

Grand Jury Report

RESPONSE FORM

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

Report Dated : *March 21, 2012*

Response Form Submitted By:

Carmel Angelo, CEO
County of Mendocino
501 Low Gap Rd. Room 1010
Ukiah, CA 95482

Response MUST be submitted, per Penal Code §933.05, no later than:
July 7, 2012

I have reviewed the report and submit my responses to the FINDINGS portion of the report as follows:

- I (we) agree with the Findings numbered:
1&2, 6, 8&9, 14&15, 20, & 22-30,
- I (we) disagree wholly or partially with the Findings numbered below, and have **attached, as required**, a statement specifying any portion of the Finding that are disputed with an explanation of the reasons therefore.
3-5, 7, 10-13, 18, & 31

I have reviewed the report and submit my responses to the RECOMMENDATIONS portion of the report as follows:

- The following Recommendation(s) have been implemented and **attached, as required**, is a summary describing the implemented actions:
4, 6&7
- The following Recommendation(s) have not yet been implemented, but will be implemented in the future, **attached, as required** is a time frame for implementation:
N/A

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- 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)

N/A

- 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: _____

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. 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
- The Presiding Judge: grandjury@mendocino.courts.ca.gov

Second Step: Mail all originals to:

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

Printed Name: Carmel J. Angelo

Title: Chief Executive Officer

Signed: _____

Date: _____

Findings #3: The CEO incorporates, by reference herein, the response by the Treasurer-Tax Collector.

Findings #4: The CEO incorporates, by reference herein, the response by the Treasurer-Tax Collector.

Findings #5: The CEO incorporates, by reference herein, the response by the Treasurer-Tax Collector.

Findings #10: Long term debt usually has a maturity of over 10 years. Intermediate or Medium term debt usually has a maturity of 2-10 years

Findings #11: The County's long term credit rating was lowered in fiscal year 2010/2011.

Findings #12: The CEO incorporates, by reference herein, the response by the Treasurer-Tax Collector.

Findings #13: While the County has pro-actively reduced permanent positions over the past four years, there have not been 400 employee layoffs. Reductions in staffing have primarily been attributed to attrition and the CEO's limited approvals for filling vacant positions.

Findings #18: While there has been a lack of clarity on the issue of Plan debt in the past, the CEO's formation of the Debt Committee (CEO, Treasurer, Auditor and County Counsel) has remedied this situation.

Findings #31: The County is currently paying interest on the Plan debt at a taxable pool rate.

Recommendations #1: 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.

Recommendations #2: As referenced in Recommendation I, the recommendation to hire a Bond Counsel is not warranted and should not be implemented. The 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 Board of Supervisors to issue formal recognition of the Plan debt as a long-term obligation of the County is not warranted and should not be implemented.

Recommendations #3: As referenced in Recommendation I, the recommendation to hire a Bond Counsel is not warranted and should not be implemented. 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.

Since 1992, the County has issued Tax and Revenue Anticipation Notes (TRANs) to address the periodic cash flow deficits due to the timing of property tax revenues. TRANs proceeds are not mandated to be placed in the treasury pool; however, the TRANs proceeds have historically been incorporated in the treasury pool, which more than offsets the Teeter Plan debt. This practice will continue provided the County annually issues TRANs and the Teeter Plan debt remains outstanding. If the County chooses to no longer issue TRANs at any time in the future and the Teeter Plan debt remains, an appropriate interest rate will be charged to the County.

Recommendations #4, 6 & 7: Implemented

Recommendations #5: As referenced in Recommendation I, the recommendation to hire a Bond Counsel is not warranted and should not be implemented. The Auditor Controller, not the Board of Supervisors, will provide for the payment of the proper amount of interest to the treasury pool in all future years, as has been done in the past. As referenced in Recommendation 3, regardless of the long-term credit rating of the County, TRANs proceeds have historically been placed in the treasury pool thereby offsetting any Teeter Plan debt. While the County's long-term credit rating has been at an extremely low level for the past several years, the County's short-term credit rating reflects the highest short-term credit rating assigned by Standard & Poor's Rating Agency for both the 2011-12 and 2012-13 fiscal years.