in a timely manner, which prevents full public financial disclosure. MCRPD's most recent audit due June 30, 2016, was completed on February 8, 2017. MCRPD is currently delinquent on a capital lease and a note payable. The County Auditor brings forth an annual request on behalf of MCRPD for advance property tax funds without performing any MCRPD audit review. The Board of Supervisors has automatically approved that consent-calendar item annually without any evaluation of MCRPD's underlying financial solvency.

MCRPD: As already noted, MCRPD annual audits are completed in a timely manner, and the Grand Jury's assertions to the contrary evidences a lack of understanding of how government agency audits are conducted. Nothing prevents full public financial disclosure of District operations.

Grand Jury: MCRPD owns the land on which the Mendocino Coast Botanical Gardens (Gardens) reside. A 25- year lease with the Gardens was recently negotiated at a rate of \$1.00 per year. MCRPD also owns the property on which the Mendocino Coast Humane Society is located.

MCRPD: MCRPD does not own the property on which the Mendocino Coast Humane Society is located, and has no idea why that statement is made in the Grand Jury report.

Grand Jury: MCRPD bylaws adopted March 19, 1974 by Resolution 74-2, prescribe a five-member Board of Directors elected at-large. The MCRPD Board is primarily comprised of Fort Bragg area residents. Taxpayers who reside in outlying Districts are not currently represented on the MCRPD Board of Directors.

MCRPD: The MCRPD Board is not primarily composed of Fort Bragg area residents. Bill Hayes (Chairman of the MCRPD Board) resides in Mendocino. John Huff (Secretary of the MCRPD Board) resides in Cleone. Former Board member Diane Weidman resides in Albion. Former Board member Maryellen Sheppard resides in Westport. The Grand Jury claim that tax payers residing in outlying districts, are not currently represented on the Board is false.

Grand Jury: The Grand Jury found that MCRPD was not fiducially responsible in the use of property tax (tax dollars) they receive. MCRPD receives property tax based on the four school districts areas. According to the County Auditor, MCRPD received \$465,348 in tax dollars in 2015-16 tax year. The tax dollars were received from the following areas:

- Fort Bragg Unified School District area property owners paid \$191,681 tax dollars
- Mendocino School Unified District area property owners paid \$165,058 tax dollars
- Point Arena School District area property owners paid \$86,904 tax dollars
- Manchester Elementary School District area property owners paid \$19,403 tax dollars

MCRPD's funding distribution for 2015-16 was not available, but as an example of disbursements to the above areas, the 2016-17 MCRPD funding for recreation on the coast was as follows:

- Mendocino Community Center, \$5,000
- Point Arena and Gualala, \$1,500
- City of Fort Bragg receives 45% of all property tax (tax dollars) collected to support the Starr Center. The remainder of the Teeter funds (tax dollars) are deposited into the MCRPD general fund. The General Fund is used to pay for staff at the Starr Center, maintenance, and MCRPD debt. The Teeter funds cannot be used to pay down the bankruptcy. It is unclear to the Grand Jury how all the Teeter fund money is spent. However, their indebtedness caused by the building of the Starr Center and the purchase of the 580 +/- acres off Highway 20 (Hwy 20 property) continues to be a serious concern.

MCRPD: The District found the Grand Jury discussion of the breakdown of tax dollars received by the District to be very interesting because the District has been requesting such information from the County auditor for many years without success. The District requests that the Grand Jury provide to the District all information it has obtained concerning this issue. The Grand Jury's discussion of "funding distribution" does not account for payments made by participants in any of the programs. It only references funds granted to programs offered by organizations other than MCRPD, and has no relationship to the participation of coastal residents in MCRPD leagues, clinics, camps and programs. Like much of the report it is biased and misleading. There is no reason why it should be "unclear" to the Grand Jury how the District spends its funds; this information is set forth in the annual MCRPD budgets. CV Starr Center expenses including staff and maintenance expenses are not paid out of the MCRPD budget, nor is there any "indebtedness" caused by the building of the CV Starr Center, and no basis for the Grand Jury alleged "serious concern".

Grand Jury: In April 2006, prior to the transfer of the property to The Friends of MCRPD, a property appraisal was requested by the Savings Bank of Mendocino County. The appraised value was \$3,440,000. In June 2006, Hawthorne Timber Company transferred the property to The Friends of MCRPD for an undisclosed amount.

MCRPD: The Highway 20 property was not sold to the Friends of MCRPD "for an undisclosed amount". The property was sold to the Friends for \$850,000. The District later refinanced the acquisition cost as well as the cost of the design documents, environmental reports and property improvements for \$2,221,000 which as noted in the Grand Jury report was the amount of the loan from Savings Bank of Mendocino County to MCRPD.

Grand Jury: While the property was owned by the Friends of MCRPD, MCRPD began development and plans for the golf course. Before obtaining title to the property, MCRPD estimated they had already spent \$1,294,828 on the proposed golf course. This included a questionable payment of \$325,000 for "volunteer" services by the project manager.

MCRPD: The Grand Jury report makes the assertion that a "questionable payment" was made to the project manager, without elaboration. If there was in fact a questionable payment made with public funds to anyone that should be discussed in detail. Otherwise this is nothing more than innuendo (intended to imply wrongdoing) when in fact no such wrongdoing exists.

Grand Jury: In 2006, MCRPD acquired a loan from the Savings Bank of Mendocino County in the amount of \$2,221,000 to pay for the property and to pay for an earlier line of credit provided by the same bank. The balance of \$1,356,000 from the 2006 loan was used for the following purposes:

- Repayment of the Savings Bank of Mendocino County line of credit used from 1997 to 2006 for the proposed golf course related expenses
- Repayment to private investors in the proposed golf course project
- Retained funds to make mortgage payments to the Savings Bank of Mendocino County while assembling a deal with a potential golf course developer In July 2007, the Savings Bank of Mendocino County approached the City to express their concern about MCRPD's ability to repay the loan.

MCRPD wanted to see if the City was interested in purchasing the property, as evidenced by the following:

- The City engaged in conversations with MCRPD and by September 2007 the City concluded that the property did not have sufficient water resources.

Water resources would be significantly diminished if the proposed golf course project proceeded.

- In the fall of 2007, MCRPD proceeded with Request for Proposal soliciting a golf course developer.

In April 2008, the Friends of MCRPD deeded the Hwy 20 property to MCRPD. MCRPD entered a lease back arrangement, assigning the leasehold interest in the Hwy 20 property to the Municipal Finance Corporation for \$2.3 million. These funds were used to pay off the Savings Bank of Mendocino County's mortgage on the Hwy 20 property. MCRPD agreed to repay \$2.3 million over 20 years at 4.95% interest at \$91,238 twice a



## Grand Jury Cont...

year to the Municipal Finance Corporation. California Public Resources Code §5788.21 states that a district may acquire necessary real property by borrowing money on contract. This section of the code specifies that the amount of indebtedness shall not exceed an amount equal to two times the actual income from property tax revenues received. The property tax collected for fiscal year 2005-06 was approximately \$500,000. In accordance with the above code section, the amount of indebtedness should not have exceeded \$1 million, for a term not to exceed 10 years. MCRPD's \$2.3 million indebtedness over a period of 20 years is in conflict with California Public Resources Code §5788.21. In April 2008, the Municipal Finance Corporation assigned the Lease and Sublease/Option Agreement to WestAmerica Bank. In November 2009, MCRPD defaulted on a \$91,238 payment to WestAmerica Bank. In January 2010, WestAmerica Bank issued a notice of default and filed suit against MCRPD. In March 2010, MCRPD accepted a \$200,000 private loan. These funds were used to make the following payments to WestAmerica Bank:

- The overdue November 7, 2009 payment of \$91,238
- The May 7, 2010 payment of \$91,238
- An additional payment of \$28,000 to cover legal expenses incurred as a result of the lawsuit filed by WestAmerica Bank.

The \$200,000 private loan was due and payable in March 2012. As of February 2017, \$70,000 in principle and \$8,664 in interest have been paid on this loan. This debt continues to grow at a rate of 10% interest on the unpaid principal per annum. Additionally, if the payment is not received by the 10th day of the month in which it is due, a 5% late charge is incurred. At the time of this report, this loan had not been paid in full. In May 2010, MCRPD made a fourth payment to WestAmerica Bank as part of the settlement of the lawsuit. The total leaseback payments between November 7, 2008 and May 7, 2010, amounted to approximately \$365,000. In October 2010, as part of the settlement of the lawsuit, MCRPD negotiated an amendment to the Sublease/Option Agreement. The payment schedule was modified to eliminate the November 7, 2010 payment of \$91,238, and to have the May 7, 2011 payment of \$91,238 apply only to interest. The agreement added a 41<sup>st</sup> balloon payment of \$216,889 due November 7, 2028. In February 2011, MCRPD requested that the Century 21 Real Estate Agency market the Hwy 20 property for \$2.9 million. In February 2011, MCRPD contacted the City to see if they were interested in purchasing the property. In November 2013, the City entered into a joint escrow agreement with MCRPD to purchase the Hwy 20 property. In January 2014, the City received the appraisal on the Hwy 20 property. The current appraised market value was \$875,000. The City was unable to purchase the property because they are prohibited from purchasing property that exceeds the Fair Market Value. In September 2015, the City reconsidered purchasing the Hwy 20 property due to the water wells located on the property. The feasibility analysis of ground water was five to 10 feet lower than in the 2001 and 2004 analyses when the wells were previously measured. This led the City to once again to decline the offer.

MCRPD: It is interesting that the Grand Jury can describe in such detail the various attempts by the District to make good on its contractual obligations without giving the slightest mention to the global financial meltdown which was the primary cause of the District's inability to find a developer for the proposed golf course. But for the collapse of the financial markets at that time, this project could have been a wonderful success for the coast. There is no question that the subsequent default on the contract has been a source of great difficulty for the District. It is also true that the current Board of Directors has worked effectively to mitigate the harm to the District and attempt to resolve this situation with the bank. We question the Grand Jury's assertion that in July 2007 the Savings Bank expressed concern about MCRPD's ability to repay its loan (which was subsequently repaid), and we note that there is no citation given for that assertion in the report. The severity of the financial collapse in 2008-09 is reflected in the report. As noted, the MCRPD purchased the property for \$2,221,000 prior to the financial collapse, but by February 2011 the appraised market value was \$875,000. We believe the "current" appraised market value may be significantly higher, although the District is no longer actively attempting to sell the property as it has received a substantial grant to improve the property for public use.

Grand Jury: MCRPD has faced significant cash flow issues since the Starr Center opened in 2009. MCRPD considered closing both of its recreation centers in Mendocino and Fort Bragg. MCRPD attempted to raise \$300,000 from public donations to assist in paying their bills. In February 2011, MCRPD funds reached a zero balance. For at least the past four years, MCRPD has requested and received advances on Teeter funds from the County because they did not have the finances to pay operating expenses and service the debts. The advances on Teeter funds may only to be used for operating expenses. The Grand Jury could not determine if the funds were comingled.

MCRPD: There is nothing particularly sinister about obtaining advances on Teeter funds from the County. Many small local agencies make such requests. The request is not made because the District "did not have the finances to pay operating expenses and service the debts". The District does not know what relevance there is to whether or not the funds were "comingled". The MCRPD has a unitary budget. MCRPD needs approximately \$2 million annually to operate. Their annual income of approximately \$1.5 million creates a \$500,000 annual structural deficit. The District does not need "approximately \$2,000,000 annually to operate". MCRPD's total budget for 2017-18 is \$696,498. The Grand Jury is apparently conflating the CV Starr Center budget with the MCRPD budget; these are two separate budgets. The CV Starr Center is owned by the City of Fort Bragg and is operated under contract by the MCRPD. This arrangement was made in part because the City has the ability to raise funds through sales tax receipts while the District has no such ability. The arrangement has worked out very well for both entities and the citizens of the Mendocino coast. There is no half million dollar "annual structural deficit", and the referenced newspaper article concerns a period prior to the turnover of the CV Starr Center to the City of Fort Bragg.



Grand Jury: In May of 2011, MCRPD had a deficit of \$117,000. They also projected a \$182,000 deficit in 2012. In July 2011, MCRPD borrowed a short-term loan of \$54,000 from the Savings Bank of Mendocino County to make payroll. This loan was paid back in August 2011. In July 2011, MCRPD closed the Starr Center on Sundays due to the lack of funds to pay the staff. MCRPD's debt had increased, and they needed \$700,000 to operate the Starr Center, to make payments on the Hwy 20 property, and to repay a \$200,000 loan. MCRPD raised \$275,748 in donations. In August 2011 at a public meeting, a private citizen called for the MCRPD Board to file bankruptcy, telling the Board that the District will never raise adequate funds given the uncertainty of the organization. On December 29, 2011, MCRPD filed with the bankruptcy court for the HWY 20 property loan. WestAmerica Bank refused MCRPD's offer on the property pay-off made about 9 months after filing bankruptcy documents. In February 2014, the bank filed an appeal with the 9th Circuit District Court. The appeal remains with the 9th Circuit District Court. The Court has upheld MCRPD's right to file bankruptcy; however, MCRPD does not have the money to defend themselves against WestAmerica Bank's claims. As of May 2017, the \$200,000 private loan has not been paid in full. MCRPD has paid \$75,000 in principal and \$8,664 in interest on the loan which was due in 2012.

MCRPD: Regarding the bankruptcy, it is important to note that this is a Chapter 9 bankruptcy the purpose of which is to provide a financially distressed municipality with protection from its creditors while it develops and negotiates a plan for adjusting its debts. The District has been in active negotiations with Westamerica Bank (although the bank has challenged the District's right to seek bankruptcy protection). There is no evidence to support the Grand Jury's conclusion that the District "does not have the money to defend themselves". All attorney's fees are current.

Grand Jury: Given all of the myriad problems affecting MCRPD, the Grand Jury is dismayed that there is no evidence of a strategic plan.

MCRPD: It is hard to understand why the Grand Jury is "dismayed" that there is allegedly no evidence of a "strategic plan". Up until very recently the strategic plan has been to sell the Highway 20 property and pay off Westamerica Bank, and the District has been pursuing that plan for many years. The District is dismayed that the Grand Jury is unaware of this plan.

## **Grand Jury Findings**

F1. There is evidence of continuing misfeasance regarding the financing of MCRPD, by Board action which neglects their fiduciary duties of transparency and fiscal responsibility to the taxpayers of MCRPD.

MCRPD: There is no evidence to support this inflammatory statement. The District Board of Directors devotes its full attention to being fiscally responsible. Other than the consequences of the failed Highway 20 golf course project, the District is fiscally sound.

F2. The MCRPD's Board of Directors is not representational of the four tax districts.

MCRPD: This statement is false.

F3. MCRPD has received County Treasury advances on Teeter funds (property tax funds) for at least the past four years by the Board of Supervisors Consent Calendar actions. The Grand Jury could not determine if the Teeter fund advances were comingled within the MCRPD budget. MCRPD requires and spends 2018 tax revenue in the 2017 budget year. This annual MCRPD need for advanced Teeter funds indicates a serious deficit in budget planning, and indicates serious concern for MCRPD's long term financial viability.

MCRPD: The District has received advances on Teeter funds, and there is nothing wrong with that. There is no deficit, serious or otherwise in budget planning or the District's long term financial viability.

F4. The County does not require or perform any type of audit on a special district requesting Teeter fund advances. Because MCRPD is operating in structural deficit, the Board of Supervisors and County Auditor may be abdicating a fiduciary duty to the taxpayer by not questioning recommendations that appear on the Consent Calendar to advance the Teeter funds.

MCRPD: MCRPD is not operating "in structural deficit".

F5. The MCRPD's annual audits have not been completed in a timely manner which prevents full public financial disclosure. The MCRPD's most recent audit, due June 30, 2016, was completed on February 8, 2017. MCRPD is currently delinquent on a capital lease and a note in the amount of \$200,000 plus interest.

MCRPD: MCRPD has completed its annual audits in a timely manner, and provides full public financial disclosure. The Grand Jury evidently misunderstands the public agency audit process.

F6. MCRPD minimally supports activities in communities outside of Fort Bragg, even though significant amounts of property tax funds are collected from those communities. For example, Mendocino District contributes 35% of the Teeter funds, yet only receives 5% of the property tax funds collected in that District for its recreation and other MCRPD benefits.

MCRPD: MCRPD supports recreational activities throughout the District. The Grand Jury presumes that Mendocino residents do not use the facilities in Fort Bragg, when in fact these facilities are used by persons from Westport to Elk and beyond.

F7. The Grand Jury feels that the leaseback arrangement has an appearance of impropriety. The way in which the leaseback appears to be used in this particular situation is outside of the usual leaseback arrangement. It is conveying benefits to the lessees that are not within the normal course of business. This is to the detriment of the property taxpayers of MCRPD.

MCRPD: There is nothing improper about the sale leaseback arrangement the District entered into with respect to the Highway 20 property. Had the real estate market not collapsed in 2008-09, which made it impossible to find a golf course developer, the sale leaseback arrangement could have resulted in the development of a world class golf course for the Mendocino coast. The current Board of Directors is effectively addressing the consequences of that global financial failure.

F8. MCRPD's financial problems were and are compounded by the purchase of the Hwy 20 property. MCRPD has assumed a large amount of debt with no clear means of repayment.

MCRPD: As noted above, this could have been a successful project but for the global financial collapse. Certainly it is true that the current Board of Directors is working to address the consequences of that collapse and the associated debt.

F9. The Grand Jury has substantial doubt about MCRPD's ability to continue as a viable operation. The MCRPD Board and Management have used poor judgement in borrowing money from individuals and commercial banks on at least three occasions. The loan repayment terms have not been met by MCRPD.

MCRPD: MCRPD has no doubt that it will continue as a viable entity. The Grand Jury should explain why it believes that borrowing money for bridge loans constituted "poor judgment". Other than the loan to Westamerica Bank and one private loan, all funds borrowed by the District have been repaid. The \$200,000 private loan has been paid down to \$120,000.

F10. The Grand Jury finds that MCRPD has no strategic plan.

MCRPD: The District has had a number of strategic plans and is presently holding community forums as it develops its latest plan.

F11. MCRPD acted irresponsibly by borrowing money outside of legal parameters by borrowing more money and for a longer period of time than allowed by California Public Resources Code §5788.21.

MCRPD: The District disagrees with the Grand Jury's interpretation of Public Resources § 5788.1.

F12. The Grand Jury finds that MCRPD has not maintained proper and complete records.

MCRPD: MCRPD has maintained proper and complete records, and the Grand Jury report has not identified any records that were either improper or incomplete.

F13. After originally requesting MCRPD documentation in January 2017, it was necessary for the Grand Jury to issue a subpoena in May 2017 to obtain MCRPD financial documentation.

MCRPD: As the Grand Jury was advised, limited staff and other pressing projects required that the District have additional time to obtain documents (many of which date back ten years or more). It was not necessary for the Grand Jury to issue a subpoena; it was necessary for the Grand Jury to exercise some patience.

### **Grand Jury Recommendations**

The Grand Jury recommends that:

R1. The MCRPD Board of Directors and administration immediately make all financial transactions transparent to the public. (F1, F3, F4, F5, F7, F8, F9, F10, F11, F12, F13)

MCRPD: Agreed, the MCRPD already makes all financial transactions transparent to the public.

R2. MCRPD develop a long-term strategic plan to eliminate all unfunded liabilities. (F1-F3, F5-F13)

MCRPD: Agreed, and the District has a long standing strategic plan to eliminate unfunded liabilities.

R3. By a change in bylaws, each tax district has an elected representative on the MCRPD Board of Directors with the fifth member elected at large. (F2)

MCRPD: Disagree. The District intends to continue with its at-large elected Board. Persons from throughout the district are encouraged to run for office. In most years the District does not even have a contested election. On the current Board, like many boards in the past, approximately one-half of the Board members reside outside of Fort Bragg. On the other hand, if the only persons interested in running for a seat on the Board are from Fort Bragg that is not legally suspect.

R4. The Board of Supervisors develop and implement a policy that addresses the advances of Teeter funding to special districts in financial distress including bankruptcy. (F3, F4)

MCRPD: No comment.

R5. The County Auditor perform an audit of MCRPD before recommending an issuance of an advance of Teeter funds. (F3, F4)

MCRPD: No comment.

R6. The annual audits be completed on time according to MCRPD's policy. (F5)

MCRPD: Agreed, and the District is already completing its annual audits on time.

R7. The property tax funds be fairly allocated to the communities based on the current tax dollars raised in each tax district. After the 5% allocation from Fort Bragg to MCRPD, remaining funds shall be fairly allocated in proportional amounts to the outlying districts. (F2, F6)

MCRPD: Agreed, and property tax funds are properly allocated to the community. That does not mean that every dollar an individual taxpayer pays is returned to that tax payer. It means that tax dollars are used for the general benefit of the entire district and its residents. The reference to a "five percent allocation from Fort Bragg to MCRPD" is wrong and does not make any sense. The District does not intend to allocate "proportional amounts" to outlying districts.

R8. MCRPD finalize the ongoing bankruptcy and divest itself of the Hwy 20 property. (F8-F11)

MCRPD: Agreed, the District shall finalize the ongoing bankruptcy when that becomes possible. Westamerica Bank has fought the bankruptcy at every step. The District previously had intended to divest itself of the Highway 20 property as part of the resolution of that situation, but at this time is planning to retain the property and develop it for public use.