**Grand Jury Report – Mendocino Coast Recreation & Park District (6/27/17)**

**Response Form, Linda Ruffing, Fort Bragg City Manager**

**ATTACHMENT**

**Explanation of Disputed 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.”

*DISAGREE WHOLLY. The report does not provide evidence of continuing misfeasance, a lack of transparency, or fiscal irresponsibility by the current Board of Directors of the MCRPD.*

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.”

*DISAGREE WHOLLY. Mendocino County has adopted a Teeter Program as a method of distributing property tax revenues to taxing entities. The fact that MCRPD has chosen to receive advanced allocations of its property tax revenues through the Teeter Program is not, in and of itself, an indication of a “serious deficit in budget planning” nor is it an indication of a “serious concern for MCRPD’s long-term financial viability.”*

F5 “The MCRPD’s annual audits have not been completed in a timely manner which prevents full public 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.”

*DISAGREE PARTIALLY. An audit report cannot be prepared until after the fiscal year is closed out. The fiscal year ends on June 30th, so it is not possible for an audit report to be completed on that date. Completing the FY 2015/16 Audit by February 8, 2017 is considered timely. The statement about delinquency on a capital lease and a note is factual.*

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 34% of the Teeter funds, yet only receives 5% of the property tax funds collected in that District for its recreation and other MCRPD benefits.”

*DISAGREE PARTIALLY. I agree that MCRPD programs are concentrated in Fort Bragg. It should be noted, however, that programs and facilities in Fort Bragg do not exclusively benefit residents of Fort Bragg. For example, the C.V. Starr Community Center is a regional recreational facility that is used by residents from all parts of the District.*

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.”

*DISAGREE PARTIALLY. I cannot opine as to whether the lease-leaseback arrangement on the MCRPD’s Highway 20 property is atypical. My understanding is that it was a means of financing debt incurred by the District related to the Golf Course project. That debt has forced the MCRPD into bankruptcy proceedings. The unresolved bankruptcy is detrimental to the MCRPD and District taxpayers.*

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 judgment in borrowing money from individuals and commercial banks on at least three occasions. The loan repayment terms have not been met by MCRPD.”

*DISAGREE PARTIALLY. The MCRPD has a dedicated revenue stream (property taxes). In addition, the MCRPD collects user fees for its programs and receives C.V. Starr Enterprise Fund revenues in accordance with an Operating Agreement with the City of Fort Bragg. MCRPD is a functioning and viable operation. With hindsight, past financial decisions of the MCRPD Board may appear to reflect poor judgment. At the time the decisions were made, the Board did not have the benefit of hindsight.*

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

*NEITHER AGREE NOR DISAGREE. I do not know whether this is factual or not.*

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 Sec 5788.21.

*NEITHER AGREE NOR DISAGREE. I do not know whether the MCRPD’s lease-leaseback arrangement complies with PRC Sec 5788.21. That is an issue more appropriately addressed to MCRPD’s legal counsel.*

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

*NEITHER AGREE NOR DISAGREE. I do not know whether this is factual or not.*

**Explanation of Recommendations that will NOT be implemented because they are not warranted and/or are not deemed reasonable:**

R1 “The MCRPD Board of Directors and administration immediately make all financial transactions transparent to the public.”

*This is not within my authority to implement.*

R2 “MCRPD develop a long-term strategic plan to eliminate all unfunded liabilities.”

*This is not within my authority to implement.*

R6 “The annual audits be completed on time according to MCRPD’s policy.”

*This is not within my authority to implement.*

R7 “The property tax funds be fairly allocated to 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.”

*This is not within my authority to implement. The suggested method of allocating funds is unclear.*

R8 “MCRPD finalize the ongoing bankruptcy and divest itself of the Hwy 20 property.”

*This is not within my authority to implement.*