

September 24, 2002

The Honorable Lynn O'Malley Taylor
Marin County Superior Court
P.O. Box 4988
San Rafael, CA 94913-4988

Foreman
Civil Grand Jury of Marin County
Hall of Justice-Civic Center
P.O. Box 4988
San Rafael, CA 94913-4988

RE: Grand Jury Report Regarding
Special Districts in Marin County

Dear Judge O'Malley Taylor and Grand Jury Foreperson,

Pursuant to the request of the 2001-2002 Marin County Grand Jury and Penal Code Section 933.05, the Marin Healthcare District respectfully provides the following responses to the Report Regarding Marin County Special Districts:

FINDING 1: *The average compensation for special district directors who receive compensation is \$100 per meeting.*

RESPONSE TO FINDING 1: Directors of the Marin Healthcare District receive no compensation for attending board or other meetings.

FINDING 2: *The majority of special districts hold one meeting per month, except when there are important business items on their agenda. Larger special districts, those with a large number of employees and large budgets, frequently hold two meetings per month and at times additional meetings for important business.*

RESPONSE TO FINDING 2: The Marin Healthcare District holds one regular meeting per month. In the past year the District has held ten (10) special meetings for the purpose of discussing and considering seismic retrofitting of Marin General Hospital, which retrofitting is required by SB 1953.

FINDING 3: *Seven special districts out of 34 give their directors medical or dental benefits.*

RESPONSE TO FINDING 3: Directors of the Marin Healthcare District receive no District sponsored medical or dental benefits.

FINDING 6: *Most districts do not provide the public with easily understood financial statements and analysis of existing and future reserves. Special districts' financial statements and reserves cannot be evaluated effectively by the public, due to inconsistent terminology and format.*

RESPONSE TO FINDING 6: The Marin Healthcare District has welcomed comments from members of the public regarding the format of its financial statements, has made changes in reporting formats to include both accrual and cash based reports and regularly reviews and, if appropriate, revises the reports to increase comprehension by members of the public. The Marin Healthcare District's unaudited quarterly financial reports include Profit & Loss Statement (cash and accrual based), Balance Sheet, and summaries of both Accounts Payable and Accounts Receivable. Copies of the District's general ledger and checkbook ledger are made available to members of the public upon request.

FINDING 8: *Several of the Districts reviewed by the Grand Jury appear to have reserves that are unreasonably large.*

RESPONSE TO FINDING 8: At the current time the Marin Healthcare District does not have a reserve fund. The District looks forward, in the future, to the possibility of accumulating a reserve fund.

RECOMMENDATION 1: *In special districts where compensation is paid to directors for attending meetings, the amount should be specifically justified to the district's constituents.*

RESPONSE TO RECOMMENDATION 1: The directors of the Marin Healthcare District agree with this recommendation. As indicated above, directors of the Marin Healthcare District receive no compensation for participation in board meetings.

RECOMMENDATION 2: *Special district boards should strive to minimize the meetings held each month.*

RESPONSE TO RECOMMENDATION 2: The directors of the Marin Healthcare District agree with this recommendation and have, on several occasions, discussed the frequency of its regular and special meetings. The Marin Healthcare District feels that the number and frequency of its regular and special meetings is appropriate based on the issues and concerns requiring board consideration.

RECOMMENDATION 3: *Special district board members should not receive medical and/or dental benefits at taxpayer expense.*

RESPONSE TO RECOMMENDATION 3: The directors of the Marin Healthcare District agree with this recommendation. As indicated above, directors of the Marin Healthcare District receive no District sponsored medical and/or dental benefits.

RECOMMENDATION 4: *Travel and conference expenses of special district board members should be kept to a reasonable amount.*

RESPONSE TO RECOMMENDATION 4: The directors of the Marin Healthcare District agree with this recommendation. The District's FYE 2002 Budget allocated \$1,000 for Education and \$1,000 for Travel and spent \$1,660 and \$1,552 respectively. The District's FYE 2003 Budget allocates \$2,000 for Education and \$2,000 for Travel.

RECOMMENDATION 6: *All 34 special districts should develop and make public, written guidelines governing the present and future level of reserves shown in the balance sheets. The term "reserves" should be defined as cash or cash equivalents, both "restricted and unrestricted." If, based upon these guidelines, analysis shows that*

reserves are too high, the districts should implement plans to reduce fees or otherwise return the excess funds to their constituencies.

RESPONSE TO RECOMMENDATION 6: The directors of the Marin Healthcare District agree with this recommendation and look forward to developing proper guidelines relating to appropriate levels of reserve funds and prudent management of those funds when the District is in a position to commence accumulation of such funds.

RECOMMENDATION 7: *The County Auditor and the special districts should work together to develop clear terminology and standardized formats for the reporting of reserves.*

RESPONSE TO RECOMMENDATION 7: The directors of the Marin Healthcare District agree with this recommendation and respectfully look forward to the opportunity to work with the County Auditor in this regard, once the District commences accumulating reserve funds. At that time the District will work with the Auditor in developing proper guidelines relating to appropriate reserve levels and prudent management of those funds.

Please contact the District office should you require further response or clarification on any of these responses.

Very truly yours,

Lawrence H. Arnstein, M.D.
Chair, Marin Healthcare District

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