August 22, 2017

Katharine Wylie, Foreman
Mendocino County Grand Jury (2016-2017)
P. O. Box 939
Ukiah, CA 95482

Re: MCRPD District Administrator’s Response to Grand Jury Report

Dear Ms. Wylie and Grand Jurors:

As per page thirteen of the Mendocino Grand Jury Report dated June 27, 2017 and pursuant to penal code 933.05, I am providing responses as required for the following sections: F1 - F3, F5 - F13 and R1 - R3, R6 - R8.

F 1. There is no evidence to support this 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.

F 2. This statement is false.

F 3. 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.

F 5. 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.

F 6. 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.

F 7. 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.
F 8. 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.

F 9. 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.

F 10. The District has had a number of strategic plans and is presently holding community forums as it develops its latest plan.

F 11. The District disagrees with the Grand Jury's interpretation of Public Resources § 5788.1.

F 12. MCRPD has maintained proper and complete records, and the Grand Jury report has not identified any records that were either improper or incomplete.

F 13. 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.

Recommendations

R 1. Agreed, the MCRPD already makes all financial transactions transparent to the public.

R 2. Agreed, and the District has a long standing strategic plan to eliminate unfunded liabilities.

R 3. 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.

R 6. Agreed, and the District is already completing its annual audits on time.

R 7. 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 taxpayer. 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.

R 8. 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.

Respectfully submitted,

[Signature]

Dan Keyes
MCRPD District Administrator