



GRAND JURY REPORT  
RESPONSE FORM  
PAGE TWO

- The following Recommendation(s) require further analysis, and **attached as required**, is an explanation and the scope and parameters of the planned analysis, and a time frame for the matter to be prepared, discussed and approved by the officer and/or director of the agency or department being investigated or reviewed: (This time frame shall not exceed six (6) months from the date of publication of the Grand Jury Report)
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- The following Recommendations will NOT be implemented because they are not warranted and/or are not deemed reasonable, **attached, as required** is an explanation therefore:  
1-3, 5

*I have completed the above responses, and have attached, as required the following number of pages to this response form:*

Number of Pages attached: 2

*I understand that responses to Grand Jury Reports are public records. They will be posted on the Grand Jury website: [www.co.mendocino.ca.us/grandjury](http://www.co.mendocino.ca.us/grandjury). The clerk of the responding agency is required to maintain a copy of the response.*

*I understand that I must submit this signed response form and any attachments as follows:*

**First Step:** E-mail (word documents or scanned pdf file format) to:

- The Grand Jury Foreperson at: [grandjury@co.mendocino.ca.us](mailto:grandjury@co.mendocino.ca.us)
- The Presiding Judge: [grandjury@mendocino.courts.ca.gov](mailto:grandjury@mendocino.courts.ca.gov)

**Second Step:** Mail all originals to:

Mendocino County Grand Jury  
P.O. Box 939  
Ukiah, CA 95482

Printed Name: John McCowen

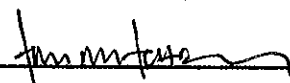
Title: Chair, Mendocino County Board of Supervisors

Signed: 

Date: 7/31/12

ATTEST:

Carmel J. Angelo, Clerk of the Board  
Mendocino County Board of Supervisors

 DEPUTY

**Grand Jury Report Title: A Report of the Teeter Plan**

**Report Dated: March 21, 2012**

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**Finding 3:** The Mendocino County Board of Supervisors disagrees with this finding. The Teeter Plan was adopted by the Board of Supervisors as required under the California Revenue and Taxation Code Sections 4701-4717. Please refer to the response of the Mendocino County Auditor-Controller and Treasurer-Tax Collector.

**Finding 4:** The Mendocino County Board of Supervisors disagrees in part with this finding. As stated in the response prepared by the Mendocino County Treasurer-Tax Collector, the original note issued in 1993 indicated *the Note shall be payable in full upon maturity which shall be October 1, 1994; provided, however, that the County may renew said note at the expiration of this period for seven consecutive one year periods. Renewal shall occur automatically unless the Note is redeemed as permitted herein.* The intent of the maker was to issue the equivalent of an annual note, with the option to renew ending on June 30, 2000; this was not simply a note that was issued and expired on June 30, 2000.

**Finding 5:** The Mendocino County Board of Supervisors disagrees in part with this finding. As stated in the response prepared by the Mendocino County Treasurer-Tax Collector, as with the 1993 Note, the 2003 Note was issued for a term of one year, renewable at the option of the County for up to seven one-year terms. Again, the intent of the maker was to issue the equivalent of an annual note, with the option ending after seven years.

**Finding 7:** The Mendocino County Board of Supervisors disagrees with this finding. Interest payments on the Teeter debt are calculated using the County's "pool" rate. The County's Investment Pool invests in both medium term (2-5 years) notes and short term (less than 1 year) certificate of deposits.

**Finding 10:** The Mendocino County Board of Supervisors disagrees with this finding. Long-term notes are generally considered to have a maturity of 10 years or longer. Medium-term notes are generally considered to have a maturity of 2-10 years.

**Finding 11:** The Mendocino County Board of Supervisors disagrees with this finding. The County's long term credit rating was lowered in fiscal year 2010/2011.

**Finding 12:** The Mendocino County Board of Supervisors partially disagrees with this finding. As stated in the response prepared by the Mendocino County Treasurer-Tax Collector, while the long-term credit rating reflects the overall financial health of the County, the major driver for the initial denial appeared to be the 2009/2010 negative \$16 million ending fund balance.

**Finding 13:** The Mendocino County Board of Supervisors agrees with the first sentence of this finding and partially agrees with the second sentence. The Board of Supervisors has approved numerous cost saving measures to balance the budget, including some layoffs, but nowhere near the stated number of over 400. The Grand Jury may be confusing this number with the total reduction in the workforce, which exceeds 400 over

the last several years. Workforce reductions have been achieved primarily through attrition.

**Finding 16:** The Mendocino County Board of Supervisors, as a body, has no knowledge of which individual Supervisors may have testified before the Grand Jury, or what they may have said and therefore disagrees with this finding.

**Finding 17:** The Mendocino County Board of Supervisors has no knowledge of confidential testimony given before the Grand Jury and therefore disagrees with this finding.

**Finding 18:** The Mendocino County Board of Supervisors disagrees with this finding. Historically, there has been a lack of clarity on the issue of Teeter Plan debt, especially the need to pay the current year delinquency in full each year in order to avoid increases in the debt. However, past direction by the Board of Supervisors to fully fund each current year delinquency; establish a separate budget unit to track Teeter Plan revenue and expenditures; fully amortize the Teeter Plan debt; and apply all revenue from delinquent tax, penalties and interest to the Teeter Plan debt; along with the CEO's formation of the Debt Committee (consisting of the CEO, Treasurer, Auditor and County Counsel) has brought clarity to the issue of the Teeter Plan debt and its eventual repayment.

**Finding 31:** The Mendocino County Board of Supervisors disagrees with this finding. The County is currently paying interest on the Plan debt at a taxable pool rate.

**Recommendation 1:** The Mendocino County Board of Supervisors does not support implementation of the recommendation to hire a Bond Counsel because it is not warranted or reasonable. The Board hereby incorporates by reference the following responses of the Treasurer-Tax Collector and the Auditor-Controller: Bond Counsel is the attorney that prepares the legal opinion for the issuance of a municipal bond. In relation to the Teeter Plan, a Bond Counsel would only be appropriate in the event the County decided to issue Teeter Notes through the securities market.

Since 2008-2009 the County has been committed to aggressively paying down the Teeter debt. By the end of the 2011-2012 the Auditor's office projects the Teeter debt to be below \$8.0MIL. Continuing on this pace, the County is scheduled to have the debt paid off in 5-7 years.

**Recommendation 2:** As referenced in Recommendation 1, the Mendocino County Board of Supervisors believes the recommendation to hire a Bond Counsel is not warranted or reasonable and will not be implemented. The Mendocino County Board of Supervisors adopted an amortization schedule to formally recognize the Teeter Plan debt. According to staff in the Auditor's office, the Teeter Plan debt is expected to be eliminated within the next five to seven years; a long-term obligation is considered over ten years in duration. Therefore, the recommendation for the Mendocino County Board of Supervisors to issue a formal recognition of the Plan debt as a long-term obligation to the County is not warranted and will not be implemented.

**Recommendation 3:** As referenced in the response to Recommendation 1, the Mendocino County Board of Supervisors believes the recommendation to hire a Bond Counsel is not warranted or reasonable and will not be implemented. Additionally,

interest on the Teeter Plan debt has been paid in full to the County Investment Pool on a quarterly basis since the inception of the Teeter Plan; therefore, there has been no underpayment.

As confirmed by the Treasurer-Tax Collector, "the treasury pool correctly receives the interest apportionment rate on all accounts with a negative account balance, including the Teeter Plan debt. There has been no historical underpayment of interest to the treasury pool for the Board of Supervisors to correct; therefore, the recommendation is not warranted and should not be implemented."

**Recommendation 4:** The Mendocino County Board of Supervisors previously implemented the current repayment plan and will continue until the debt is fully paid.

**Recommendation 5:** As referenced in the response to Recommendation 1, the Mendocino County Board of Supervisors believes the recommendation to hire a Bond Counsel is not warranted or reasonable and will not be implemented. Additionally, the proper amount of interest on the Teeter Plan debt, as calculated by the Auditor-Controller, has been paid in full to the County Treasury Pool since the inception of the Teeter Plan.

As confirmed by the Treasurer-Tax Collector, "the treasury pool correctly receives the interest apportionment rate on all accounts with a negative account balance, including the Teeter Plan debt." There is no reason to doubt that the present practice of accurately computing and crediting interest will not continue.

**Recommendation 6:** This recommendation has been implemented. The Mendocino County Board of Supervisors encourages the Debt Committee (CEO, Treasurer, Auditor, County Counsel) to continue to provide the Board with accurate and timely information regarding the Teeter Plan debt and related issues.

**Recommendation 7:** The Mendocino County Board of Supervisors agrees with this recommendation which was previously implemented at the direction of the Board of Supervisors.