

COUNTY of BUTTE

State of California

GRAND JURY

2013–2014



Sunrise from the Campbell Hills

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FINAL REPORT

FILED Superior Court of California **FILED**
County of Butte
JUN 09 2014
Kimberly Flener, Clerk
By *[Signature]* Deputy



BUTTE COUNTY
GRAND JURY REPORT
2013-2014

The Butte County Grand Jury is responsible for reviewing the various levels, branches, and agencies of government within this County. These comprehensive reviews are conducted in an effort to ensure the various government branches and agencies are performing their duties and operating in an appropriate manner, which best serves the citizens of Butte County.

When necessary, the Grand Jury may also hear and determine the appropriateness of certain criminal indictments.

June 2, 2014

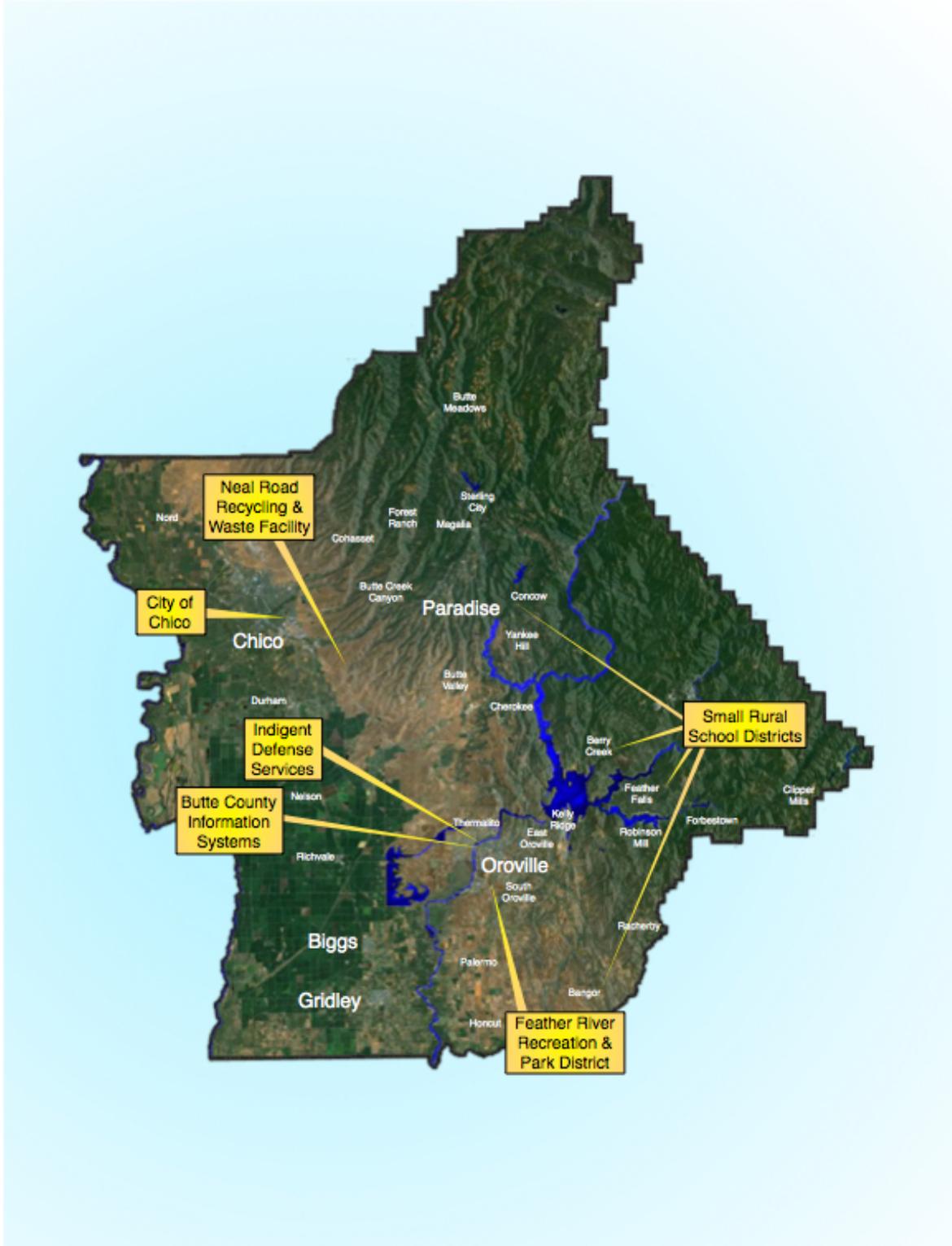


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PREFACE



Butte County
GRAND JURY

P.O. Box 110
Oroville, CA 95965

The Honorable Kristen Lucena
Presiding Judge, Superior Court of California, County of Butte

Dear Judge Lucena,

On behalf of the 2013-2014 Butte County Grand Jury, I present our final report for your review and consideration. Our various committees worked long hours, conducted numerous interviews, shared many meals, debated many points and even grew frustrated with each other on occasion, but, in the end, made the necessary compromises.

The Grand Jury is a cross section of the county where citizens of diverse backgrounds come together, work and learn from each other. Ours was no different. We each had individual objectives but our main goal was to find out how government works. Our group did not have any holdover jurors from last year so we stumbled out of the gates not knowing much more than the fact that we were the new Grand Jury and had much to learn...and we did.

I joined the Grand Jury knowing no one but have made many new friends. Ironically, the folks that I have enjoyed the most do not live just in my hometown of Chico but are spread throughout the county. We now share a common bond of Grand Jury service.

I would like to request that the Court consider shifting over to a Grand Jury of volunteers. Unlike prior juries, the 2013-2014 Grand Jury has had a large turnover. Some jurors were not aware of the time commitment. Some had little knowledge to prepare them to be jurors. I believe that a volunteer Grand Jury where citizens show an interest by taking the first step on their own rather than the more traditional random selection process would improve the pool and yield a stronger and more informed jury.

Finally, let me thank the Court and the staff for helping the Jury when we needed assistance and let me especially thank the County Counsel and Assistant County Counsel, who have endured my many questions and given the Grand Jury good sound advice when it was needed.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Charles W. Nelson".

Charles W. Nelson, Foreperson
2013-2014 Butte County Grand Jury

2013–2014 BUTTE COUNTY GRAND JURY MEMBERS

Charles W. Nelson	Chico	Foreperson
Gary Tuttle	Paradise	Foreperson Pro Tem
Nancy Negri	Oroville	Recording Secretary
Katherine (Kit) Oldham	Chico	Corresponding Secretary
Richard Dumas	Gridley	Treasurer
Dennis Anderson	Chico	Sergeant at Arms
Donald Bean	Paradise	
Shawn Brown	Paradise	
Jane Danielsen	Chico	
Donna Dow	Oroville	
Vernon Englund	Oroville	
Michael Gilchrist	Oroville	
William Lewis	Chico	
Sally Mitchell	Biggs	
Scott Quade	Magalia	
Kathleen Schovajsa	Paradise	
Dennis Swaney	Oroville	
Nancy Wirtz Lunde	Paradise	

We also wish to acknowledge those Jurors who served briefly on the 2013-2014 Grand Jury, who due to unforeseen circumstances resigned: Mary Andrews; Amber Caton; Dave Johnson; and Rowanda Montgomery.

ACKNOWLEDGMENTS

The 2013-2014 Butte County Grand Jury acknowledges and thanks the following people and organizations for their support, guidance, professional assistance and orientation, and for helping to make this final report possible:

The Honorable Kristen A. Lucena, Judge of the Superior Court of California, Butte County, who presided over the 2013-2014 Grand Jury and the Honorable Stephen Benson, Judge of the Superior Court of California;

County Counsel Bruce Albert and Assistant County Counsel Elizabeth McGie;

District Attorney Michael Ramsey and his staff;

Butte County Board of Supervisors: William Connelly, Maureen Kirk, Steve Lambert, Doug Teeter, and Larry Wahl;

Sheriff Jerry Smith and Undersheriff Kory Honea and the staff who guided members of the Grand Jury through the Butte County Jail;

The Butte County Chief Probation Officer, Steve Bordin, and staff who guided members of the Grand Jury through Juvenile Hall;

All those who agreed to be interviewed during investigations and visits;

California Grand Jury Association for the training seminars; and

Butte County Superior Court staff.

FINAL RESOLUTION

Whereas, the 2013-2014 Butte County Grand Jury has conducted the business of its term and has reached certain conclusions, and

Whereas, the 2013-2014 Butte County Grand Jury desires to disclose the substance of those conclusions for the benefit of local government, its agencies and the citizens of Butte County.

Be it resolved that the attached papers, commendations, findings and recommendations are adopted as the Grand Jury Final Report and submitted to the Presiding Judge of the Superior Court of California, County of Butte, to be entered as a public document pursuant to California Law.

The above resolution **passed and adopted** by the 2013-2014 Butte County Grand Jury at the Butte County Superior Court in Paradise on the 21st day of May 2014.

Charles W. Nelson, Foreperson

A BRIEF HISTORY AND OVERVIEW OF THE GRAND JURY

What is a Grand Jury?

The name of “Grand Jury” derives from the fact that the body usually has a greater number of Jurors than a trial (petit) Jury. The concept of the Grand Jury traces its roots to Classical Greece. Ancient Athenians employed an “accusatory body” much as the Saxons of early Briton did. In fact, from 978 until 1016 one of the Saxon Doms (laws) required an accusatory body of 12 for every 100 men. The accusing body was exhorted, “not to accuse an innocent man or spare a guilty one.”

The modern European Jury system began to evolve during the 11th and 12th centuries. As early as 1066, during the Norman conquest of England, courts summoned bodies of sworn citizens to investigate crimes that had come to their attention. Initially, these early juries both accused and tried suspect, and since the members of the accusing bodies were selected from small jurisdictions, they naturally presented accusations based on their personal knowledge.

During the reign of Henry II (1154-1189), juries were divided into two types, civil and criminal, with the development of each influencing the other. The oath taken by these jurors provided that they would faithfully carry out their duties, that they would aggrieve no one through enmity nor give deference to anyone through love, and that they would conceal those things that they had heard. By the year 1290, civil juries were given authority to inquire about the conditions of bridges and highways and review the practices and conditions in the jails.

The Massachusetts Bay Colony impaneled the first American Grand Jury in 1635 to consider cases of murder, robbery, and wife beating. By the end of the colonial period the institution of the Grand Jury was firmly fixed in America’s new and ever-evolving system of government. Although the Constitution does not specifically mention Grand Juries, the Fifth Amendment provides the guarantee that, “no person shall be held to answer to a capital, or otherwise infamous crime, unless on the presentment of indictment of a grand jury ...” Grand Juries were used in our early history to protest governmental abuses, to propose new laws and very often to determine who should face trial. Today, 42 states have some form of Grand Jury, and California is one of the states that still allow prosecution to be initiated by either criminal Grand Jury indictment or by judicial preliminary hearing.

The Grand Jury System Today

The California State Constitution calls specifically for the use of Grand Juries in the governance of the state, and in 1849, the California Legislature authorized Grand Juries in each county. The legislature passed laws in 1880 that required Grand Juries to review and investigate the activities of county government. Certain larger jurisdictions, such as the cities and counties of San Francisco and Los Angeles, impanel separate criminal (indictment) and civil (watchdog) Grand juries each year. Some counties impanel a separate Criminal Grand Jury only when needed. The Butte County Grand Jury serves in both capacities. As constituted today, the Grand Jury is a part of the Judicial Branch of Government and an arm of the court. The Grand Jury does not have the functions of either the legislative or administrative branches and it is not a police agency or political group. It is an investigative body, having as its objective, the detection and correction of flaws in government.

The primary civil function of the Grand Jury, and the most important reason for its existence, is the examination of all aspects of county and city government, including special districts and joint powers agencies, seeing that the public's monies are handled judiciously, and that all accounts are properly audited, assuring honest, efficient government in the best interest of the people.

How the Grand Jury Exercises Its Power

The Grand Jury has three ways to exercise its powers:

- By reports and recommendations regarding county government, cities, special districts, and joint powers agencies.
- By indictment, bringing charges against an individual for criminal offense.
- By civil accusation of an official or employee where the result, on conviction, would be removal from office.

A large portion of the public wrongly believes that an individual, particularly a public official, appearing before the Grand Jury suggests guilt of malfeasance, misfeasance, or nonfeasance. It is the constitutional responsibility of the Grand Jury to review the conduct of government each year. This entails having public officials appear before the jury for the purpose of providing information relative to their departments or offices. While it is a part of the judicial system, a Grand Jury is an entirely independent body. The Presiding Judge of the Superior Court,

the District Attorney, the County Counsel, and the State Attorney General act as its advisors, but cannot prevent the actions of the jury except on issues of legality. The Grand Jury is not accountable to elected officials or governmental employees.

Due to the confidential nature of a Grand Jury's work, most, if not all, must be conducted in closed sessions. Members of a Grand Jury are sworn to secrecy, thus assuring all individuals that appear before it that their testimony will be handled in strict confidence. No one may be present during the sessions of a Grand Jury except those specified by law, and the minutes of its meetings may not be inspected by anyone, nor can its records be subpoenaed.

The Grand Jury serves as an ombudsman for citizens of the county. The Grand Jury may receive and investigate complaints by individuals regarding the actions and performances of county or other public officials. Additionally, the California Penal Code specifies that the Grand Jury shall inquire into the conditions and management of the public prisons, jails, and juvenile detention facilities within the county.

The members of the Grand Jury are collectively granted special powers and privileges to aid them in carrying out their duties. The Grand Jury in its official capacity is permitted, with limited exceptions, access to and the right to inspect government facilities, and to review official books and records to which other citizens are denied access. The Grand Jury may issue subpoenas as necessary. The Grand Jury findings and recommendations are to be unbiased and impartial.

How Is The Jury Selected?

Each fiscal year the Butte County Superior Court summons a large number of qualified citizens who have resided in the County for over a year and are at least 18 years of age. The court makes it clear that service on the Grand Jury is voluntary. Potential jurors should be reasonably intelligent, of good character, and must possess a working command of the English language. From the pool of willing candidates, the Court makes a good faith effort to select qualified men and women who are diverse in age and socio-economic, ethnic, and educational backgrounds, and who represent the varied geographic areas of the County.

Superior Court Judges interview the body of qualified and willing candidates and choose 30 potential jurors. Nineteen members make up a full jury. At the discretion of the Presiding Judge, as many as 10 members from the previous

year's jury may "hold over" to serve a second term. In order to constitute the full panel of 19, names are drawn at random for a term of 12 months beginning in July. Over the course of the year, as necessary, alternates are called in sequential order from the pool of remaining potential jurors.

How Does It Work?

The Presiding Judge appoints a Foreperson to preside at meetings of the Grand Jury. The jury organizes itself into officers and committees and determines which of the various departments and functions of County, City and Joint Powers Government it will review. It also reviews compliance with the recommendations of previous Butte County Grand Juries.

Inquiries on the part of the Jury, letters and complaints from citizens, and dictates of the state Penal Code collectively determine the Jury's work. The Grand Jury aims to identify policies in government that may need improvement. All actions of the Jury, including any communication from the public and all deliberations and votes, are completely confidential. The Jury does publish a report of its significant findings and recommendations.

The Jury's final report, however, typically reflects only a small part of the Jury's actual endeavors over the course of its term. State law requires specific and detailed responses from departments upon which the jury renders findings and recommendations in its reports. Elected officials have 60 days to respond; public agencies have 90 days. The work of a Grand Jury is demanding. Most members can expect to invest approximately 500 hours of time. Gratifying and personally rewarding service on a jury leads one to a much improved understanding of the organization and business of local government, and to the personal satisfaction of having contributed to its improvement. The Grand Jury experience provides a unique and valuable opportunity for community service.

California Penal Code Sections

June 2, 2014

The Grand Jury Final Report has been filed on this date pursuant to California Penal Code §933. A copy of the report is enclosed.

Penal Code §933

§933. Report of findings and recommendations; Comment by governing board of agency and by mayor.

- (a) Each grand jury shall submit to the presiding judge of the superior court a final report of its findings and recommendations that pertain to county government matters during the fiscal or calendar year. Final reports on any appropriate subject may be submitted to the presiding judge of the superior court at any time during the term of service of a grand jury. A final report may be submitted for comment to responsible officers, agencies, or departments, including the county board of supervisors, when applicable, upon finding of the presiding judge that the report is in compliance with this title. For 45 days after the end of the term, the foreperson and his or her designees shall, upon reasonable notice, be available to clarify the recommendations of the report.
- (b) One copy of each final report, together with the responses thereto, found to be in compliance with this title shall be placed on file with the clerk of the court and remain on file in the office of the clerk. The clerk shall immediately forward a true copy of the report and the responses to the State Archivist who shall retain that report and all responses in perpetuity.
- (c) No later than 90 days after the grand jury submits a final report on the operations of any public agency subject to its reviewing authority, the governing body of the public agency shall comment to the presiding judge of the superior court on the findings and recommendations pertaining to matters under the control of the governing body, and every elected county officer or agency head for which the grand jury has responsibility pursuant to Section 914.1 shall comment within 60 days to the presiding judge of the superior court, with an information copy sent to the board of supervisors, on the findings and recommendations pertaining to matters under the control of that county officer or agency head and any agency or agencies which that officer or agency head supervises or controls. In any city and

county, the mayor shall also comment on the findings and recommendations. All of these comments and reports shall forthwith be submitted to the presiding judge of the superior court who impaneled the grand jury. A copy of all responses to grand jury reports shall be placed on file with the clerk of the public agency and the office of the county clerk, or the mayor when applicable, and shall remain on file in those offices. One copy shall be placed on file with the applicable grand jury final report by, and in the control of the currently impaneled grand jury, where it shall be maintained for a minimum of five years.

- (d) As used in this section “agency” includes a department.

Penal Code §933.05

- (a) For purposes of subdivision (B) of Section 933, as to each grand jury finding, the responding person or entity shall indicate one of the following:
- (1) The respondent agrees with the finding.
 - (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.
- (b) For purposes of subdivision (B) Section 933, as to each grand jury finding, the responding person or entity shall report one of the following actions:
- (1) The recommendation has been implemented, with a summary regarding the implemented action.
 - (2) The recommendation has not yet been implemented, but will be implemented in the future, with a timeframe for implementation.
 - (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.
 - (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore.
- (c) However, if a finding or recommendation of the grand jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the board of supervisors shall respond if requested by the grand jury, but the response of the board of supervisors shall address only those budgetary or personnel

matters over which it has some decision making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.

- (d) A grand jury may request a subject person or entity to come before the grand jury for the purpose of reading and discussing the findings of the grand jury report that relates to that person or entity in order to verify the accuracy of the findings prior to their release.
- (e) During an investigation, the grand jury shall meet with the subject of that investigation regarding the investigation, unless the court, either on its own determination or upon request of the foreperson of the grand jury, determines that such a meeting would be detrimental.
- (f) A grand jury shall provide to the affected agency a copy of the portion of the grand jury report relating to that person or entity two working days prior to its public release and after the approval of the presiding judge. No officer, agency, department, or governing body of a public agency shall disclose any contents of the report prior to the public release of the final report.

COMMENTS REGARDING RESPONSES TO THE 2012–2013 BUTTE COUNTY GRAND JURY REPORT

BACKGROUND

State law requires that local government agencies respond in writing to grand jury reports. The governing board for an agency that is subject of a report has 90 days to submit a response, while elected officials and department heads are allowed 60 days to respond. Responding agencies must state whether they agree or disagree with grand jury findings and whether recommendations will be implemented or not or require further analysis. With both findings and recommendations, agencies are required to explain disagreements.

DISCUSSION

The final 2012-2013 Butte County Grand Jury report contained a total of 47 recommendations for 12 local agencies. Of the 47 recommendations, 33 (70 %) have been or will be implemented, according to the responding agencies. An additional eight recommendations (17%) require further analysis. Agency responses to the 2012-2013 report are available at www.buttecounty.net. Details on how the local government agencies responded include:

Butte County Agencies

Responses from Butte County entities to the 2012-2013 Grand Jury report were received on time and in accordance with state law. Those responding included the Board of Supervisors, Sheriff's Office, Probation Department, Department of Child Support Services, Department of Employment and Social Services, Children Services Division, and Employment Services and Eligibility Services Division.

The Butte County Board of Supervisors responded to 53 findings and 36 recommendations. The Board agreed with 48 (91%) of the findings and disagreed with five (9%). In response to the recommendations, the Board indicated 24 (66%) of the recommendations have been or will be implemented with seven (19%) recommendations requiring further analysis. Five recommendations will not be implemented.

The Sheriff responded to 22 findings and 17 recommendations. The department agreed with 18 (82%) findings while disagreeing with four (18%) findings.

Thirteen (76%) recommendations have been or will be implemented. Four (24%) will require further analysis.

The Department of Employment and Social Services received 26 findings, which they agreed with 25 (96%) and disagreed with one (4%). Of the 10 recommendations received, the department has implemented five (50%) and the remaining five (50%) will undergo further analysis.

Recap by Butte County Agency

	Findings		Recommendations			
	Agree	Disagree	Has been done	Will be done	Will not be done	Requires analysis
Butte County Supervisors	91%	9%	48%	19%	14%	19%
Sheriff	82%	18%	47%	29%		24%
Probation	100%		40%	10%	50%	
Dept. of Employment and Social Services	96%	4%	50%			50%
Children’s Services Division	100%		50%	25%		25%
Employment Services and Eligibility Services Division	100%			100%		
Dept. of Child Support Services	100%					

Cities

The Biggs City Council responded to the 2012-2013 report within the required deadline. The City Council agreed with each of the three findings and are continuing to look for efficient means and funding opportunities to implement the one recommendation.

The Chico City Council responded to the 2012-2013 report within the required deadline. There were five findings and three recommendations. The City Council agreed with all findings and have implemented two recommendations and are working to implement the final recommendation.

The Gridley City Council responded to the 2012-2013 report on time and in accordance with state law. There were two findings and no recommendations. The City Council agreed with both findings.

The Oroville City Council responded to the 2012-2013 report on time and in accordance with state law. There were four findings and one recommendation. The City Council agreed with all four findings and have implemented the one recommendation.

The Town Council of Paradise responded to the 2012-2013 report within the required deadline. There were five findings and one recommendation. The Town Council agreed with all five findings and have implemented the one recommendation.

Water Agencies

The 2012-2013 Grand Jury reviewed how water is distributed and transferred within Butte County. The following water districts and governing bodies were reviewed: Del Oro Water Company, Paradise Irrigation District, South Feather Water and Power Agency, Thermalito Water and Sewer District, Richvale Irrigation District, Western Canal Water District, and the Butte County Department of Water and Resource Conservation. Also reviewed were the Tuscan Aquifer and Toxic Aquifer plumes. There were 15 findings and four recommendations. However, only two agencies were directed to respond to the recommendations: Paradise Irrigation District (two findings and one recommendation) and the Board of Supervisors (one finding and three recommendations). Both agencies provided responses to the report within the required time and in accordance with state law. Although no response was requested by the Grand Jury, the Butte County Water and Resource Conservation Department provided information regarding the recommendations (seven findings and three recommendations).

The Paradise Irrigation District received two findings and one recommendation. The District concurred with both findings and are agreeing to implement the single recommendation. The Board of Supervisors responded to the nine findings and three recommendations over which they had jurisdiction. The Board agreed

with all nine findings and have implemented each of the three recommendations. The Butte County Water and Resource Conservation Department concurred with seven of the findings and three recommendations. The Department did not respond to the two recommendations regarding the department's superior leadership and critical support provided during the Grand Jury investigation.

FINDINGS

None

RECOMMENDATIONS

None

2013–2014
BUTTE COUNTY
GRAND JURY REPORTS

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2013–2014 BUTTE COUNTY GRAND JURY REPORT

BUTTE COUNTY AUDIT

BACKGROUND

To comply with state law, the Grand Jury is required to look at how the County conducts an audit of its operations and the results of that study.

APPROACH

The 2013-2014 Grand Jury performed the following activities:

- Reviewed the Butte County Auditor’s report for the fiscal year ending June 30, 2013;
- Reviewed the Independent Auditor’s report for the fiscal year ending June 30, 2013;
- Interviewed the Chief Financial Officer and Chief Administrative Officer of Butte County;
- Attended the semi-annual meetings of the County Audit Committee of Butte County (October 31, 2013, and May 1, 2014), which included a County Supervisor, an auditor from the independent auditing firm, the Auditor-Controller, the Chief Administrative Officer, the Chief Financial Officer, and the Treasurer-Tax Collector.

CONCLUSION

The Grand Jury did not detect any material accounting exceptions noted in the Independent Auditor’s report that had not been appropriately responded to by the County.

The governing body indicated above should be aware that the comment or response of the governing body must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.

Reports issued by the civil Grand Jury do not identify individuals interviewed. Penal Code §929 requires that reports of the Grand Jury do not contain the name of any person or facts leading to the identity of any person who provides information to the civil Grand Jury.

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2013-2014 BUTTE COUNTY GRAND JURY REPORT

BUTTE COUNTY INFORMATION SYSTEMS

SUMMARY

We live in a world where business and government are reliant and dependent on technology. This is a world where technology is constantly evolving and being updated. Butte County government is also reliant and dependent on various levels of technology for all functions within each department. No matter what level of technology or type of application each department utilizes, they all have common demands such as: interagency communications; telephone and radio communications; common electronic mail (e-mail) services; Internet access; local area network (LAN) support; and network security. These functional areas are the fundamental responsibility of the Butte County Information Systems Department. Though these support systems are quite complex, both management and staff take for granted that these services will always be available and reliable.

A conservative view of *“if it ain’t broke, don’t fix it”* is many times assumed when everything works well and efficiently. With evolving technology, this axiom not only does not apply, but can contribute to future failure and will be far more costly to repair or replace when the infrastructure collapses or reaches its maximum capacity.

The Grand Jury found three specific areas that could present concerns for the Board of Supervisors and Administration. The first is that the County’s network system is past its prime and quickly becoming outdated. Second, the system is continuously under attack by hackers. Third, there is no long-range plan to provide financial support to create and maintain a safe and secure network system.

GLOSSARY

AD — Windows® Active Directory is a service implemented by Microsoft® for Windows® domain networks. An AD domain controller authenticates and authorizes all users, computers, and related equipment in a domain network—assigning and enforcing security policies for all computers and installed or updated software. When a user logs a computer into Windows Active Directory network, Active Directory authenticates the user’s password and determines the user’s permissions and security accesses to elements of the network.

Administration — Butte County Administration

BC — Butte County

BCI — Butte County Intranet – A private network connectively linking County departments and the Internet.

CAO — Chief Administrative Officer

CFO — Chief Financial Officer

DMZ — Demilitarized Zone – A physical or logical sub-network that contains and exposes an organization's external services to a larger and untrusted network, usually the Internet. The purpose of a DMZ is to add an additional layer of security to an organization's Local Area Network (LAN) so that an external attacker only has direct access to equipment in the DMZ, rather than any other part of the network.

Enhanced 911, E-911 or E911 is a system used in North America that links emergency callers with the appropriate public resources.

Enterprise — In government this is an institution or an association that has a collective goal and is linked to an external environment (An enterprise server is a computer containing programs that collectively serve the needs of an enterprise rather than a single user, department, or specialized application.)

Exchange, Exchange Messaging System, or Microsoft® Exchange — These are references to calendaring software, e-mail software and contact manager developed by Microsoft®.

FTE — Full-time Equivalent – A unit that indicates the workload of an employee. One (1) FTE is equivalent to a full-time worker, while 0.5 FTE indicates the worker is only half-time.

GB — gigabyte – A multiple of the unit *byte* (a single character) for digital information. The prefix *giga* means 10^9 in the International System of Units, therefore in the context of 1GB is 1,000,000,000 bytes.

GHz — gigahertz – A measure of frequency equivalent to one billion (10^9) cycles per second, therefore in the context of 1 GHz is 1,000,000,000 cycles per second.

GIS — Geographical Information System – A system designed to store, capture, analyze, manage, and manipulate all types of geographical data on a computer. It provides tools to allow users to create interactive queries, analyze spatial information, edit map layers, and present the results.

HIPAA — The Health Insurance Portability and Accountability Act of 1996 (Pub.L. 104–191, 110 Stat. 1936, enacted August 21, 1996) was enacted by the United States Congress and signed by President Bill Clinton in 1996. It has been known as the Kennedy–Kassebaum Act or Kassebaum-Kennedy Act after two of its leading sponsors. Title I of HIPAA protects health insurance coverage for workers and their families when they change or lose their jobs.

Title II of HIPAA, known as the Administrative Simplification (AS) provisions, requires the establishment of national standards for electronic health care transactions and national identifiers for providers, health insurance plans, and employers.

HIPAA also establishes national standards to protect individuals' medical records and other personal health information, and sets limits and conditions on the uses and disclosures that may be made of such information without patient authorization.

The administrative simplification provisions also address the security and privacy of health data. The standards are meant to improve the efficiency and effectiveness of the nation's health care system by encouraging the widespread use of electronic data interchange in the U.S. health care system.

IS or ISD — Butte County Information Systems Department

IT – Information Technology – Use of systems (computers and telecommunications) for storing, retrieving, and sending information.

LAN — Local Area Network – A computer network that interconnects computers in a limited area (i.e. home, computer lab or office building) using network media. The defining characteristics of LANs, in contrast to Wide Area Networks (WAN), include their smaller geographic area, and non-inclusion of external telecommunication lines.

Lync™ – *Microsoft® Lync™* – A unified messaging system that brings the ability to integrate smartphones, tablets, laptops, and personal devices into the County's data network.

PHI — Protected Health Information is any information about health status, provision of health care, or payment for health care that can be linked to a specific individual. This is interpreted rather broadly and includes any part of a patient's medical record or payment history.

Power over Ethernet or PoE — This describes any of several standardized systems which pass electrical power along with data on Ethernet cabling. This

allows a single cable to provide both data connection and electrical power to devices such as wireless access points or IP cameras.

Server Farm — A centralized collection of computer servers maintained by an enterprise to accomplish the server needs beyond the capacity of one machine. This is a cluster of both physical and virtual machines that serve as application servers, backup servers, and provide redundant functionality to the user departments connected through the network.

SQL — Structured Query Language – A special-purpose programming language designed for managing data held in a relational database management system (RDBMS). RDBMS allows the user to access data through relationships in a collection of tables, with each table consisting of a set of rows and columns.

Subvented Department — A department that receives a substantial portion of its operational funds from an outside source (i.e. the State or Federal governments). The major subvented departments in Butte County are the Department of Behavioral Health, the Department of Public Health, the Department of Child Support Services (DCSS), and the Department of Employment and Social Services (DESS).

SunGard® — (formerly Pentamation®) - The automated financial management system installed to support the Butte County's payroll, accounting, financial and business needs.

TNCC — Target Net County Cost – A number provided to each department by the Administration's Financial Office as a recommendation for budget planning.

UPS — An uninterruptible power supply, also uninterruptible power source, or battery/flywheel backup, is an electrical apparatus that provides emergency power to a load when the input power source, typically main power, fails. A UPS differs from an auxiliary or emergency power system or standby generator in that it will provide near-instantaneous protection from input power interruptions, by supplying energy stored in batteries or a flywheel. The on-battery runtime of most uninterruptible power sources is relatively short (only a few minutes) but sufficient to start a standby power source or properly shut down the protected equipment.

A UPS is typically used to protect hardware such as computers, data centers, telecommunication equipment or other electrical equipment where an unexpected power disruption could cause serious business disruption or data loss. UPS units range in size from units designed to protect a single computer

without a video monitor, around 200VA (volt-ampere) rating, to large units powering entire data centers or buildings.

VoIP — Voice over Internet Protocol – A methodology and technology for the conveyance of voice communications and multimedia sessions over Internet Protocol (IP) networks.

WAN — Wide Area Network – A network that covers a broad area (i.e., any telecommunications network that links across metropolitan, regional, or national boundaries) using private network transports. Business and government entities utilize WANs to relay data among employees, clients, buyers, and suppliers from various geographical locations. This allows daily business to function effectively regardless of location.

BACKGROUND

Several past Grand Juries have toured and reviewed the IS Department and each has commented on the efficiency and professionalism of the operations and staff of the department. This Grand Jury echoes those findings.

The current IS Department was formed in 1997 when, after 18 years of contracted outsourced services, the County decided to re-initiate an internal County department. The department was established, and the original charter from the Board of Supervisors was to build and provide a centralized data communications network. The focus of this project was to provide email and Internet connectivity to all County departments.

The ISD's original allocation of 10 positions in 1997 was quickly expanded. Administration moved Communications, E911 and radio communications away from General Services, part of the Administration Office at that time, and placed them within ISD. The transfer of responsibilities brought the staff positions in ISD to 14.

Since 1998, ISD has been asked to expand its functional tasks to cover electronic security, compliance, and storage requirements. New responsibilities were added to support additional County applications.

- It has centralized electronic documentation, created centralized virtual data warehousing, provided operating platforms for many of the County's departments to place their individual systems in a safe, controlled environment that provides clean conditioned power to sensitive electronic

equipment and a secure environment where sensitive files are backed-up on 24 hour cycles.

- In FY 2003-2004 Administration transferred the implementation of the timekeeping project (KRONOS) from the Auditor's Office to ISD. KRONOS is a timekeeper system which tracks and reports County employee hours to the County's payroll system. With this transfer of responsibilities, two employees were temporarily loaned to ISD from the Auditor's office to help design and deploy the system. These positions were not permanent and IS received no additional positions. This put a strain on existing IS personnel and resources for ongoing support to equip, design, program, train, and rollout the system.
- In FY 2005-2006 Administration relocated the GIS operations and four positions to ISD from the Development Services Department.
- In FY 2007-2008 Administration transferred from the Auditor's office to ISD the County's financial system and the related support for the departments using the system. Five positions were relocated to ISD, several from the Auditor's Office, and ISD reallocated the responsibilities of two existing staff members to support this functional area.
- By 2008 the allocated positions in IS had grown to 28. During FY 2008-2009 the downturn in economy brought about a major impact on Butte County department budgets, with the focus of cuts on general fund departments.
- As a result of budget cuts in FY 2008-2009, ISD lost four of its 28 allocated positions, two from **Network & Support**, one from **Communications** and one from **GIS**.

The current configuration of the IS Department is comprised of five divisions (see Appendix A, Organization Chart):

- **Network & Support** — budget reference 704001 IS-SYSTEMS MGMT/SUPPORT (8 positions) — This division develops and supports the network, infrastructure, manages the messaging systems (e-mail), oversees the server farm, supervises the security systems, administers document management, manages external connectivity, provides direct desktop and network support to the other County departments, provides and is responsible for the integration and implementation of new technologies.

The server farm is comprised of server computers, which host a variety of applications systems. Communication between the respective departments and the server farm utilizes the BCI network through a series of routers and switches connected to fiber optic cables linking the County buildings and offices.

- **Financial Systems Management** — budget reference 704002 IS-BUS DEVELOPMENT/SPPRT (7 positions) — This division supports and manages the financial system, provides custom reporting for departments, supports the payroll system, maintains the data tables of the financial system, controls the security and access to the financial system. It also develops, maintains and manages the County website.
- **Geographic Information Systems** — budget reference 704003 IS-GEO INFO SYSTEMS(GIS) (3 positions) — This division supports and maintains the enterprise GIS system, orchestrates the many spatial data layers (4000 +), provides custom GIS data for all departments, and administers the internal and external GIS web sites.
- **Communications and Telephone** — budget reference 704004 IS-COMM SVCS/SUPPORT (3 positions) — This division manages the telephony (voice) communications for all County departments. This involves the administration of 4,000 Centrex telephone lines, all cellular accounts employed by County departments, all pager accounts employed by County departments, supervises and coordinates E911 throughout the County and the seven PSAPs (Public Safety Answering Points), and coordinates the enterprise radio system (public protection and general government).
- **Radio and Microwave Systems** — budget reference 704005 IS-COMM-RADIO SVCS/SPPRT (2 positions) — This division directly controls support of all radio systems (13) used by County departments (i.e., Public Safety, Public Works, and Animal Control). It engineers and maintains the County's microwave system, coordinates radio connectivity between public safety agencies, maintains and programs 1500+ radios used by County agencies (handheld and mobile), provides installation and repair of those radios, maintains and attends to the nine radio repeater/transmission sites owned by the County and manages radio licensing.

In addition to the divisions listed above there is a department Director, an Assistant Director and an Administrative Assistant, all of whom provide management and support to the divisions of IS Department.

The IS staff routinely works extended and unreported hours to support the requirements of the department. ISD employees have smartphones and other devices that notify them, both during regular work hours as well as off duty hours, of errors and/or system failures. They have the capability to log into the systems remotely to attempt a resolution of these issues; in some cases, they return to ISD offices or facilities to attend to the problem. It has become common practice for some ISD employees, who are all hourly exempt, to work 45–60 hours per week, without additional compensation. There are several employees in positions that are vital to the organization and the loss of their knowledge and experience would be a major set back to the functionality of ISD and to other County departments that have systems they support.

The positions inherited, over the years, are relegated to specific functions related to their division. Since 1997, ISD's 10 original allocated positions for technical/network functions had declined to eight, but were just recently restored to nine. Since the initiation of the department, the functional responsibility and workload have dramatically increased. The ISD group affects the daily working environment of the County's 23 departments, 92 separate physical locations and every one of the County's 2300+ employees.

The importance of the Network Management Division is evident in the magnitude of their responsibilities, which include:

- Support and maintain more than 5,000 networked devices;
- Manage and administer more than 100 physical servers;
- Control and oversee multiple virtual centers;
- Manage and secure the enterprise switching and routing systems;
- Manage the enterprise email system which processes over 1,000,000+ messages a month;
- Provide and organize data warehousing for several departments;
- Manage the enterprise document management system;
- House and govern outside departmental operating systems;
- Provide daily back-ups of all managed systems;
- Provide disaster recovery services for all County departments;
- Maintain and organize the County's WEB site;

- Provide encryption services which are HIPAA and PHI compliant;
- Coordinate and administer Microsoft® Application Licensing Program;
- Provide limited training and desktop support for applications commonly used by County departments;
- Research, development, and implementation of new technologies to the County and related environment.

With all of the above tasks and responsibilities, ISD has a faultless record of network uptime of over 99.9 percent since the inception of the BCI network. The last time the network experienced a complete shutdown (2004) was a result of an accidental power shutoff of the primary power conditioning system (UPS) by an independent contractor installing upgraded equipment.

This division's ability to perform at such a high level is predicated on their knowledge and cross training on the inner workings and functionality of the department's systems and sub-systems. Their level of competence and experience have developed due to their involvement in the design and evolution of the AD and BCI network. Of the ISD personnel employed by the department's Network and Support Section, 88 percent were either original hires or internal County employee transfers when the department was formed. All of the technical employees are highly trained, seven having earned Microsoft® Certified Systems Engineer (MCSE) certification and several have earned Cisco® Networking certifications. Thus, they have a high level of pride and feeling of ownership of the system.

ISD was able to limit its support of the server and network switching operations through the adoption of standardized hardware platforms. The enterprise server hardware platforms chosen are the Hewlett-Packard® ProLiant™ line of servers; and the enterprise network equipment incorporated is the product line of Cisco Systems®, Inc. (Both are California corporations and are headquartered in the San Francisco Bay Area).

This standardization of major IT elements provides practical hardware backup redundancy, which allows the interchanging of key component replacement if any one component fails. This also allows for standardized training of support staff on common equipment, reduces support costs, and increases system availability.

Equipment replacement, or refresh time frames, depends on the type and use of the equipment. The majority of enterprise equipment purchased, which is the

responsibility of ISD, included such items as servers, network switching/routing, security and compliance appliances, virtual server/data equipment, data-warehousing equipment, and software licensing. It is advisable that data routing and switching equipment be refreshed on a 5-year cycle and security compliance systems and appliances be refreshed on 2–3 year cycle.¹

Desktop computers are most commonly the responsibility of individual departments and should be refreshed on a 3–4 year cycle, with a 5-year cycle being considered the extreme retention.²

APPROACH

Background information for this report was derived from:

- Interviews with Butte County employees, including current County Administration staff and ISD staff;
- Review of County approved budgets FY 2004 – FY 2013;
- Research of online articles and web sites;
- On site tours of County ISD facilities.

DISCUSSION

The Grand Jury has found that the Administration and the Board of Supervisors have significantly limited the IS Department’s abilities to stay current with evolving technology through limited growth of the department’s annual budget. This lack of sufficient funds has restricted both the advancement and acquisition of upgrades to component infrastructure and the recruitment of support staff to maintain the infrastructure.

Funding and Budget Issues

Previous Grand Jury reports have noted there are a number of IS/IT positions authorized in many of the County’s departments. These positions are independent of ISD and report to their respective department head. These positions are dedicated to the support of interoffice software and hardware with primary focus on the maintenance of desktop computing and software unique to

¹ CBR Computer Business Review

² Nash Networks, Inc. IT Consulting

that department. Each departmental IS group interfaces with ISD and relies on ISD's staff to provide network connectivity and security.

The 2009-2010 Grand Jury report recommended the consolidation of this pool of professional staff into the ISD. It cited decentralized staffing to be a duplication of effort, which they felt was wasteful. Neither ISD nor County department heads supported this recommendation. The IS Director explained the advantages of the current arrangement, which benefits both ISD and the County departments who have IT positions supported in their respective budgets. Although there is some minor overlap in responsibilities concerning desktop support, the bulk of the IS groups within the various departments have responsibilities that are based on distinctive knowledge and experience specific to that department's needs. This Grand Jury concurs with the current arrangement.

With that in mind, there is an inequity in the County's support of the functions of the ISD. The County has historically underfunded this department. Industry analysts³ have stated that a successful enterprise (i.e., the County of Butte) should invest 3 percent to 5 percent of its overall budget into its IT infrastructure. Since 2006, ISD's budget has been approximately 1.2 percent of the County's overall budget, with the highest percentage of 1.4 percent in FY 2008-2009 and all subsequent years have been less. After the budget crisis in FY 2008-2009, the County's overall budget has continued to show recovery and growth. However, the ISD budget has continued to be less than 1.1 percent. For FY 2012-2013 the ISD budget was only 0.96 percent, and FY 2013-2014 ISD budget is only 0.85 percent of the County's budget (see Appendix B).

Approximately half way through FY 2008-2009, based on directives from Administration, County departments were instructed to make substantial reductions in their operating budgets. This Grand Jury has found that since the major cuts (24 percent) were made, IS has been forced from being proactive to being reactive in its approach to management of County facility resources.

All network and operating system upgrades were stopped in mid-process and in some cases reversed. The County's IT infrastructure was rolled back to the 2003 AD structure and the exchange messaging system was reverted to the 2003 platform. These rollbacks halted the implementation of any new technology. If

³ Gartner[®] Group, Inc., Stamford, Connecticut
NexLevel[®] Information Technology, Inc., Carmichael, California

this rollback is not reversed in the near term, there is a possibility that the County will be unable to provide services to some of its departments and employees.

The budget cuts in FY 2008-2009 to other departments created an additional workload on ISD because some department cuts included internal IT positions. ISD, with a reduced staff, had to keep the core systems/networks functional and now is required to use its staff to assist and support departments who had lost IT positions. An example of this is the Butte County Library, as they cut its only IT position. The impact on ISD by this one department required 40 percent of two IS staff (0.8 FTE) to support the BC Library at all of their various locations. As a result, ISD also experienced an increase of travel-related costs and a reduction in available support for other IS support related issues.

Additional impacts of the budget cuts were IS and other departments' inability to refresh technologies. This amplified the separation of the "have" and "have-not" departments by expanding the technology gap between the subvented (have) and non-subvented (have-not) departments. This condition has created additional stress for ISD, to keep the various levels of technologies functional across the County's BCI WAN. ISD also became a clearinghouse for recycling computers, by the relocation of updated machines from subvented departments, to departments with even older outdated machines. This has also added to ISD's employee workload.

As stated earlier in this report, during FY 2006-2007, the Administration transferred the responsibility for management of the County's Pentamotion® financial system and related support of the system from the Auditor's office to ISD. Five positions from the Auditor's Office and other departments were transferred to ISD, and two existing staff members were reassigned to support this functional area. The first impact of this move was one of office space and equipment (acquisition of computers, desks, phones, and a centralized location). Once in place and operational, the new unit began acclimation of the support requirements of the system. Although there were some ongoing projects in process, it was soon discovered the demands from Administration/CFO consumed the majority of available resources. There was little or no capacity in the division to handle programming and database development requests from other departments. This curtailed the ISD availability for support to other County departments. As an example, efforts to develop a Microsoft® SharePoint® application that would have provided an internal financial tool had to be abandoned. The purpose of that tool was to provide an easy-to-use program, for

all departments, to query information pertinent to their department's specific needs of the financial system.

Along with the Pentamation® system move, the reassignment of the system's payroll functional responsibility to Human Resources underlined a fact that the payroll system required far more support than was previously recognized. The ISD business unit became an intricate part of the 2-week payroll cycle. One employee stated to the IS Director, "You sign my paycheck, but I don't work for you anymore."

These demands, between the CFO and HR, depleted what little excess capacity the division had available. In addition, an unexpected result of this change in the capacity to provide any programming help to any departments was marginal. This created animosity from other departments towards ISD because of its inability to support the departments' business models.

Infrastructure

On the specific subject of staffing needs for Information Systems one must understand the makeup of the existing department and the current technological needs of the County.

Budget limitations have always affected the ability of ISD to keep technologies for the County on the leading edge of the industry. The ISD has been careful and tactful with the allocation and disbursement of budgeted funds in preparation, acquisition, and deployment of technological changes and upgrades. That is, careful assessments of needs are prepared before funds are budgeted and allocated on technologies or upgrades. One example of this is increasing the bandwidth of the network (the transmission capacity of the telecommunications system). This was accomplished through monitoring the network's bandwidth consumption and establishing plans to make adjustments when needed. By the development of strategies to implement upgrades, ISD engineered the optimum expenditures for the most effective results when it became time to upgrade.

During the FY 2008-2009 budget cycle, ISD was beginning the implementation of a major network upgrade. The BCI network infrastructure and operating systems were over 5 years of age and several generations behind the most current network version. ISD was in the process of the upgrades to the primary routing/switching infrastructures and related other network systems and subsystems. At this point all domain controllers had been upgraded from

Windows® Network™ version 2003 to version 2008. Remote routing/switching infrastructure was in the process of moving from 1GB bandwidth to 10GB, a ten-fold speed enhancement.

Midway through FY 2008-2009 budget cuts were ordered. While the cuts averaged 23.4 percent of the budget, they were implemented halfway through the fiscal year and essentially were 46.8 percent of the remaining budget. These budget cuts were significant for several reasons. The migration to both hardware and software infrastructure platforms was in progress and all upgrades had to be halted and reversed. The domain controllers had to be rolled back to the 2003 version, since version 2008 was not backwards compatible.

The timing for these major system acquisitions was staged for the late third and early fourth quarters of FY 2008-2009. The budget cuts occurred early in the third quarter of the fiscal year. Four staff positions were lost. All expenditures of budgeted dollars for the upgrades were cancelled. This was necessary for ISD to achieve some of its required budget reduction. If the acquisitions had been made earlier in the cycle, IS would have had to lay off four additional technical positions. A loss of eight positions total would have been disastrous.

The County's network infrastructure had few improvements or upgrades to its network switching/routing equipment from FY 2008 through FY 2012. In the past year IS has begun to overcome 5+ years of no structural improvements. The following changes have been performed:

- The core router has been replaced with funds made available through a Homeland Security Grant;
- Domain controllers have been replaced and the Windows Server® Active Directory has been upgraded to Windows Server® 2012;
- Network switching upgrades are in progress with replacement of new PoE (Power over Ethernet) switches, which will allow for the leverage of the data networks for voice integration;
- Internal bandwidth was increased from 1GB to 10GB; and
- The bandwidth for the enterprise Internet services has been doubled.

These upgrades are all required in order to support the newer technologies being acquired and deployed by various departments.

The County's primary network infrastructure utilizes fiber optics to transmit and receive both data and communications point-to-point. Limitations of this network are the equipment attached to the end-points of the fiber, through the County's routing/switching equipment to PCs and other computing equipment. The current plan, budget permitting, is in process to update most of the older equipment. With these updates in place, unified messaging and County cloud computing will be feasible, which will significantly impact how the County does business and interacts with its employees, business partners, and constituents.

Another issue adversely affecting the upgrade of the BCI infrastructure is the end points of the network, the PCs and computing devices that are connected to it. As of September 2013, 61 percent of the networked computers on the BCI were running Windows® XP, an operating system that is 14+ years old and declared by Microsoft® end-of-life as of April 8, 2014. As of that date, Microsoft® has cut off all user support and halted security updates. This leaves the software vulnerable to newly discovered attacks.

While the desktop hardware may not be 14 years of age, most are 5+ years of age. Of the older computers on the network, 30–35 percent (approximately 500 machines) do not have the internal components to support 64-bit applications, which is necessary to be part of an upgrade in Active Directory. This older technology has insufficient RAM (Random Access Memory) and processors to handle requirements of newer network overhead and on-line service deliveries. This greatly limits the implementation of newer core technologies due to incompatibility of operating systems and inadequate hardware resources. This impact is a concern, as the County plans the implementation of the Microsoft® Lync™ system.

As a result of the budget cuts in FY 2008-2009, the ISD mode of operations has been one of survival, rolling back the network and related systems to previous configurations. Long-range plans not relevant to the day-to-day operations were put on hold; keeping the networks functioning and secure became the only priority of the ISD.

The Butte County ISD's Information Technology Strategic Plan was prepared in 2005 and has not recently been updated. The 2009-2010 Grand Jury recommended this plan to be updated (recommendation R4). Response to this recommendation was that it would be addressed and completed by November

2010. Due to significant budget reductions and shortages of staffing and resources this was not completed.

There is no capital funding available for infrastructure improvements built into the TNCC budget. Therefore, there has been no reason to develop a multi-year plan; in its place a list of current projects is maintained. The CAO now meets monthly with IS management regarding current and future projects. An updated long-range plan is being discussed between the CAO and the new Director of Information Systems.

Security and Vulnerability

Every electronic data network is vulnerable to a variety of hacking and other security threats, both internal and external. Two of the nine positions within ISD's Network and Support Division are tasked full-time to monitor network health, maintenance, and security of the County enterprise network infrastructures. They maintain the firewalls, the DMZ, access points (including wireless), SPAM filters, and keep the County Security Policies up to date. These two positions monitor and adjust a variety of security systems that are in place to offset distinct threats and vulnerabilities. They also manage the Active Directory network infrastructure by maintaining network access rights of individuals and organizations that use, or need the use of, the County's WAN infrastructure to conduct business, both internally (County employees) and externally (outside entities, such as law enforcement and state-wide case management systems).

Every computer and network on the World Wide Web (WWW) is continuously being probed and scanned by any number of sources. The County is no different. The County's network manages the traffic of an average 800,000 Internet messages and 130,000 internal e-mails every month. By leveraging various technologies and systems, the County can reduce the exposure of a successful probe or attack. Should an attack successfully make it through the filters, firewalls, appliances, and monitoring systems, then it would be subject to containment by internal systems, which isolate the spread of the attack/intrusion. Should this fail, the networks can be brought down manually and isolated until the threat is successfully contained or eradicated.

The various security systems and subsystems are an IS priority. These systems are always being upgraded, updated and monitored. It is a *primary brick* in the network infrastructure. If a large-scale denial of service were to be successful, the results would adversely disturb and interfere with the County's ability to

communicate and do business. This would be a major problem as a loss of mission-critical systems would cripple department's ability to function i.e., Human Resources could not access employee records or process the County payroll; offices such as the Sheriff, District Attorney, DCSS, DESS, Public Health, and others would be unable to process and/or access their case files; the Assessor, Tax Collector, and Auditor would lose access to property and tax records; and every other County department would be impaired to some extent.

Communications

ISD communications unit is responsible for managing the telephony and emergency E911 operations of the County. When ISD assumed responsibility for E911 the system had 8,000+ unknown addresses for assigned phone numbers. By cross-indexing the public listed numbers the unknown addresses were reduced to 3,000+. Through diligence and painstaking research, that number has been reduced to a dozen, less than 0.001 percent of the 140,000 public individual phone numbers in the County.

Radio communications is another responsibility of the ISD. The County's main radio transmitting site, used for public protection and general government, is located on St. John Mountain (7,200 ft. elev.) in Glenn County. Due to its remote location, there is no commercial power available. The equipment at the site is powered by batteries, which are kept charged by propane powered thermal-electric generators. The site is approximately 40 years of age and is in constant need of repair. This operation is extremely difficult to support and susceptible to failures caused by bad weather. ISD was informed the week of February 10, 2014, that the current supplier of propane gas was cancelling its delivery services to the site. A replacement supplier has not been located as of this time.

There are alternatives regarding the St. John operation. One option is to convert the battery/propane system to a solar power system. The solar power option is currently being researched and will most likely be addressed in the FY 2014-2015 requested budget. A second option would be to abandon St. John Mountain and establish the primary radio site within Butte County. Recent improvements and acquisitions at the Bloomer Mountain and the Oaks sites can provide the reality of a fully contained radio system within the County. Information Systems has contracted with the CDX Wireless firm to study the Butte County radio infrastructure to determine the best radio technology options that would work with the Butte County topographic layout. While the study has not been

completed, early analysis suggests a 700Mhz/VHF hybrid system could use existing radio sites that can provide complete coverage of both the valley and mountainous areas. Preliminary costs are estimated to be between \$10 million and \$12 million to complete the buildout. Hopefully the study will be completed before the budget preparations are complete for FY 2014-2015.

Pending Projects

Implementation of the Microsoft® Lync™ 2013, unified messaging system, will bring the ability to integrate smartphones, tablets, laptops, and personal devices into the County's data network and allow connectivity to departmental operating systems as well as centralized messaging systems (Outlook/Exchange). It will largely, but not fully, replace the existing AT&T Centrex system (telephone lines) currently used by the County for telephony (voice) services. While the County will experience savings through reduction of leased line monthly expenses, BCI network utilization and ISD direct support of VoIP will increase. This leverages the ISD into the province of the phone system and phone manager. Current voice supported calls for both wiring and connectivity go through AT&T. When the Centrex system experiences a failure, trouble tickets are opened, and AT&T handles the repairs on a 24/7 basis.

Because of the large scope of Lync™, several technologies will need major attention. All networked computing devices will need to be brought to a minimum standard of Windows® 7 Professional. The domain controllers will require upgrades to Windows Server® 2012; the Microsoft® Exchange (primary messaging system) environment will require upgrades from version 2003 to version 2010, in order to upgrade them to version 2013. Licenses, referred to as CALs (client access licenses), will have to be purchased for all identified end users; and all existing database licensing of SQL will have to be brought to 2012-2013 standards. The currently licensed enterprise databases throughout the County are SQL 2000, 2003, 2005, 2007, and 2010.

The Microsoft® Enterprise licensing agreement is an advantage to all County departments. Enterprise purchased licenses will provide the technologies for all the *have* and *have-not* departments and allow all to utilize newer technologies (smart phones, tablets, etc.).

Before Lync™ can be rolled out, the existing switching infrastructure has to be upgraded to 10GB and PoE (Power over Ethernet) redundant units to handle the network loads in order to share voice communications usage with the existing

data infrastructures. Upgrades began in FY 2013 but are limited to funds available in the TNCC approved budget. With the advent of the Lync system, the number of BCI network supported devices is projected to increase from 5,000+ to 12,000+ units. This transition would shift voice communication support from the wired infrastructure of the AT&T Centrex lines to the County's AD data system lines.

Essentially, ISD will become the County's phone company. Not only will the new VoIP handsets be used on the data networks, so will mobile devices like tablets and smartphones. Video conferencing and instant messaging are other technologies that will dramatically increase session and bandwidth usage, storage, logging, and compliance needs. These items will all have an impact on ISD for direct support with all phases of these technologies. Without additional human resources, ISD will find it extremely difficult to handle the additional workload. Also, network issues will take longer to resolve, support requests will be extended, and new projects will become difficult, if not impossible, to manage and implement.

Another project in the early stages is the re-initiation of the SunGard® financial system (formerly Pentamation). During the initial installation of the system, 25 years ago, some errors and misinterpretations of the system parameters were made, and they have compounded over the years. These issues now cause financial reporting anomalies that create both usage and management problems for County departments. Through an agreement with the vendor, it has been decided to install a current version of the system. With the vendor's assistance, the reinstallation will redefine procedures and account structures to better utilize the features of the system and provide the County with a better product.

This project is scheduled to take 2 years to fully implement. The County has established an oversight group to develop the specifications for the project. This group consists of employees from all major departments to assist in system definitions and requirements. At this time it is undetermined what impact the project will have on the resources of the ISD, but it will undoubtedly tax a staff already devoting all of its time to supporting the existing system. ISD's staff in the Business Development Unit is already stretched so thin that County department needs outside of payroll and finance areas cannot be met. This new project will potentially create additional obligations.

FINDINGS

- F1 The County's network went live in the late 1990's. It has achieved a greater than 99 percent uptime. The continuous operation of the network is critical to all departments within the County.
- F2 The Butte County ISD's *Information Technology Strategic Plan* was prepared in 2005 and has not recently been updated.
- F3 Currently ISD is preparing to launch Lync™, a unified messaging system, to leverage the County's fiber data infrastructure and to deploy VoIP technologies onto the BCI network.
- F4 ISD's strategy is to maintain an industry standard of a maximum 5-year technology refresh rate of enterprise class server equipment and a 3–5 year refresh rate of network infrastructure routing and switching equipment.
- F5 Since the FY 2008-2009 budget reductions, most of the infrastructure hardware life has been extended to 10+ years (core router and switching equipment), which is beyond its normal life span.
- F6 The core router was replaced in FY 2013 with funds made available from Homeland Security Grants.
- F7 With the implementation of the Microsoft® Lync™ unified messaging system, the County networked devices will increase to over 12,000+ units.
- F8 Without additional staff resources, ISD will continue to be overburdened with support issues.
- F9 The loss of key ISD employees would be catastrophic to the County. Loss of their valuable knowledge, experience, and commitment would be a major setback to the functionality of the department.
- F10 The IS Department provides mission-critical services and support to most County departments. Loss of ISD support to any of these departments would greatly impair their ability to conduct County business.
- F11 The current adopted budget FY 2013-2014 for ISD is 0.85 percent of the total County budget, down from 1.42 percent in FY 2008-2009.
- F12 For the last 10 years the IS Department has been given increased duties and responsibilities, and its budget has remained flat (increase of 0.08 percent),

while the overall County budget has increased by \$200,000,000 (61 percent) (see Appendix B).

- F13 The County's radio communication relies on outdated equipment installed on St. John Mountain (located in Glenn County) which is costly to support.
- F14 Of the County's older personal computers 500+ are still operating on the Windows XP system and will require upgrades in order to function in the upgraded Active Directory.
- F15 Two full-time employees are dedicated to network security, monitoring against unauthorized users, and filtering for SPAM and viruses, while receiving over 800,000 Internet messages monthly.

RECOMMENDATIONS

- R1 Butte County should develop the ISD *Information Technology Strategic Plan* to reflect new technology developments and new support services needed. It should be reviewed annually in order to respond to any unanticipated need or development opportunity.
- R2 Butte County should provide adequate resources to ISD to ensure the network infrastructure is at the industry standard refresh rate of 3-5 years for technology and hardware.
- R3 Butte County should diligently search and pursue available grants from any and all sources to fund necessary infrastructure upgrades.
- R4 Butte County should allocate funds to rehire or replace ISD positions eliminated after budget cuts were implemented in FY 2008-2009 and allocate additional positions to support expanding workloads.
- R5 Butte County should acknowledge the importance of the IS Department and its role, which is mission critical, to the citizens of Butte County and most County departments.
- R6 Butte County should commit to fund ISD, for the next five years, at a minimum rate of 1.75 percent of the total County budget, with a goal of 3 percent within 10 years.

R7 Butte County should acknowledge the problems with the St. John Mountain radio system and take steps to replace the antiquated equipment before total system failure.

R8 Butte County must acknowledge that it has in excess of 500 personal computers that have outdated operating systems in use. It is recommended that the County consider a lease arrangement, or the outright purchase, to assist departments in the replacement of outdated machines, which will be required for compatibility with the new Active Directory.

REQUEST FOR RESPONSES

Pursuant to Penal Code §933 and §933.05, the following responses *are required*:

- Butte County Board of Supervisors: A response to Findings F1 through F15 and Recommendations R1 through R8

The Grand Jury *invites* the following individuals to respond:

- Butte County Information Services Director: A response to Findings F1 through F15 and Recommendations R1 through R8
- Butte County Chief Administrative Officer: A response to Findings F1 through F15 and Recommendations R1 through R8

The governing body indicated above should be aware that the comment or response of the governing body must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.

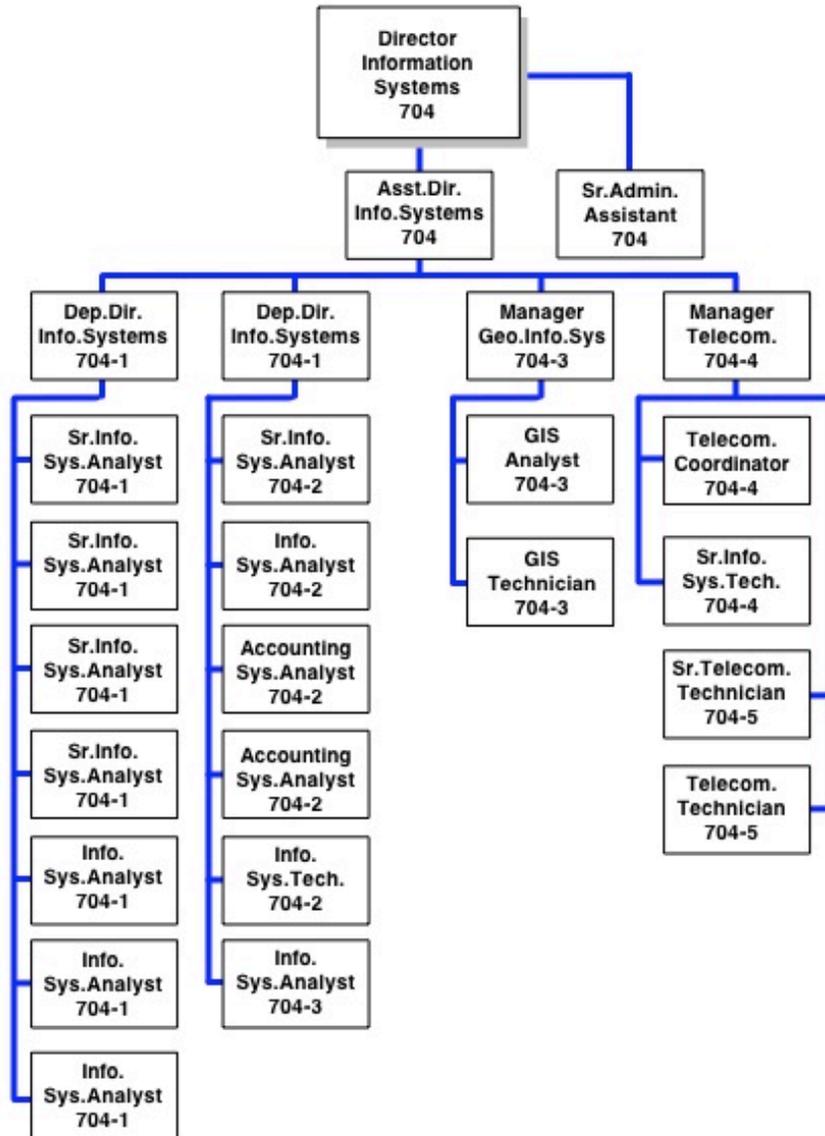
Reports issued by the civil Grand Jury do not identify individuals interviewed. Penal Code §929 requires that reports of the Grand Jury do not contain the name of any person or facts leading to the identity of any person who provides information to the civil Grand Jury.

Appendix A

Butte County Information Systems

2013/2014

Organization Chart



Appendix B

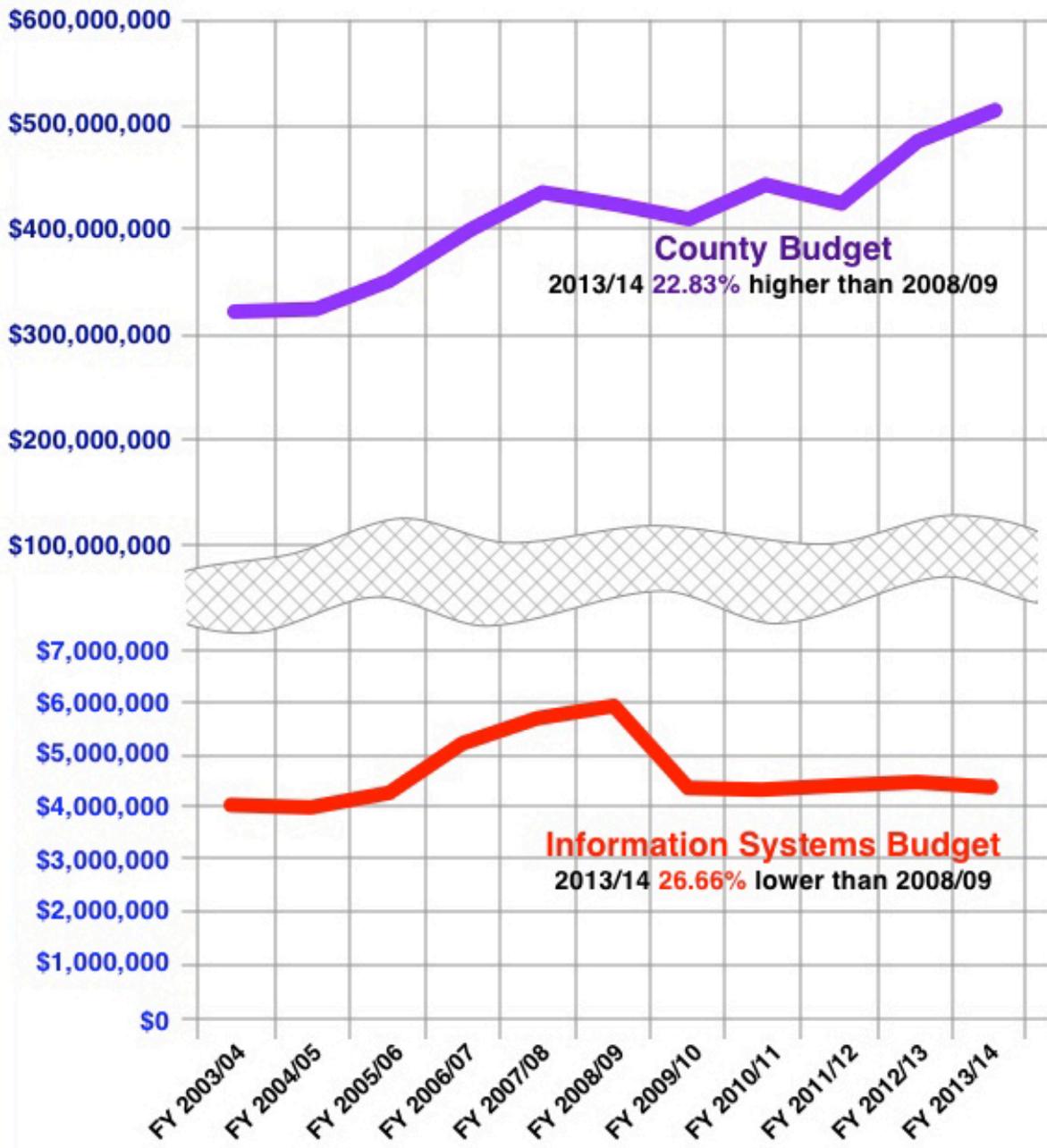
IS Department Percentage of Total County Budget

Fiscal Year	ISD Budget	ISD Budget % ± of Prev FY	Total County Budget	County Budget % ± of Prev FY	ISD Budget as a % of County Budget
FY 2003/04	\$4,026,806	- 0 -	\$318,905,310	- 0 -	1.26%
FY 2004/05	\$3,931,404	-2.37%	\$320,894,751	0.62%	1.23%
FY 2005/06	\$4,258,910	10.87%	\$346,347,309	7.35%	1.26%
FY 2006/07	\$5,270,231	20.91%	\$391,518,435	11.54%	1.35%
FY 2007/08	\$5,758,371	9.26%	\$430,513,262	9.06%	1.34%
FY 2008/09	\$5,937,491	3.11%	\$417,975,505	-3%	1.42%
FY 2009/10	\$4,427,245	-25.44%	\$404,926,337	-3.22%	1.09%
FY 2010/11	\$4,412,591	-0.39%	\$437,260,285	7.4%	1.01%
FY 2011/12	\$4,448,991	0.83%	\$420,541,738	-3.98%	1.06%
FY 2012/13	\$4,628,000	4.02%	\$482,071,840	12.76%	0.96%
FY 2013/14	\$4,354,747	-5.9%	\$513,397,529	6.1%	0.85%

Notes:

1. All figures are taken from the County Adopted Budgets
2. FY 2013/14 ISD budget is 26.66% lower than FY 2008/09; 1.64% lower than FY 2009/10
3. FY 2013/14 County budget is 22.83% higher than FY 2008/09; 26.79% higher than FY 2009/10

Budget Comparison FY 2003/04 through FY 2013/14



Appendix C

STATE CONTROLLER SCHEDULES
 COUNTY BUDGET ACT
 January 2010, revision #1

BUTTE COUNTY
 FINANCING SOURCES AND USES BY BUDGET UNIT BY OBJECT
 GOVERNMENTAL FUNDS
 FISCAL YEAR 2013-14

SCHEDULE 9

BUDGET UNIT 7040 - INFORMATION SYSTEMS
 FUNCTION GENERAL GOVERNMENT
 ACTIVITY OTHER GENERAL
 FUND 0010 - GENERAL FUND

Detail by Revenue Category and Expenditure Object	2011-12 Actual	2012-13 Estimated	2013-14 Requested	2013-14 Recommended	2013-14 Adopted by the Board of Supervisors
1	2	3	4	5	6

REVENUES

50100	STATE REVENUES	32,744	30,000	30,000	30,000	-
TOTAL INTERGOVERNMENTAL REVENUES		32,744	30,000	30,000	30,000	-
60000	CHARGES FOR SERVICES	2,151,247	2,327,065	2,661,714	2,661,714	-
70000	MISCELLANEOUS REVENUES	12,927	-	-	-	-
80000	OTHER FINANCING SOURCES	-	363,154	151,000	151,000	-
TOTAL REVENUES		\$2,196,918	\$2,720,219	\$2,842,714	\$2,842,714	-

EXPENDITURES/APPROPRIATIONS

510	SALARIES & EMPLOYEE BENEFITS	2,443,241	2,609,909	2,634,584	2,634,584	-
520	SERVICES AND SUPPLIES	1,561,064	1,640,021	1,207,738	1,207,738	-
550	OTHER CHARGES	549,479	378,070	512,425	512,425	-
TOTAL DIRECT		4,553,784	4,628,000	4,354,747	4,354,747	-
570	OTHER FINANCING USES	(1,282,086)	(1,251,730)	(1,850,649)	(1,850,649)	-
TOTAL EXPENDITURES/APPROP.		\$3,271,698	\$3,376,270	\$2,504,098	\$2,504,098	-

NET COSTS / USE OF FUND BALANCE		\$1,074,780	\$656,051	(\$338,616)	(\$338,616)	-
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BUTTE COUNTY
 DETAIL OF BUDGET UNIT COST CENTERS
 BUDGET UNIT 7040 - INFORMATION SYSTEMS
 FUND 0010 - GENERAL FUND

Detail by Cost Center	2011-12 Actual	2012-13 Estimated	2013-14 Requested	2013-14 Recommended	2013-14 Adopted by the Board of Supervisors
1	2	3	4	5	6
REVENUES BY COST CENTER					
7041 IS-SYSTEMS MGMT/SUPPORT	1,901,580	2,498,886	2,507,484	2,507,484	-
7042 IS-BUS DEVELOPMENT/SPPRT	77	-	-	-	-
7043 IS-GEO INFO SYSTEMS(GIS)	52	-	26,744	26,744	-
7044 IS-COMM SVCS/SUPPORT	202,416	108,034	168,792	168,792	-
7045 IS-COMM-RADIO SVCS/SPPRT	92,793	113,299	139,694	139,694	-
TOTAL REVENUES	\$2,196,918	\$2,720,219	\$2,842,714	\$2,842,714	-
EXPENDITURES/APPROPRIATIONS BY COST CENTER					
7041 IS-SYSTEMS MGMT/SUPPORT	1,320,625	1,547,394	1,229,673	1,229,673	-
7042 IS-BUS DEVELOPMENT/SPPRT	1,029,955	887,175	775,824	775,824	-
7043 IS-GEO INFO SYSTEMS(GIS)	290,859	279,231	187,853	187,853	-
7044 IS-COMM SVCS/SUPPORT	314,514	425,863	310,074	310,074	-
7045 IS-COMM-RADIO SVCS/SPPRT	315,745	236,607	674	674	-
TOTAL EXPENDITURES/APPROP.	\$3,271,698	\$3,376,270	\$2,504,098	\$2,504,098	-
NET COSTS/USE OF FUND BALANCE BY COST CENTER					
7041 IS-SYSTEMS MGMT/SUPPORT	(580,955)	(951,492)	(1,277,811)	(1,277,811)	-
7042 IS-BUS DEVELOPMENT/SPPRT	1,029,878	887,175	775,824	775,824	-
7043 IS-GEO INFO SYSTEMS(GIS)	290,807	279,231	161,109	161,109	-
7044 IS-COMM SVCS/SUPPORT	112,098	317,829	141,282	141,282	-
7045 IS-COMM-RADIO SVCS/SPPRT	222,952	123,308	(139,020)	(139,020)	-
TOTAL NET COSTS/USE OF FUND BALANCE	\$1,074,780	\$656,051	(\$338,616)	(\$338,616)	-

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2013–2014 BUTTE COUNTY GRAND JURY REPORT

BUTTE COUNTY JAIL TOUR

SUMMARY

The 2013-2014 Grand Jury, in compliance with state law, on September 18, 2013, conducted an inspection and review of the operation and management of the Butte County Jail (BCJ). The Grand Jury also toured the Butte County Day Reporting Center on October 9, 2013. The Butte County Sheriff's Office and the staff were professional, informative, and dedicated to the safety of the public and the rehabilitation for the offenders who are either incarcerated or in the Alternative Custody Supervision program.

Subsequent to the tour, the Board of Supervisors approved the Sheriff's application for a \$40 million grant under SB 1022 to renovate the jail. The Grand Jury regrets that the grant submitted to enlarge the BCJ was not funded and encourages the County to continue in its efforts to secure funding to build a new, larger, and more modern facility.

GLOSSARY

AB 109 – California Assembly Bill 109 - The Public Safety Realignment Act

ACS – Alternative Custody Supervision

BCJ – Butte County Jail

BSCC – Board of State and Community Corrections

CSUC – California State University, Chico

DRC – Day Reporting Center

Evidence-based practices – Approaches and interventions that have been scientifically tested in controlled studies and proven effective

PRCS – Post Release Community Supervision

Recidivism - The rate at which people released from prison are returned to prison

Sheriff or Sheriff's Office - Butte County Sheriff/Sheriff's Office

SWAP – Sheriff’s Work Alternative Program

APPROACH

The 2013-2014 Grand Jury performed the following activities:

- Toured the Butte County Jail;
- Toured the Day Reporting Center;
- Interviewed the Sheriff; Undersheriff; BCJ correctional deputies; and California State University, Chico (CSUC), Criminal Justice faculty;
- Interviewed BCJ management;
- Reviewed the Alternative Custody Supervision (ACS) report by CSUC professors;
- Reviewed documents provided by the Sheriff’s Office;
- Reviewed 2012-2013 Grand Jury Recommendations and Responses.

BACKGROUND

The Butte County Jail is a Type II facility mandated by the California Constitution and is the largest jail north of Sacramento. A Type II facility houses misdemeanor and felony arrestees from all local agencies. It also houses inmates who have been sentenced to either County incarceration or who are awaiting transportation to state prison. It is located in the Butte County Center Campus in Oroville.

The Butte County Jail was constructed in 1964 with a total of 197 beds. Dormitories were added in 1968, increasing the bed count to 293. In 1994, the West Facility was constructed at a cost of \$7.5 million, and it included a kitchen remodel. This new facility brought the total bed count to 614. Currently there are 80 beds set aside for female prisoners.

The operating budget for the jail is \$23 million, or over one-half of the Sheriff’s Department’s current \$40 million budget. The jail has a staff of approximately 120 employees, including sworn correctional deputies, clerks, cooks, and medical staff. Expansion of the inmate medical services unit and the intake/booking area at the jail was completed in 1999.

As a result of Assembly Bill 109, there are approximately 1,000 adults under the Sheriff’s supervision.

- 600 inmates are incarcerated; of these, nearly 40 percent are gang affiliated or associated. Between 100 and 150 inmates are segregated from the general population.
- All inmates eat in the housing units. There is one hot meal (lunch) served each day.
- 340 adults are currently in the Sheriff's Work Alternative Program (SWAP).
- 115 adults are currently in alternative custody and are monitored electronically through their ankle bracelets. Only 9 percent of the alternative custody inmates fail the requirements and are returned to the jail.
- Inmates at the Butte County Jail are segregated according to violent vs. non-violent offenders. Due to potential violence, rival gang members cannot be housed in the same pods.

DISCUSSION

The Grand Jury's tour included a discussion of the facility and included statistics related to the jail, i.e., budget, size, costs, number of inmates, number and classification of staff, etc. Discussion covered the problems of working with an overcrowded jail and the various options that the County has pursued to keep inmate numbers under control. In addition, the discussion touched on the Public Safety Realignment Act (AB 109) and its effects on the jail facility. The Grand Jury also discussed the Day Reporting Center (DRC) and the Alternative Custody Supervision (ACS) program available to selected non-violent, non-serious, non-sexual offenders who also are not involved in hard-core gang activities.

Other topics discussed included:

- Inmate processing (booking to incarceration);
- Interaction and safety for both the individuals detained and staff;
- Medical and mental health for those detained.

Grand Jurors visited the pod viewing area and the exercise and housing areas, examined interview/visiting rooms, and reviewed in-house and Internet visiting procedures. The Grand Jury also discussed gang issues, individuals with mental health issues, and other relevant topics.

There is a lack of privacy for inmate/attorney conversations at the jail, and the facilities are antiquated. Butte County is installing an Internet-based video

visitation service at the jail, an improvement on the system in place. Currently these video visits are free if used at the jail. However, off-site video chats, provided by a third-party vendor, cost \$25 per visit. The rate seems high but is set by the vendor.

The Grand Jury concluded that, although the jail is old and in need of renovation, it is run effectively and efficiently. However, it was originally built to house jailed detainees and is out of date. The Public Safety Realignment Act (AB 109) changed the way in which prisoners are housed in all counties in the State.

The staff demonstrated that they were professional, dedicated, and competent. They have the highest regards and concerns for staff, visitors, and those incarcerated.

Public Safety Realignment Act (AB 109)

Due to overcrowding in the California State prisons, the U.S. Supreme Court ordered California to reduce the prison population of California State prisons. The Public Safety Realignment Act (AB 109), signed into law by Governor Jerry Brown on April 4, 2011, shifted responsibility for certain populations of offenders from the State of California to the individual counties.

AB 109 became effective on October 1, 2011. AB 109 mandates that current non-violent, non-serious, and non-sex offenders be supervised and housed at the local County level. That is, instead of reporting to State parole officers, these offenders report to local County probation officers. This population is referred to in AB 109 as Post Release Community Supervision.

In its effort to implement AB 109 (and reduce the budget of the State Department of Corrections), the State of California gave counties such as Butte only a fraction of the amount the State had been spending per inmate, or \$20 per day per prisoner. The actual cost per inmate is \$92 per day. Individuals in alternative custody cost Butte County approximately \$22 per day. Though the funding is inadequate, Butte County is embracing AB 109 by instituting a series of programs like the ACS program.

Alternative Custody Supervision (ACS) and The Day Reporting Center (DRC)

The Day Reporting Center (DRC) is a non-residential facility that supervises offenders on Alternate Custody Supervision (ACS). Offenders report to the DRC as part of the court-ordered conditions of their supervision. The offenders who

participate in the program meet with correctional deputies and programming staff and participate in a variety of evidenced-based classes.

Butte County's ACS program has given staff the flexibility to choose which offenders may serve part of their sentences outside the jail by using electronically monitored supervision. ACS is an alternative to having inmates serve straight jail time and probation imposed at sentencing. This flexibility lets correctional staff make custody decisions on a case-by-case basis.

The Butte County DRC offers a variety of services and programs that are designed to help rehabilitate participants through education, job training, counseling, and other services. Offenders must attend programs on a regular basis to meet the terms of their release. Some participants must report daily, while others not attending classes or working are required to be at their place of residence. The Butte County Sheriff's Office offers offenders free bus passes to help them succeed in the program.

The Butte County Sheriff's Office operates the DRC and contracts with Sentinel Offender Services who help with electronic monitoring, programs, and classes. It is located at the former Juvenile Hall in Oroville's Butte County Center Campus on County Center Drive. The building was refurbished at a nominal cost of \$250,000.

Services offered at the DRC include Cognitive Behavioral Therapy classes, "Moral Reconciliation Therapy" (MRT), "Coping with Anger," "Staying Quit: Relapse Prevention," "Parenting and Family Values," "Something for Nothing: Theft Awareness," and "Taking the High Road: Drug Education."

Other programs and courses offered include:

- On-line GED Program;
- Employment Readiness;
- College Readiness;
- Narcotics Anonymous;
- Community Impact Mentoring Program;
- Library Literacy Program;
- Computer Literacy;
- K-9 Program;

- Craving Identification Management (CIM);
- Seeking Safety/Healthy Relationships (Catalyst DV Services for men and women);
- Three Inmate Work Crews;
- SWAP (Sheriff's Work Alternative Program);
- Methamphetamine Presentation (Meth Strike Force);
- Learn Landscaping;
- Child Support Services (Department of Employment and Social Services);
- The Perils of Drug Abuse Presentation (Drug Endangered Children);
- Sexually Transmitted Diseases Class (Butte County Public Health).

The Sheriff's Office has also formed a partnership with the California State University, Chico (CSUC) Criminal Justice program. Research is conducted by CSUC students and mentored by professors through the *Consortium for Public Safety* to determine if current policies and programs are working at the DRC.

An assessment by the *Consortium for Public Safety* found positive results by inmates enrolled in the program. The findings include:

- Felons participating in the program had a first year recidivism rate of 14 percent, a lower rate than comparison group estimates.
- AB 109 offenders in Butte County were more likely to report needing rehabilitative and therapeutic services compared to those who were incarcerated for misdemeanors.
- The report identified several social and criminal history factors and attitudinal scores that predicted program failure.

This report indicates that ACS is showing substantially reduced recidivism rates, by looking at criminal behavior in the context of both individual and life choices. The Butte County Sheriff's Office and CSUC have instituted an internship program. Students are able to observe deputies and probation officers and discuss those observations with their professors. New relationships with peers, professors, and law enforcement personnel provide students with an experiential learning opportunity and a greater sense of community, while opening their eyes to a variety of career opportunities.

Butte County needs a new jail facility, and the Grand Jury encourages the Sheriff to vigorously pursue the \$40 million application to the Department of Corrections for a new facility. While the application was not funded this year, the County scored high in the ranking and should meet the requirements for approval when additional jail funding becomes available. The Grand Jury hopes that the hard work and effort that were expended for the application will be rewarded and that funding will become available in next year's State budget.

FINDINGS

- F1 The Butte County Jail is old and outdated but is run by a professional, dedicated, and competent staff.
- F2 The Butte County Jail was not designed to accommodate the long-term inmates who need to be housed under provisions of AB 109.
- F3 Butte County has embraced AB 109 and has endeavored to minimize the effects on the County by instituting a series of programs, including the ACS.
- F4 There is a lack of privacy for inmate/attorney conversations at the jail.
- F5 Butte County is installing an Internet-based video visitation service at the jail.
- F6 The Butte County Sheriff's Department is continually looking for innovative ways to help those individuals who were sentenced by the court to be under the Sheriff's supervision, while keeping public safety as its priority.
- F7 The partnership between the Butte County Sheriff's Department and CSUC's Criminal Justice program (through the *Consortium for Public Safety*) has helped the County evaluate the ACS program and is giving students an invaluable internship experience.

RECOMMENDATIONS

- R1 Butte County should continue its search for adequate funding to enlarge and improve the Jail.
- R2 Butte County should continue to implement programs like the ACS that have proven to be successful.
- R3 The Sheriff's Office should continue to monitor the video visitation methodology at the Jail and seek improvements to make it more personal, private, user friendly, and less expensive.
- R4 Butte County Sheriff's Department should continue its affiliation with CSUC's Criminal Justice program and affiliated Consortium for Public Safety to assist with research on the jail.

RESPONSES

Pursuant to Penal Code §933 and §933.05, the following responses *are required*:

- Butte County Sheriff: A response to Findings F1 through F7 and Recommendations R1 through R4.
- Butte County Board of Supervisors: A response to Findings F1 through F3 and Recommendations R1 and R2.

DISCLAIMER: This report was issued by the Grand Jury with the exception of a juror who has had an association with the Butte County Jail. This grand juror was excluded from all parts of the investigation, including interviews, deliberations, and the writing and approval of this report.

The governing bodies indicated above should be aware that the comment or response of the governing body must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.

Reports issued by the civil Grand Jury do not identify individuals interviewed. Penal Code §929 requires that reports of the Grand Jury do not contain the name of any person or facts leading to the identity of any person who provides information to the civil Grand Jury.

2013–2014 BUTTE COUNTY GRAND JURY REPORT

BUTTE COUNTY JUVENILE HALL AND TABLE MOUNTAIN SCHOOL

SUMMARY

Under California Penal Code §919(b), the Butte County Grand Jury is required to annually inspect the operations and management of the Butte County Jail and Juvenile Hall. The 2013-2014 Grand Jury conducted an inspection of the operation and management of the Butte County Juvenile Hall on September 18, 2013. On a second visit, the Grand Jury visited the Table Mountain School (TMS).

The Grand Jury was very impressed with the Juvenile Hall facility and the way that it is operated. The environment is highly structured. Juveniles attend school and are given time for physical and social activity before lights out at 10:00 p.m.

The most noteworthy aspect of the tour was the apparent dedication of staff and a strong desire to get juvenile offenders' lives back on track. Programs and classes are set up with Public Defender involvement and include a curriculum that seeks to break behavior patterns and prevent juveniles from becoming repeat offenders.

The Table Mountain School (TMS), operated on site by the Butte County Office of Education (BCOE), has a noteworthy curriculum and a very qualified staff. Interviews were conducted with the BCOE Superintendent, principal, certificated and classified staff, as well as with two TMS students.

Overall, Grand Jurors felt positive about the visits to Juvenile Hall and TMS and agree that the staffs are doing all that they can to help juvenile offenders prepare for life when they leave the facility.

GLOSSARY

ART – Aggression Replacement Training – The training has three components: social, moral, and anger control. It is evidenced based (good outcome).

BCJH – Butte County Juvenile Hall

BCOE – Butte County Office of Education

BCPD – Butte County Probation Department

CIM – Craving, Identification and Management – A curriculum tool that targets adolescents who are using or are at risk of using drugs and alcohol. It teaches them how to identify a drug and a risk factor and gives them strategies to overcome the addiction, one step at a time.

Evidence-based practices – Approaches and interventions that have been scientifically tested in controlled studies and proven effective

GED – The General Education Development test is for adults who do not have a high school diploma. Those who pass the test receive a California High School Equivalency Certificate. In California, persons who are 18 years of age or older may take the GED test. Some 17-year-olds who meet specific criteria for testing may also take the test.

Juvenile – An individual under the age of 18. In some circumstances the juvenile court can retain jurisdiction on individuals until age 21, and in certain cases up to age 25.

Recidivism – The rate at which juveniles released from custody are returned to custody

ROP – Regional Occupation Program – In operation since 1974, ROP is a career technical education program of BCOE in cooperation with local school districts and the business community. It prepares youth and adults with marketable skills, work ethics and job training needed to build and keep a career.

Table Mountain School (TMS) – The court school operated under authority of BCOE

APPROACH

The 2013-2014 Grand Jury performed the following activities:

- Toured the BCJH;
- Toured TMS located within BCJH;
- Interviewed the BCJH Chief Deputy Probation Officer, BCJH Manager, and Counselor;
- Interviewed the TMS Principal;

- Interviewed the BCOE Superintendent;
- Interviewed certificated and classified staff of TMS;
- Interviewed two students;
- Reviewed various documents provided by BCJH and TMS staff;
- Reviewed responses to the 2012-2013 Grand Jury recommendations.

BACKGROUND

The BCJH is located at 41 County Center Drive in Oroville and is administered by the Butte County Probation Department (BCPD). The current facility opened in November 2003, and has the capacity to house 120 juveniles. There are 32 full-time staff and 15 extra help positions. This includes supervisors, counselors, clerical, and cooks. There are also two juvenile Public Defender positions assigned to Juvenile Hall. The annual budget is approximately \$5 million. Most of the funding comes from the County's General Fund. Salaries and benefits make up approximately 80 percent of the annual budget.

The BCJH has six pods of 20 beds each. Each pod contains cells, a meeting area with tables and chairs used for recreation and meals, an outdoor recreation yard, a security office, and a classroom. Currently the juvenile hall facility utilizes three pods for housing juveniles: Condor, Eagle, and Falcon. Pod assignments are based on classification (type of crime, gang affiliation, etc.). There is no fraternization among the pods. Two pods are designated for males and the third is a co-ed pod. One pod was converted for use as a Boys and Girls Club, and the two remaining pods are used for storage and training.

Juveniles are given a physical examination within 24 hours of their arrival at BCJH. A nurse is on duty 12 hours per day, and on-call medical support is available 24/7. Medical services are provided through a contract with the California Forensic Medical Group. Juveniles are not transferred to medical providers when a need arises; rather, medical providers come to the site.

BCJH houses juvenile offenders awaiting court hearings or those already sentenced. Offenders' ages can range from about 8 to 21 years. There is no limit on the number of days in residence. Long term is over 90 days; the average stay is 17 days.

In addition to those being housed in BCJH, some of the juveniles are on the electronic monitoring program, serving their time outside the facility. This is done on an individualized basis. The evaluation process looks at a variety of criteria including nature of the offense, behavioral characteristics, and home environment. Monitoring is similar to the Day Reporting Center facility operated by the Sheriff's Office, but the programs are separate.

Juveniles with extended stays are sent to a long-term facility in Stockton. Offenders incarcerated for a juvenile crime may remain in BCJH custody up to the age of 21.

DISCUSSION

The Tour

The 2013-2014 Grand Jury conducted an inspection of the operation and management of the BCJH on September 18, 2013. On the day of our tour, there were 40 juveniles incarcerated: 30 male and 10 female. Existing staff can handle around 60 juveniles. This number can fluctuate on a daily basis. Most of the juvenile offenders are male, and typically are housed for longer periods. Of the 40 juveniles in custody during the tour, about 40 percent were long term.

BCJH staff reviewed the current intake process with the Grand Jury:

- The reporting agency transfers custody to BCJH. The offender is brought in by a police agent;
- There is verification that a crime was committed. BCPD evaluates the circumstances of the crime and the offender's prior record, and determines release or detention;
- A secondary evaluation by BCPD determines whether the case will be referred to the District Attorney;
- The District Attorney evaluates the evidence and decides whether or not to file a complaint with the Court;
- Another assessment is produced by BCPD, providing the Court with presentencing recommendations for either the California Division of Juvenile Justice or BCJH detention;
- Parents are notified of the juvenile's detention by the arresting officer or agency;

- Juveniles are allowed a single phone call during the intake process;
- BCJH staff makes the contact call to parents if the juvenile refuses.

Juveniles are allowed two visits per week with parents or legal guardians. Those in custody for over 30 days get an additional visit each week with grandparents or siblings. Juveniles with children may have an additional visit each week.

Juvenile offenders receive evidence-based Anger Replacement Training (ART), which covers social skills, a moral component, and anger control. The intent is to try to stop recidivism from occurring after a juvenile is released.

The environment at BCJH is highly structured. Juveniles attend school from 8:15 a.m. to 3:00 p.m. (See Table Mountain School section for a review of school.) From 3:00 p.m. to 4:00 p.m., there is a social activity. From 5:00 to 8:00 p.m., each pod, separately, spends 1 hour each on organized activity, gym or other physical activity, or homework. Activities include physical education, field games, gym activities, and outdoor patio activities, all of which take place on a rotating pod-by-pod basis. Juveniles from different pods do not interact. The lights out is at 10:00 p.m.

Juvenile Institution Core training has been mandated by the State of California for all staff. Areas covered include legal requirements and ethical issues. BCJH staff are trained in motivational interviewing, suicide prevention, and drug abuse/prevention.

All-in-all, the 2013-2014 Grand Jury was impressed with the way that BCJH is managed and found the staff to be dedicated to the health and well-being of the juveniles assigned to the facility.

Table Mountain School

BCOE operates the court school, TMS, within BCJH. The average length of stay at this setting is 21 school days. School is in session year round, and often the students are below grade level academically. Emphasis is on core curriculum with the focus on learning, as opposed to just passing a test. Students are required to prepare an electronic portfolio to set behavioral goals. In addition, career technical classes are made available to these students.

There is a maximum of 20 students in each classroom. There is no student contact between different classrooms. Teachers move between classrooms to

provide instruction. There are three full-time teachers and four teacher aides. All teachers and aides are trained in weaponless defense.

Since TMS students are frequently truant at their home schools, school records can be difficult to assemble. When students leave BCJH, school records of their work are forwarded to their home school, but counseling records are available only to qualified counselors.

Student transitions both into and out of TMS are particularly difficult. When two new para-professionals are added to the staff this year, they will work as transition specialists. Collaboration between school districts and the BCPD is essential to helping students succeed when they return home.

Upon entrance, students receive a personal letter from the principal and are required to write a response. This is used in the analysis as to where the education program should begin. The first 3 days of the student's stay are devoted to the process of evaluation and placement of the student so his/her learning situation will be most effective. Students who do not speak English are assisted personally rather than as part of a group.

Students at TMS receive core curriculum, with a major emphasis on reading, writing, and math. Students have an opportunity to participate in The Writing Exchange where they exchange poetry and prose with Sacramento and Fresno juvenile hall students. This is an on-line blog process. The students enter their blog on a computer but a teacher transmits the student's writing. Access to computer use is tightly controlled.

In addition to the core curriculum, there are several other programs. The Craving, Identification and Management (CIM) program is one. This helps students to identify a potential drug and/or risk factor, manage the temptation, and to overcome the addiction. Teachers and instructional aides work as transition specialists to help provide consistency and direction in this area.

Another program helps model responsible behavior for girls. It is referred to as Forward Thinking and is gender specific. Students also receive Aggression Replacement Training (ART) instruction when it is deemed appropriate.

Another program includes kitchen staff training where a Safe Serve Certificate can be earned. During the visit, the school was going through a construction modification that will include an area where students may learn welding. A Butte Community College instructor will teach the welding program.

Students from TMS often enter their poems and stories in Poetry 99 and Fiction 59 contests that are sponsored by Chico News and Review. In 2013, three student stories made the Fiction 59 issue. Two came from one student and another from a second student. Three other students also won Honorable Mentions in the Poetry 99 contest. All of the winning entries were printed in the Chico News & Review.

Grand Jurors interviewed two TMS students. A female student stated that she loved the educational program and would welcome more classes. She felt safe and liked having three good meals a day. She was looking forward to getting her high school diploma and planned to continue her education at Butte Community College.

A male student shared that this was his second time as a student at TMS and that this was a turning point in his life. He feels better about himself, is more confident about his future, and states he has “learned some very valuable survival techniques.” He said he liked the teachers and staff, and was sincere and straightforward during the interview.

Students at TMS have an opportunity to prepare for and take the General Education Development (GED) test. All 15 students who took the GED last year passed. This year a new, more comprehensive GED test has been implemented by the state; one TMS student has already passed it. Students who have passed the GED are still enrolled in classes until they earn a high school diploma.

Students who complete their high school academic requirements at BCJH receive a diploma from TMS. Those students who have diplomas are encouraged to enroll in Butte Community College on-line courses, which require the student to sit one-on-one with an instructional aide while on the computer. Once a student has completed high school requirements, and in preparation for continuing education after incarceration, a BCPD staff member may escort him/her to Butte Community College where the student can register for classes.

While few juvenile hall schools in the state are accredited, TMS is on track to achieve accreditation in the near future. The educational staff appears to be totally committed and consider themselves to be on a winning team.

The Grand Jury applauds the efforts and dedication of the education staff at TMS as well as the BCJH staff for their efforts to guide and encourage students to become productive citizens upon release.

FINDINGS

- F1 The Grand Jury found BCJH has a highly structured environment and a dedicated staff.
- F2 The Grand Jury was impressed with educational and social development opportunities available to the juveniles.
- F3 BCOE/TMS has an established partnership with Butte Community College to provide opportunities for students to enroll and earn college credits.
- F4 BCJH has a Boys and Girls Club.
- F5 The educational curriculum at TMS combines core classes with programs that identify and reinforce positive social skills.
- F6 The TMS staff is highly committed to helping students achieve success in school and in their future lives beyond incarceration.
- F7 Students have the opportunity to share stories and poems with incarcerated students in other areas of the state.

RECOMMENDATIONS

None

RESPONSES

Pursuant to Penal Code §933 and §933.05, the following responses *are required*:

- Butte County Board of Supervisors: A response to Findings F1, F2, and F4
- Butte County Office of Education Superintendent: A response to Finding F2, F3, and F5 through F7

The Grand Jury *invites* the following individuals to respond:

- Butte County Probation Department: A response to Findings F1, F2, and F4
- Table Mountain School Principal: A response to Findings F2, F3, and F5 through F7

DISCLAIMER: This report was issued by the Grand Jury with the exception of a juror who is a former employee of the Butte County Juvenile Hall. This grand juror was excluded from all parts of the investigation, including interviews, deliberations, and the writing and approval of this report.

The governing body indicated above should be aware that the comment or response of the governing body must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.

Reports issued by the civil Grand Jury do not identify individuals interviewed. Penal Code §929 requires that reports of the Grand Jury do not contain the name of any person or facts leading to the identity of any person who provides information to the civil Grand Jury.

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2013-2014 BUTTE COUNTY GRAND JURY REPORT

CITY OF CHICO FINANCES

SUMMARY

This Chico Finances Report is a follow-up to the 2012-2013 Grand Jury investigation. Research for last year's report was completed before the magnitude of the City of Chico's (City) financial problems was widely recognized. As more information has surfaced, it is now clear that Chico's financial picture is worse than originally thought. The City's deficit is over \$15 million.

The ongoing financial recovery has been painful for City employees, with an administrative restructuring taking place. Chico has suffered two major layoffs. Whole departments have been eliminated, staffing for public safety (police and fire) has been reduced, street tree and park maintenance is virtually non-existent, and cultural programs which helped make the City a tourist destination have been severely cut or eliminated.

Although money was charged to questionable accounts and account balances were shifted back and forth to make them look healthier than they really were, independent auditors did not find evidence that anyone personally profited, or that any crimes were committed.

The citizens of Chico now want to know what happened to cause these very large deficits. It is easy to blame the current city manager for the massive layoffs. However, the financial problems go back many years and spring in part from the council-manager government structure. The City of Chico is on life support, but appears to have turned a corner. The new City Manager and his staff bring a realistic perspective on tackling the City's financial problems and have restored transparency in the City's operations.

GLOSSARY

Budget—City of Chico Annual Budget

City—City of Chico

City Council or **Council**—City Council of the City of Chico

City Manager—City of Chico City Manager

Council-Manager—A form of government in which the city council establishes law and policy, and the city manager handles day-to-day management

County Budget—*Butte County Adopted Budget, 2013-2014*

Management team—Refers to the City Manager, Assistant City Manager, Finance Director, City Attorney, and occasionally the Human Resources Director between the years 2008 and 2012

RDA—Redevelopment Agency

Upper level City staff—Refers to the City Manager, Assistant City Manager, Finance Director, City Attorney and/or various City Department Heads

BACKGROUND

The City of Chico was incorporated in 1872 and encompasses over 33 square miles. Chico is the largest city in Butte County with a population of just under 90,000 people or approximately 40 percent of Butte County's 221,000 citizens. A seven-member City Council governs the City. Under Chico's council-manager system, Council members are elected to 4-year terms of office. Terms are staggered with elections held every 2 years. The Mayor is selected by a majority of the City Council and serves a 2-year term. Council members, who are part-time, modestly paid citizens, hire a professionally trained City Manager.

The Council also forms liaison committees of three members each to deal with internal, intergovernmental, and financial matters. For example, the Finance Committee meets with the City Manager and City staff on a variety of fiscal matters and circulates monthly reports to the full Council on the City's financial health.

The City Manager is responsible for the day-to-day operation of the City. He/she is also responsible for the hiring and firing of all city employees, with the exception of the City Attorney and the City Clerk, who report directly to the City Council (see Appendix A).¹

Daily operation of the city and fiscal matters other than passing a budget are typically left to the City Manager and the management staff. A level of trust and transparency between the Council and the City Manager is essential. Without the

¹ From 1995 until 2012, the City Clerk reported to the City Manager. This was changed by voters in 2012 to keep the office independent of City Administration and to assure City Clerk loyalty to the elected officials he/she serves.

proper checks and balances in place and continued oversight, the City Manager and administration can overstep their boundaries and compromise the council-manager separation of powers.

Under the council-manager government structure, the city manager has a powerful role. The council must trust and rely on the city manager for accurate information.

APPROACH

The Grand Jury performed the following activities:

- Conducted numerous interviews with current and former City administrators and staff, Council members, and private citizens;
- Reviewed City of Chico documents, including budget information, the 2012-2013 City Financial Report, various City Council memos, staff notes, Council and committee minutes and PowerPoint presentations;
- Observed on-line City Council meetings;
- Analyzed information in local news articles, editorials, and web sites.

DISCUSSION

The announcement of layoffs in spring 2013 came as a big surprise to city employees and those citizens of Chico who follow local government. The country was in the middle of a major recession, and it was feared that major cutbacks would continue throughout Butte County and the state. However, from media accounts of City Council meetings and statements made by councilmembers, citizens who follow local government were led to believe that the City of Chico was somehow exempt. It would need only to make a few minor adjustments; there definitely would be no layoffs.

As will be discussed later in this report, The General Fund (which covers employees' salaries and benefits, as well as operating expenses and other costs) legally must be balanced at the end of each year. There is much greater leeway with other funds. The City's troubles began by borrowing from those "other" funds.

Chico's financial house of cards collapsed in July 2013. In order to balance the budget, the City, facing what was then a structural deficit of over \$15 million², eliminated 19 positions. This was followed in November by additional layoffs of



City – Summary of Fund Balance
(Funds in the "Red")

	6/30/2011 Actual Fund Balance	6/30/2012 Actual Fund Balance	FY2012-13 Estimated Final		FY2013-14 CM Recommended	
			Fund Balance	Desired Reserve	Fund Balance	Desired Reserve
862 Private Development*	(9,171,740)	(9,311,606)	(9,184,065)	487,120	(9,269,705)	593,905
321 Sewer-WPCP Capacity	155,728	740,922	(1,774,646)		(3,254,349)	
400 Capital Projects*	0	(1,019,741)	(2,519,741)		(2,519,741)	
337 Fire Protection Building and Equipment	(2,020,003)	(1,947,869)	(1,893,104)		(1,757,928)	
332 Bidwell Park Land Acquisition	(1,623,286)	(1,604,336)	(1,579,336)		(1,554,086)	
856 Airport*	(698,364)	(720,552)	(1,028,582)		(1,318,754)	
863 Subdivisions*	(408,563)	(597,546)	(1,027,500)		(1,212,803)	
336 Administrative Building	(1,165,628)	(1,143,471)	(1,103,471)		(1,063,071)	
308 Street Facility Improvement	267,332	(1,071,750)	(1,182,179)		(617,982)	
315 General Plan Reserve	(472,812)	(529,855)	(606,537)	2,000,000	(606,537)	2,000,000
392 Affordable Housing*	0	(71,457)	(288,358)		(351,188)	
323 Sewer-Lift Stations	(332,023)	(268,613)	(235,113)		(191,726)	
348 Zone J - Neighborhood Parks	(167,370)	(167,370)	(165,370)		(165,370)	
305 Bikeway Improvement	140,630	(24,427)	(178,180)		(108,280)	
307 Gas Tax	1,244,564	3,637	(207,867)		(100,000)	
010 City Treasury*	0	0	(122,849)		(82,474)	
099 Supplemental Law Enforcement Service	0	0	0		(43,939)	
098 Federal Local Law Enforcement Block Grant	0	7,657	(34,631)		(34,631)	
933 Facility Maintenance	394,227	194,241	(312)	1,228,543	(30,672)	1,262,435
100 Grants - Operating Activities	0	0	(4,510)		(4,510)	
309 Storm Drainage Facility	638,770	294,129	157,796		(1,451)	
Total of Funds in Negative Position					(24,289,197)	

FIGURE 1 - Source: PowerPoint presentation to the City Council by the City Manager in January, 2013, to identify structural deficits facing the City.

10 positions, when it was discovered that the debt was actually \$24 million² (see Figure 1). To make matters worse, the Council found it necessary to budget an additional \$1.5 million for each of the next 10 years, to reimburse and balance the various overdrawn funds.

The financial path taken by the City had many twists and turns. From 2007 to 2013, events unfolded as follows:

- In 2007, various City funds were already running deficits of \$6 million because expenses were greater than revenues. Warnings were given by the City Manager and meetings were held at both the Finance Committee and City Council level. A plan was developed and conceptually approved in December 2007. While there were efforts to curtail the drain on the General Fund, the Grand Jury has found no evidence that this plan made a significant difference.
- A major recession began in the United States. People were laid off, homes were foreclosed, and property values plummeted. This depressed private development activity in the City and fees collected plummeted.
- Property values declined; property tax revenue decreased.

² All deficit amounts are approximate and fluctuate.

- People were not purchasing goods and services. Sales tax revenues, which accounted for 41 percent of General Fund revenue, diminished.
- An early retirement program was put into effect in 2008, but the savings to the City were minimal and did little to stem the effects of the City's cash flow problems.
- During 2010 and 2011, the City did not make any meaningful adjustments to offset losses; thus the deficits continued to grow.
- Payments from the State of California decreased, and the Governor ended the Chico Redevelopment Agency (RDA) program and stopped all State payments. The City had several RDA projects, and many staff members continued to charge time to those projects.
- The City joined a lawsuit brought by a group of cities to fight the dissolution of the RDA program but did not make any backup plans on how to proceed if the lawsuit failed (the lawsuit failed).
- With the elimination of the RDA program, the City needed either to reduce its personnel costs or charge those costs to other City funds.
- "Creative accounting" (borrowing from and shifting money between enterprise funds) continued to prop up accounts, and the deficits continued to grow;
- In 2012, a new utility user tax on cellular phone use was challenged and put on the ballot. This tax would have been similar to a tax the City currently has on landline use. The ballot measure ultimately failed at the polls, and the City lost a potential \$900,000+ in annual revenue.
- In fall 2012, a new City Manager, hired from outside Chico, took a fresh look at the City's finances. The Council was presented with a new perspective on the City's economic health, and it did not look good. There were deficits in the millions of dollars in various funds; Chico was on the verge of bankruptcy.
- The new City Manager brought in new leadership. An audit was initiated, and the true nature of the financial problem was presented to the Council.
- A structural deficit of over \$15 million was identified. In an effort to stop the deficit from growing, a new budget was prepared, and a new plan to bring the City back to solvency was developed. Personnel layoffs were part of the plan.

- The first round of layoffs was in July 2013, when several positions were eliminated and 19 employees were laid off.
- In November 2013, additional deficits were discovered, bringing the total to approximately \$24 million. A second round of layoffs eliminated another 10 positions.
- An independent audit of the City's finances was undertaken. On December 17, 2013, the Council approved a \$15.2 million deficit mitigation plan that provides a mechanism to reduce deficit balances over a 10-year period. To accomplish this, the City will have to pay \$1.5 million per year directly from the City's General Fund to the deficit accounts.³
- The independent auditors' report, presented to the City Council on March 25, 2014, showed the following:
 - The deficits of funds 862 (Private Development) and 400 (Capital Projects) were moved to the General Fund;
 - To prevent the issuance of an unqualified or negative opinion on the city's financial status, the city was forced to recognize \$13.1 million in debt in immediate obligation of the General Fund (funds 862 and 400);
 - The City depleted its emergency reserves and plunged the General Fund into a nearly \$8 million deficit;
 - The aforementioned \$1.5 million per year will be used to pay down the debt of the General Fund and other obligations.

The Grand Jury began its investigation with little knowledge of the City's budgeting process. Budgeting is complex, to say the least. The Grand Jury had much to learn.

The City of Chico, like every other government entity, goes through a budgeting process each year where it projects expected income (assets) against expected expenditures (liabilities). This procedure is quite complex and involves multiple departments and multiple funds.

³ Comprehensive Annual Financial Report; June 30, 2013; page 60

The General Fund

The General Fund determines a city's financial health and legally must be balanced each year. The majority of City employees are paid from General Fund monies. City revenues including property, sales, and utility taxes, as well as various license fees are deposited into the General Fund (Figure 2).

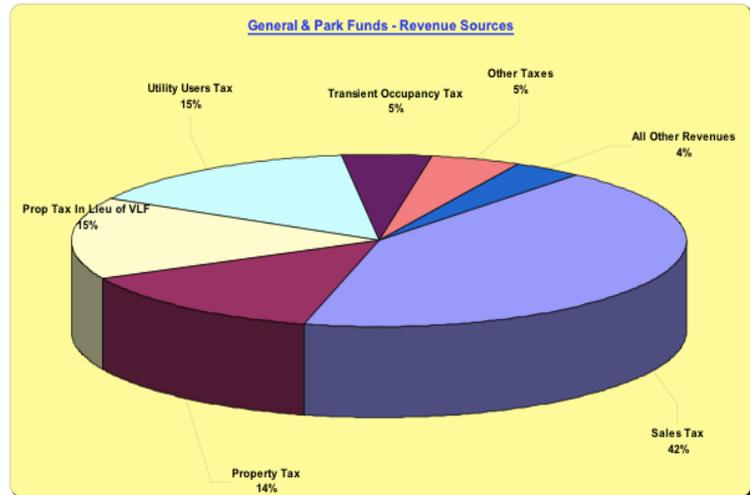


FIGURE 2 – Source: City of Chico FY 2013-2014 Budget

Although the City experienced minor deficits in prior fiscal years, *there had been a steep downward trend in General Fund revenue since 2001* (see Figure 3).

This led to a downhill spiral of the City's financial health. This occurs when revenues are unable to keep up with the community's demand for services over several succeeding years, and when reserve funds also are not adequate to sustain the demand.

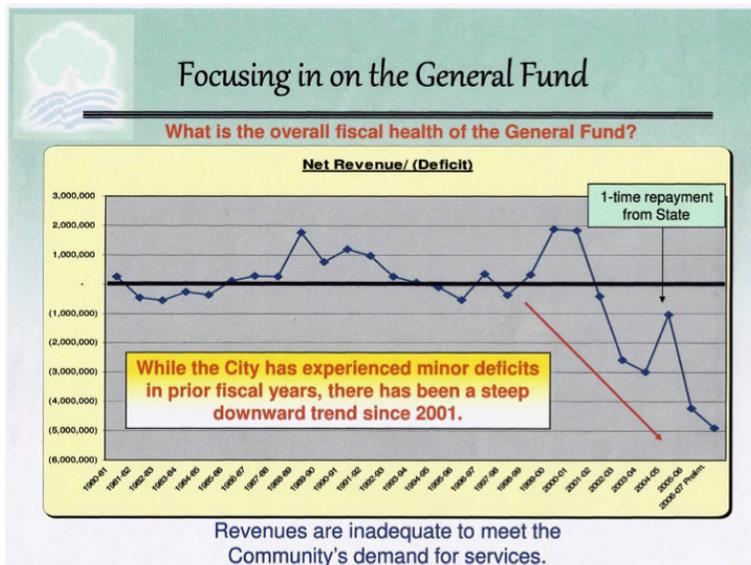


FIGURE 3 — Source: City of Chico Finance Committee meeting, October 22, 2007

To correct these fiscal problems, the City management and City Council have the following choices: (1) reduce City services; (2) reduce City staff; and/or (3) significantly increase revenues, i.e., increase property, sales, and utility taxes. None of these choices is desirable.

Salaries

Annual salaries and benefits represent the largest expenditure of the City's General Fund budget. In the 2013-2014 City General Fund budget, salaries and benefits amounted to approximately \$36.4 million, or about 80 percent (Figure 4).

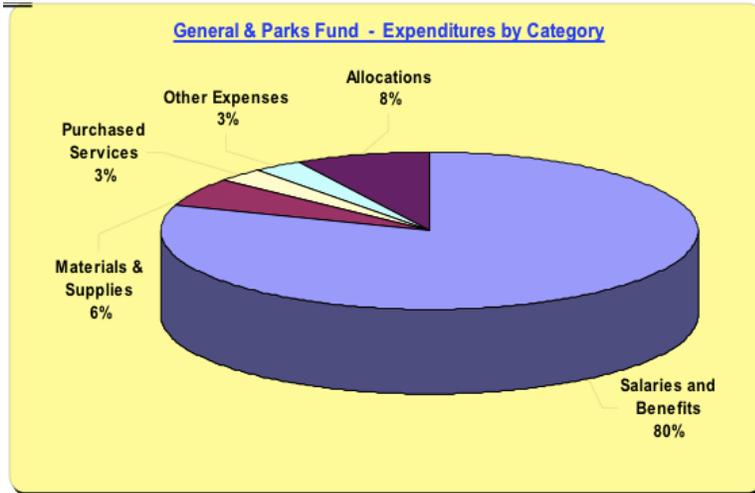


FIGURE 4 - Source: City of Chico FY 2013-2014 Budget

While General Fund revenues were declining, the average citywide salary was on the rise. Chico City budgets show that from 2006 through 2012, most upper management positions received substantial increases in salary.

The City staff took a 5 percent reduction in 2011 and another 0.2 percent

reduction in 2012 amid tough bargaining sessions. In reality, some management employees, who were already making considerably more than hourly staff, continued to receive substantial increases.

As an example, 15 top management and administrative staff positions earned total salaries in 2006 of \$1.4 million (see Figure 5). By 2010, this had risen to \$1.8 million, an increase of 22.4 percent. In 2011, the City Administration and the City Council imposed a 5 percent

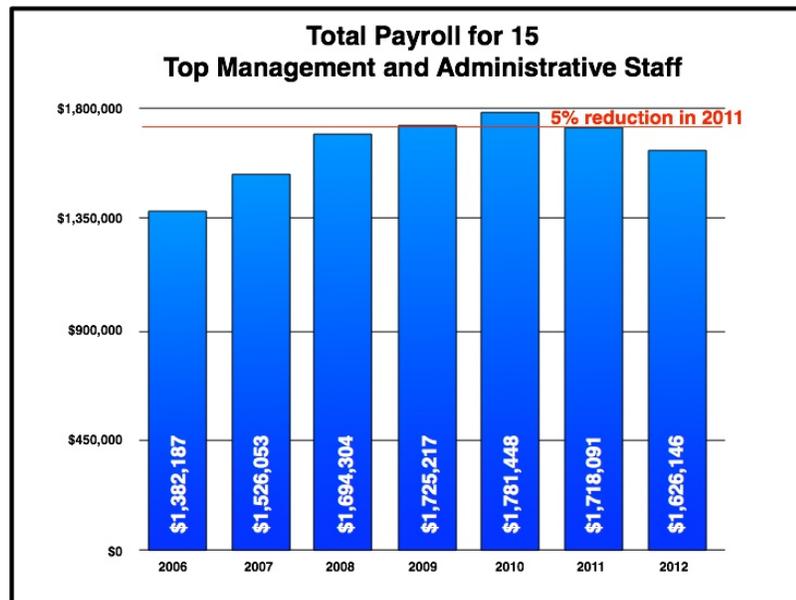


FIGURE 5 - Source: Annual salary information from public record.

reduction in salaries, which brought the cumulative total for this group of 15 down to \$1.7 million, still 19.6 percent higher than the amount paid in 2006. Even with more reductions in 2012, the total was \$1.6 million, which is 15 percent higher than in 2006.

Not all positions within the City, however, received the increases shown in this sampling of administrative salaries during the 2010-2011 time period. Grand Jurors were informed that certain employees in the City were singled out for position reclassifications, which amounted to an increase in salary. However, duties did not change significantly. This was done internally and approved by the City Manager and appears to be questionable.

Public Safety salaries also increased. The Chico Fire Department in 2006-2007 negotiated a 6-year contract starting with a 5 percent salary increase, followed by 4 percent annual increases. While locked into a long-term contract with the Fire Department, the rank and file employees were asked to take a pay cut to help stem the effects of the recession. Animosity and overall morale are affected when general departments are asked to take a 5 percent cut while another department is receiving a 4 percent annual increase.

Chico’s firefighters, among the highest paid in the State, average over \$99,000 per worker, and, together with the Police Department, constitute 91 percent of the City’s salary and benefits expenses. Every Fire Department employee may volunteer for overtime. Employees working overtime may perform any job for which they are qualified—whether at, above, or below their pay grade.

These employees are compensated at their normal pay rate, even if the job they are covering is normally paid at a lower rate.

The graph (Figure 6) illustrates that the City’s overall payroll expenses began

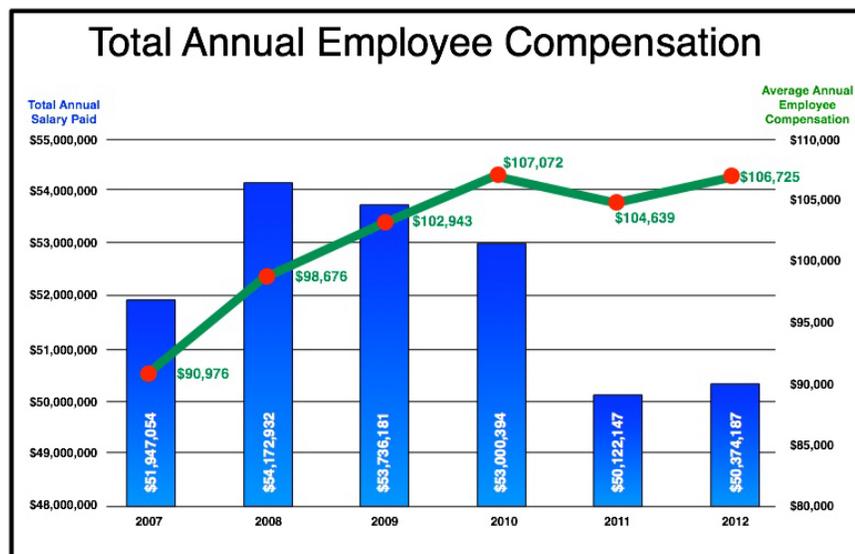


Figure 6 – Source: City’s Financial Management System by calendar year (City of Chico Financial Review, 2013).

decreasing each year as the number of employees decreased from a high of 406 in 2010 to approximately 335 in 2014, and with a pay cut in 2011-2012. The scale on the left depicts the “Total Annual Employee Compensation” (salary and benefits). The scale on the right depicts the “Average Annual Employee Compensation.” The average employee compensation (salaries and benefits) did not decrease significantly, with the average salary remaining above \$100,000.

Enterprise and Fee Accounts

In addition to General Fund monies, the City has numerous enterprise fund and fee accounts. Enterprise accounts, by definition, provide services based on fees collected. Expenses charged to these accounts must have a direct connection to the services.

Examples of enterprise accounts include:

- Private Development (Fund 862);
- Sewer (Fund 321);
- Capital Projects (Fund 400);
- Airport (Fund 856).

While the General Fund account has to be in balance at the end of each year, enterprise funds and fee accounts do not. Often these accounts run deficits, covering services with fees anticipated at a later date.

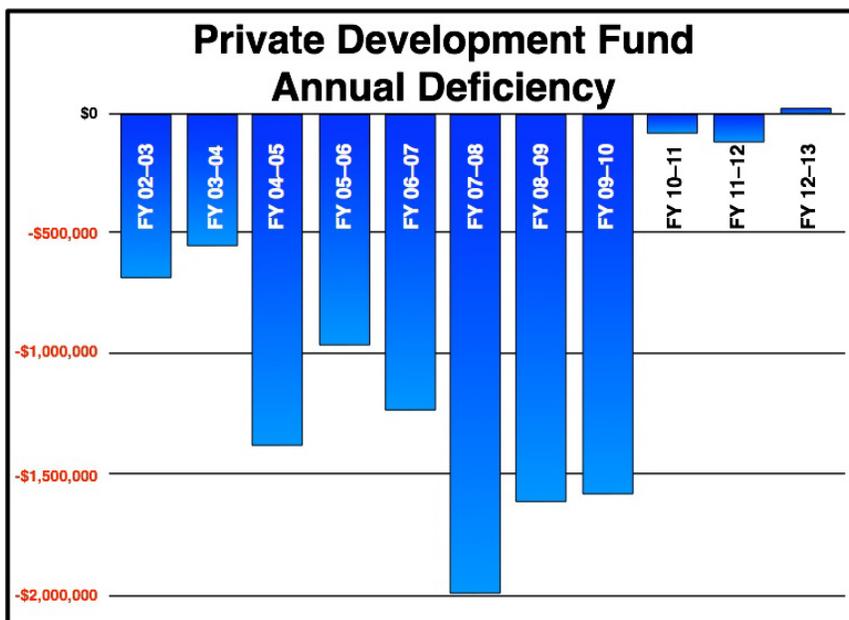


FIGURE 7 - Source: PowerPoint presentation to City Council by city Manager in January 2013.

Information provided to the Grand Jury indicates that since 2002, many of the enterprise accounts were consistently in deficit (see Figure 7). The Grand Jury obtained data that show the Private Development Fund (Fund 862), an enterprise fund which assesses fees for providing planning and development

services, has had deficits from FY 2002-2003 through FY 2011-2012. Fiscal year 2007-2008 alone shows a deficit of almost \$2 million. Note that each bar depicts the deficit realized for that year with a cumulative total in 2012-2013 of -\$9.2 million.

A deficit is not necessarily a bad thing, if it is temporary, and if the city has adequate funds and reserves on hand to eventually pay its bills and meet all of its obligations. For instance, if a major project like a sewer plant upgrade or expansion is initiated, it is expected the Sewer Fund will be in deficit during construction and until future hookup charges and ongoing fees are received.

Deficit spending cannot continue if there is no expectation of ongoing revenues.

The Capital Projects Fund (400), for example, was dramatically reduced after 2009, but excessive overhead costs, salaries and benefits, continued to be charged to the fund.

The graph above (Figure 8) depicts available fund revenues (bars relative to left chart legend) versus the overhead-allocated costs, based

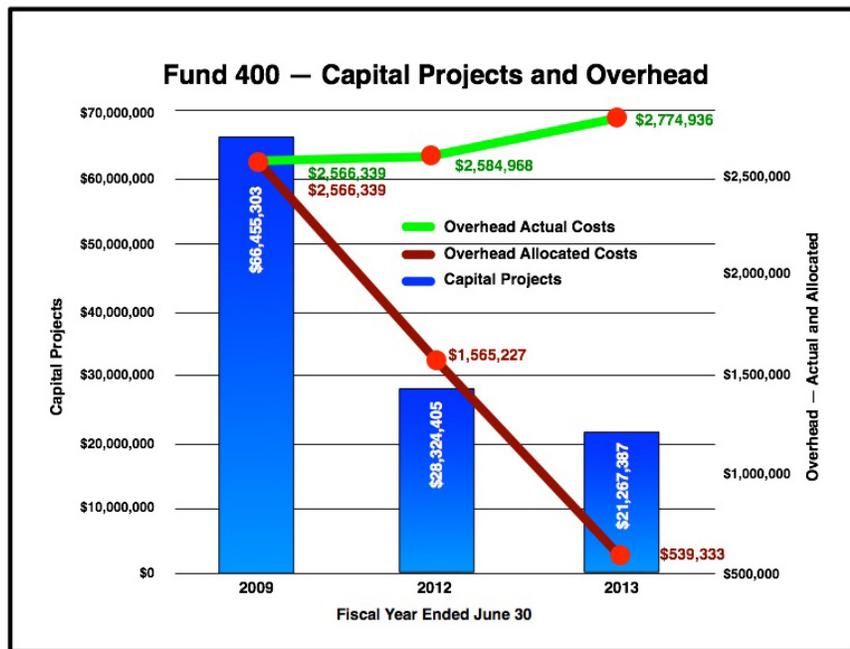


FIGURE 8 - Source: City of Chico presentation to the City Council.

on this revenue, compared to the actual overhead expended (lines relative to right chart legend). As capital project revenues diminished, the overhead expenditures continued to rise over allocated costs.

The Recession

In 2008, the nation sank into the worst recession since the Great Depression. In Chico, along with the rest of Butte County, housing and development slowed dramatically. When development stopped, business also stopped. Fee revenues, housing and property values, and tax revenues also decreased.

After 2008, the State of California reduced or eliminated revenues, payments, and grants to cities. In 2010, the Governor ended California's Redevelopment Agency (RDA) program, which had been a windfall to cities and counties throughout the State. The RDA program was instituted to fight urban blight and encourage renewal. However, the program was costing the State of California billions of dollars each year in subvention payments to schools to offset tax revenue loss.

When the RDA program ended, it was a major blow to cities, including Chico, which had invested millions of dollars in redevelopment projects. Several administrative City departments had liberally charged expenses and salaries to this fund; Public Works charged the most.

The recession of 2008 had a major effect on Chico's financial condition. For example:

- Existing deficits continued to grow in many of the enterprise and fee funds;
- There were major impacts to development, property, and sales tax revenues;
- Expected revenue losses due to the elimination of the Chico RDA left capital projects with no funding.

The City of Chico did not deal with any of these problems in a timely manner. The City paid for a cost allocation plan to study various enterprise funds in March 2012 to see if revenues (fees) equaled expenditures. Grand Jurors were told that the report was shelved and never presented to Council because it reflected over a \$2 million structural deficit. It is difficult to understand why Council was never informed.

Also, there was no fallback position when the RDA funding cut was challenged in court.⁴ In fact, the City Council continued business as usual on a variety of Public Works projects.

City Management

As expenditures continued to outpace revenues, deficit numbers continued to increase because of City management's failure to act. During the 2008-2012 period when Chico's debt grew from \$6 million to over \$15 million, the City Manager's decision was to not cut City service levels "*no matter what.*" Grand

⁴ The League of California Cities (LOCC) and the California Redevelopment Agency (RDA) sued the State, arguing that AB1X26 and AB1X27 violated Proposition 22.

Jurors were told that the Finance Director continually relayed information to the Management Team about the City's fiscal condition, but the City Manager refused to make the personnel adjustments that were needed. Apparently, the City Manager believed or hoped that the economy would improve and that deficits could be reduced or eliminated after the economy recovered.

To its credit, the City did implement a so-called volunteer retirement program from 2008 to 2012. This program shifted personnel around but did little to cut the total numbers of positions or to stop the debts from continuing to grow. Vacant positions were eliminated through attrition, but this was too little too late. In addition, the City also became liable for unbudgeted costs when employees retire early, i.e., pension payments and the cost of "cashing out" vacation time.⁵

The Grand Jury interviewed over 20 people, some more than once, at all levels of the City hierarchy. There is evidence indicating the true nature of the City's financial condition was discussed early on with the City Council. The Grand Jury reviewed City Council Finance Committee presentations and minutes of the meetings, which were provided to the full Council. These show that, as early as June 5, 2007, 12 funds were in deficit.

In fact, in June 2007, the City Manager notified the City Council that he projected there would be a \$56 million budget deficit in 10 years if the Council did not take action. The City Manager provided 54 options to the Council, including pay freezes, sales tax increases, and retirement benefit changes to fix a structural deficit caused by the City's expenditures outpacing its revenues. "Our General Fund is unable to support on an ongoing basis the level of service we currently provide, as our costs accelerate faster than our revenues."⁶

City Finance Committee meetings were held. The Council also held a series of public hearings on the deficit to educate the public and to get input. As a result, the City proposed a 10-year plan to address the deficit issues. Public response was to "not rock the boat." After reviewing the City Manager's proposed recommendations and public input, the Council compiled a list of proposed suggestions and prioritized them.

In September 2007, the City Manager resigned to take a city manager position in Hayward, and the Assistant City Manager was appointed to the position.

⁵This means if employees retire early, the City must pay for any unfunded benefits.

⁶City Manager's Finance Committee Agenda Report, July 18, 2007

The Council passed the General and Parks Funds Ten Year Financial Plan in December 2007. Phase 1 was to immediately cut \$2.6 million of the City's deficit per year. Phase 2 would bring additional service level budget items to the Finance Committee in successive months. Phase 3 would address the structural imbalance. However, the Grand Jury could find no evidence that its adoption made any significant difference in the financial health of the City.

From December 2007 until the recession began to gain momentum in 2008, the City failed to reduce spending, and the deficit increased. Plans were projected and solutions discussed. The various deficits continued to increase because proposed solutions did not directly address the problem. In April 2008, the City had over 12 funds in a deficit position; by 2012, there were at least 19.

In the ensuing years after June, 2008, communication regarding City finances between the City Manager and Council members deteriorated. On several occasions, interview subjects quoted that the Finance Director had stated that budgets and deficit numbers were "beyond the Council's ability to grasp." In addition, references were made to a few Council members, as well as various members of the public, who reportedly attempted to obtain budget numbers but whose efforts were thwarted by one or more members of the Management team.

Based on the interviews, the Grand Jury believes that the City Council knew there were financial issues but chose to accept information provided by the Finance Director and City Manager that the problems were being dealt with. However, Councilmembers did not have all of the facts in front of them when they needed to make critical decisions and, therefore, never knew just how bad the financial situation was. At the same time, the City Manager could not or would not make the hard decisions necessary to control the deficits. Rather, he hoped that the economy would pick up and the financial problems would not be exposed.

The Grand Jury found evidence that one or more members of the Management Team withheld or filtered information. Certain Council members questioned the lack of consistent budget information between 2008 and 2012 and the lack of access to financial accounts. With information constantly changing, reports not coming forth when requested, and an apparent lack of transparency between the decision makers and management, the Grand Jury feels the City Council should have taken a more aggressive position on finances.

Without City management interacting and freely sharing information with elected officials, the whole process of the electoral system of government fails. It is imperative that the lines of communication stay open and that there is a clear separation of responsibility between professional staff and elected policy makers. Citizens eventually suffer from the failure to communicate. This leads to public distrust and a lack of confidence.

Butte County began layoffs in 2009 when liabilities began to exceed revenues. Positions in every County department were cut, and virtually every General Fund program was affected. Chico, on the other hand, deferred major cuts until 2013. Rather, the City of Chico drew on reserves and borrowed funds from fee and enterprise accounts to prop up the General Fund. This created the huge deficits that exist today. Unfortunately, the money was taken from funds maintained for special use fees, and the deficits created must be paid back from the General Fund.

Interviews revealed that upper management directed employees to charge out portions of General Fund personnel costs to Fund 862, the Private Development Fund, or to other enterprise funds. This policy was in practice for many years. One former City Manager regularly told employees to charge payroll time to enterprise funds, specifically the Chico RDA, as often as they could justify. This allowed departments to show General Fund salary savings, which could be used for other purposes.

It was also common practice, and seems to be legal, to shift money between various accounts. For instance, if the Private Development Fund was overdrawn, money could be temporarily transferred (borrowed) from the Sewer, Airport, or any another fund. A record was kept of these transactions. The transactions went unquestioned through several years of audits; apparently they were considered legal for the purposes of balancing the General Fund budget.

The Grand Jury could not pinpoint the particular actions in which funds were shifted between accounts, but interviews indicated that the former Finance Director, with approval of the City Manager, controlled the transfers.

As of FY 2012-2013, enterprise and fee accounts that were used to pay salaries accumulated deficits totaling \$17,113,870 (see Figure 9):

- Airport Fund – 856 (-\$1,028,582);
- Capital Projects Fund – 400 (-\$2,519,741);
- Park Fund – 332 (-\$1,579,336);
- Private Development Fund – 862 (-\$9,184,065);
- Sewer Fund – 321 (-\$1,774,646);
- Subdivisions Fund – 863 (-\$1,027,500).

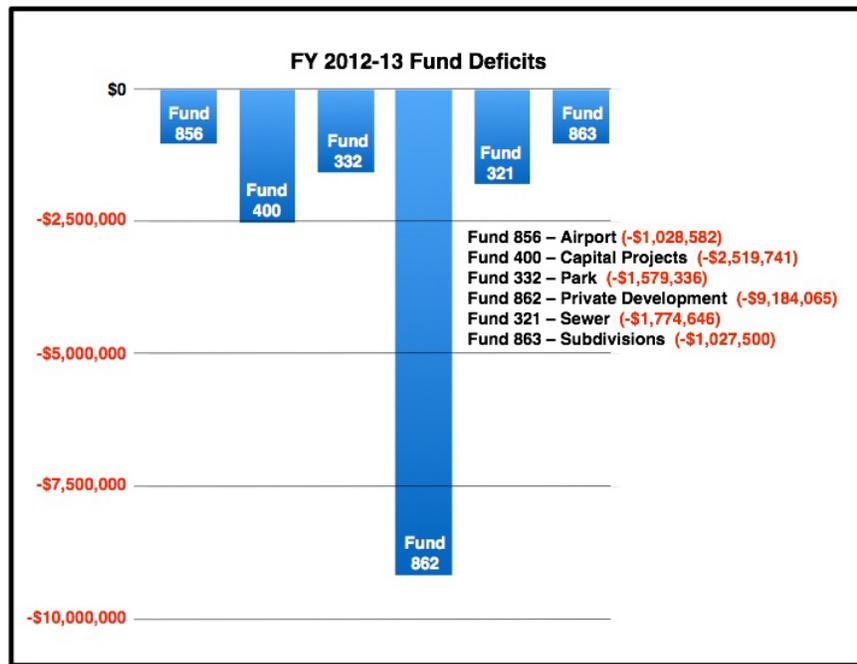


Figure 9 — Source: Graph prepared from PowerPoint presentation to City Council by City Manager on January 2013, to identify

Until the new City Manager arrived in 2012 and layoffs began in July 2013, enterprise funds and reserves continued to be depleted each year in an effort to balance the budget.

The Grand Jury understands why the present City Manager chose to replace his top-level staff within his first year on the job. In order for a city manager to do his/her job effectively, he needs a staff he can trust completely. Grand Jurors were informed that the new City Manager did not receive support from sitting management, received false or incomplete information, was excluded from meetings, and was misrepresented or falsely quoted to subordinate staff. These actions were intended to undermine his position, credibility, and acceptance by the Council, the rank and file employees, and the citizens of the City of Chico.

The City Attorney, as counsel to the City Council, was also a member of the City budget team and attended most meetings when budget policy was discussed. The Grand Jury believes that because the City Attorney was working closely with the City Manager and the Finance Director, she should have been aware of the City's

financial situation. The City Attorney is hired by and reports to the City Council, not the City Manager, and has a responsibility to challenge City staff in order to protect the Council. It appears as if she was taking directions from the City Manager rather than the Council. The Grand Jury could not determine why, as the City's legal counsel, she did not step forward.

Under the original City Charter, the City Clerk was also hired by and reported to the City Council. However, the voters changed the organizational structure in 1995, through a Charter Amendment, to make the City Clerk report to the City Manager. In 2012, voters restored the original structure, and the City Clerk again reports to the City Council.

Before the 2012 election, the City Clerk participated in meetings with department heads supposedly "representing the Council" but taking orders and direction from the City Manager. This placed the City Clerk in the extremely awkward position of having to deal with conflicting directives. In this case, the City Council's best interests may very well have been compromised. The Grand Jury applauds the City Council for putting this issue back on the ballot in 2012, and applauds Chico voters for correcting the error.

As to what caused the City of Chico's financial crisis, the Grand Jury concluded:

- Inflated salary and benefits clearly outpaced revenues;
- Fees charged by the various enterprise funds did not cover costs of the services provided;
- The major City revenue source (sales, property, utility, etc. taxes) decreased due to a major recession, and enterprise accounts were used inappropriately to balance the General Fund to sustain the salary structure and make up the differences in City expenses;
- The City Administration failed to provide the necessary pertinent information to Council to make the difficult decisions pertaining to staffing reductions and other adjustments that were needed.

The combination of an economic recession and poor — or no — management actions cost Chico dearly. The impact will be felt for at least the next 10 years. Had the City Council and Management Team made timely and prudent decisions, they might have averted the huge debt now looming over the City.

FINDINGS

- F1 The Grand Jury found no evidence of illegal activity on the part of Chico City management.
- F2 Budget cuts required that the City eliminate positions and lay off 29 employees in 2013.
- F3 A council-manager model of governing lends itself to potential problems.
- F4 The City Council failed in its responsibility to oversee the actions of the Management Team and allowed it to frame its own agenda.
- F5 During the years 2008-2012, the City of Chico's upper level management failed to share complete and accurate information with Council members.
- F6 Some Council members believed that financial information presented to them was accurate.
- F7 With respect to finances and structural deficits, it appears that the prior City Manager abdicated his responsibility and allowed the Finance Director to take charge.
- F8 The Grand Jury found no evidence of wrongdoing for personal gain, but questions how salary increases and enhanced pension benefits were granted to selected employees.
- F9 Enterprise accounts were manipulated and used to shore up the General Fund.
- F10 Council members were aware that the City was in a deficit condition as far back as 2007.
- F11 Salaries and benefits consume over 80 percent of the General Fund budget.
- F12 The largest portion of General Fund expenditures is for Public Safety (police and fire).
- F13 A firefighter who works overtime in a position classified at a pay rate lower than his/her own position is paid at the higher rate.
- F14 Park and cultural programs, which helped make the City a tourist destination, have been severely cut or eliminated.

F15 The new City Manager has initiated an open dialog with the City Council, restoring transparency to government operations.

RECOMMENDATIONS

- R1 The City Manager and the City staff should work together to make information more transparent to the City Council and the general public.
- R2 The Grand Jury recommends that the City Council and City Manager work together to develop a plan to rehire lost staff when funds become available, instead of contracting out for services.
- R3 The City Manager or his delegates should provide orientation and training to familiarize all new Council members with how the City is governed. This should occur every 2 years, in January, following an election. In addition, the Grand Jury encourages current Council members to attend these sessions to reorient themselves with the policies and procedures of the City.
- R4 The City should look into the high cost of employees' salary and benefit packages and make adjustments in future contracts and hiring.
- R5 The City should establish a policy for overtime compensation that ties the rate paid to the work being performed.
- R6 The City should continue to invest in its parks, art, and cultural programs to the extent possible.
- R7 The City should implement procedures assuring that when enterprise and fee funds are temporarily transferred to other accounts, a documented repayment plan is in place.

RESPONSES

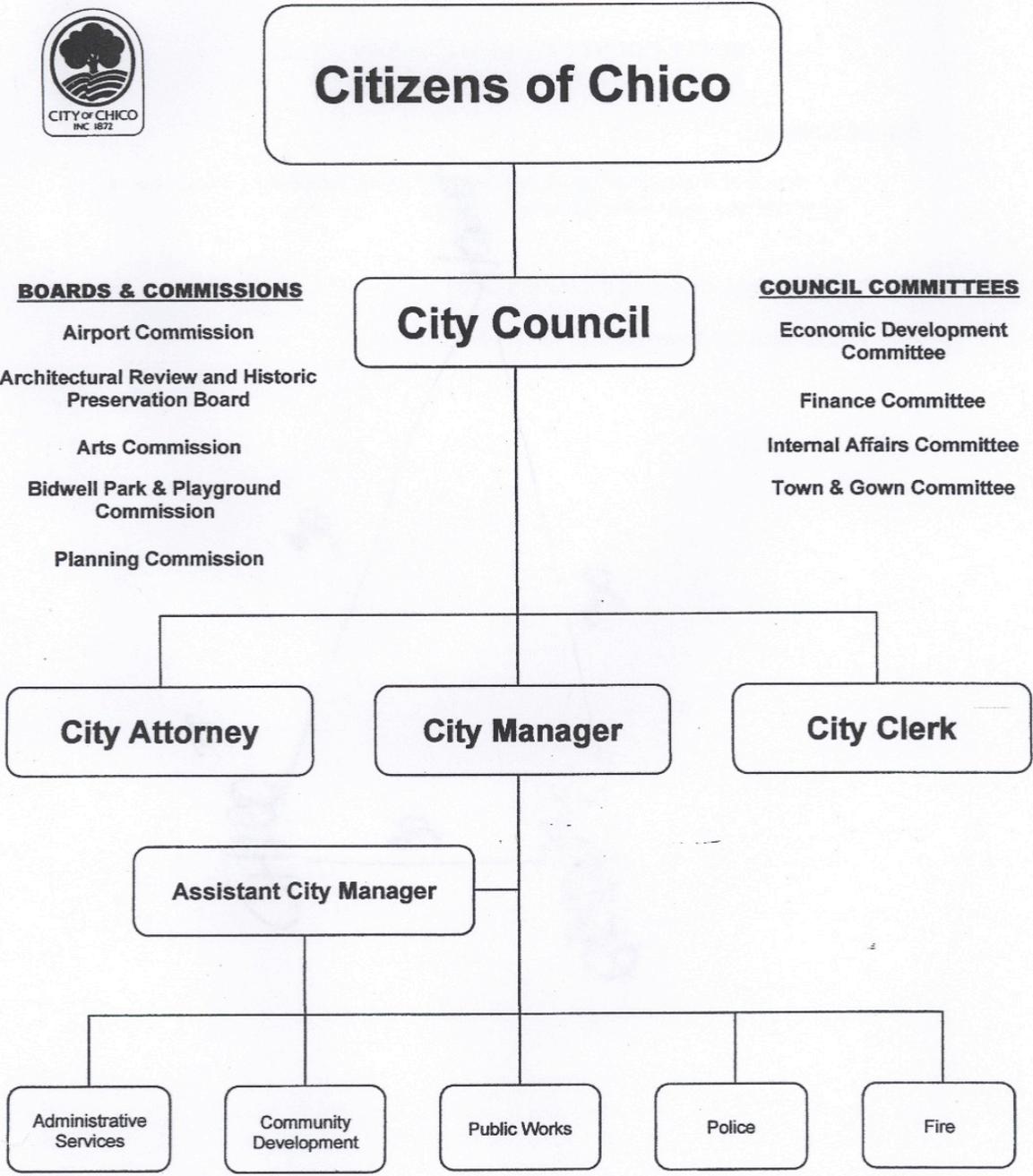
Pursuant to Penal Code §933 and §933.05, the following responses *are required*:

- City Council of the City of Chico: A response to Findings F4 through F6, F8 through F10, and F13 through F15 and Recommendations R1 through R7.
- City Manager of the City of Chico: A response to Findings F3, F9, and F13 through F15 and Recommendations R1 through R7.

The governing body indicated above should be aware that the comment or response of the governing body must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.

Reports issued by the civil Grand Jury do not identify individuals interviewed. Penal Code §929 requires that reports of the Grand Jury do not contain the name of any person or facts leading to the identity of any person who provides information to the civil Grand Jury.

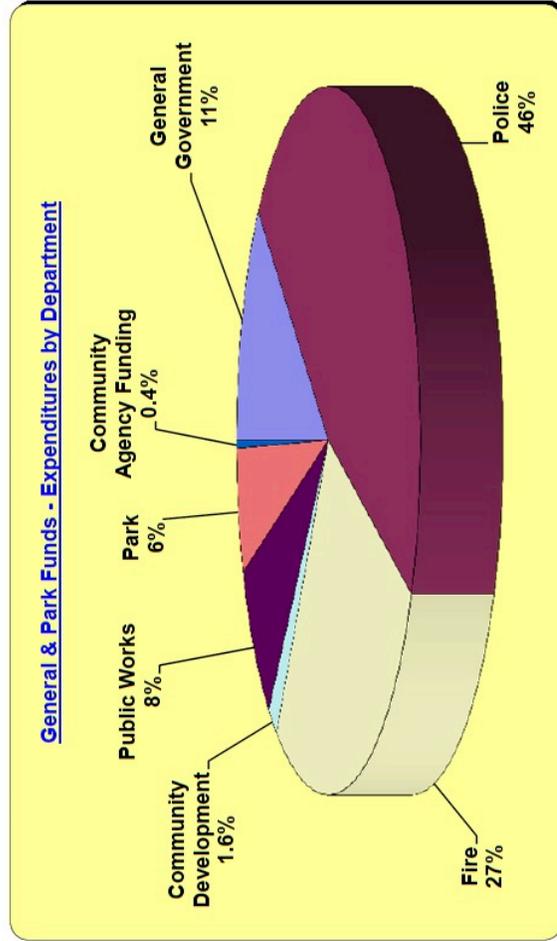
Appendix A



The 2013-14 Annual Budget was created under the organizational structure that existed prior to May 16, 2013.

This chart reflects the new organizational structure of departments effective May 16, 2013.

Appendix B



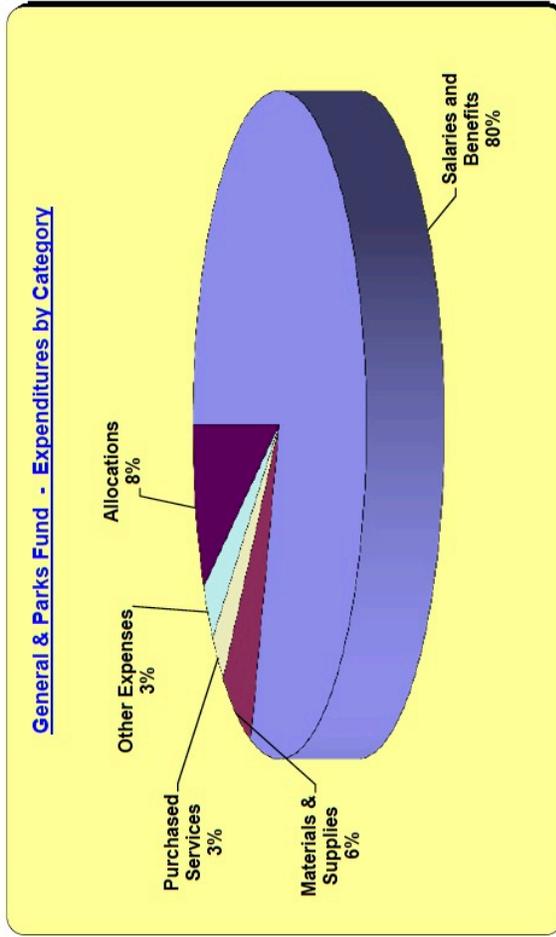
<u>General/Park Fund Expenditures by Department</u>	
General Government	\$ 5,068,867 ⁽¹⁾
Police	20,798,818
Fire	12,417,170
Community Development	771,311 ⁽²⁾
Public Works	3,483,416 ⁽³⁾
Park	2,581,957
Community Agency Funding	171,599
Departmental Expenditures	45,293,138
Less: Indirect Cost Allocation	(1,896,988)
Total Operating Expenditures	\$ 43,396,150

Footnotes:

- (1) Includes City Management, City Clerk, City Council, Environmental Services, Economic Development, Human Resources, Finance, and City Attorney
- (2) Includes Planning and Code Enforcement
- (3) Includes General Services Administration, Building Services, Street Cleaning, and Public Right-of-Way Maintenance

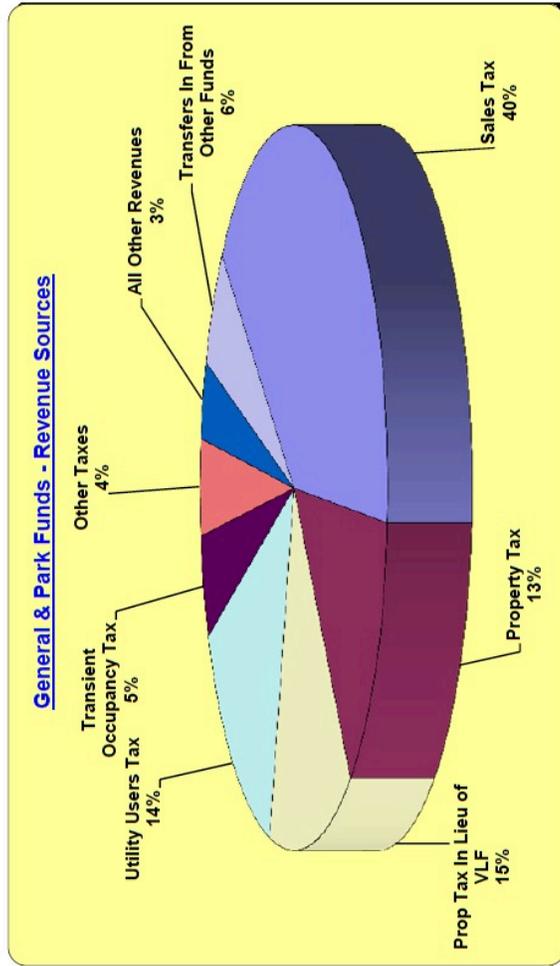
**CITY OF CHICO
FY2013-14 ANNUAL BUDGET
GENERAL & PARK FUND ACTIVITY**

General & Parks Fund - Expenditures by Category



<u>General/Park Fund Expenditures by Category</u>	
Salaries and Benefits	\$ 36,390,205
Materials & Supplies	2,675,628
Purchased Services	1,224,616
Other Expenses	1,338,019
Allocations	3,664,670
Departmental Expenditures	45,293,138
Less: Indirect Cost Allocation	(1,896,988)
Total Operating Expenditures	\$ 43,396,150

<u>General/Park Fund Revenue Sources</u>	
Sales Tax	\$ 17,981,500
Property Tax	5,875,974
Property Tax In Lieu of VLF	6,406,427
Utility Users Tax	6,286,902
Transient Occupancy Tax	2,050,000
Other Taxes	1,916,200
All Other Revenues	1,542,990
Transfers In From Other Funds	2,423,596
Total Revenue	\$ 44,483,589



Appendix C

**City of Chico
Cash (Object 10000)
As of 6/30/07, 6/30/12 & 6/30/13**

	<u>Balance at 6/30/07</u>	<u>Balance at 6/30/12</u>	<u>Balance at 6/30/13</u>
Fund 000 TREASURY	(4,696,351.76)	(4,904,032.55)	(5,588,482.09)
Fund 001 GENERAL	3,586,951.62	(3,744,340.76)	(2,967,320.23)
Fund 002 PARK	100,869.46	113,214.17	135,357.47
Fund 003 EMERGENCY RESERVE	5,568,152.29	5,589,582.07	5,497,271.63
Fund 098 JUSTICE ASSISTANCE GRANT (JAG)	5,308.18	40,426.42	40,510.08
Fund 099 SUPP LAW ENFORCEMENT SERVICE	47,187.35	(46,587.48)	(44,044.49)
Fund 100 GRANTS-OPERATING ACTIVITIES	(86,117.48)	19,525.34	166,065.51
Fund 201 COMMUNITY DEVELOPMENT BLK GRNT	(260,741.83)	(56,964.35)	(288,901.09)
Fund 204 HOME - STATE GRANTS	198,802.14	94,688.14	121,395.14
Fund 206 HOME - FEDERAL GRANTS	(153,065.90)	(781,687.90)	(807,407.10)
Fund 210 FEG - PUBLIC EDUC & GOVT ACCS	(12,278.83)	346,313.45	449,457.05
Fund 211 TRAFFIC SAFETY	1,116,112.43	(270,466.00)	(18,826.87)
Fund 212 TRANSPORTATION		(281,941.56)	(22,227.35)
Fund 213 ABANDON VEHICLE ABATEMENT		281,941.56	298,765.19
Fund 214 PRIVATE ACTIVITY BOND ADMIN		50,119.61	
Fund 217 ASSET FORTITUDE	295,536.33	86,746.99	102,977.84
Fund 220 ASSESSMENT DISTRICT ADMIN	310,366.81	115,504.89	135,243.50
Fund 300 CAPITAL GRANTS/REIMBURSEMENTS	(851,461.48)	(727,787.51)	(905,699.94)
Fund 301 BUILDING/FACILITY IMPROVEMENT	821,030.43	675,748.32	210,290.12
Fund 303 PASSENGER FACILITY CHANGES	191,215.13	648,455.57	514,032.15
Fund 305 BIKEWAY IMPROVEMENT	1,517,917.20	124,428.28	(145,382.25)
Fund 306 IN LIEU OFFSITE IMPROVEMENT	1,794,746.39	124,618.65	(2,362.81)
Fund 307 GAS TAX	1,727,145.24	(1,049,212.10)	(987,352.20)
Fund 308 STREET FACILITY IMPROVEMENT	4,565,956.18	(917,678.24)	(406,874.46)
Fund 309 STORM DRAINAGE FACILITY	1,585,716.58	294,128.92	238,483.58
Fund 311 REMEDIATION	196,230.87		
Fund 312 GENERAL PLAN RESERVE	1,291,102.87	1,163,240.46	1,014,807.79
Fund 315 SEWER-TRUNK LINE CAPACITY	1,047,895.91	(529,854.43)	(539,776.87)
Fund 320 SEWER-WPC FACILITY	278,897.56	1,476,813.47	1,791,675.16
Fund 321 SEWER-MAIN INSTALLATION	8,436,872.26	1,126.55	(940,351.76)
Fund 322 SEWER-MAIN INSTALLATION	1,797,941.37	152,539.50	210,290.12
Fund 325 COMMUNITY PARKS	48,612.79	(269,126.60)	(74,747.48)
Fund 326 COMMUNITY PARKS	98,512.79	(269,126.60)	(74,747.48)
Fund 332 BOWELL PARK LAND ACQUISITION	(1,811,050.23)	1,604,453.89	(1,891,887.26)
Fund 333 LINEAR PARKS/GREENWAYS	361,705.09	(1,604,453.89)	(1,569,821.47)
Fund 335 STREET MAINTENANCE EQUIPMENT	1,336,487.20	198,332.47	339,793.32
Fund 336 ADMINISTRATIVE BUILDING	(1,276,197.10)	1,434,241.38	1,457,076.98
Fund 337 FIRE PROTECTION BLDG & EQUIP	(2,526,863.16)	(1,143,470.78)	(1,105,051.78)
Fund 338 POLICE PROTECTION BLDG & EQUIP	388,805.71	1,047,382.30	1,815,652.78
Fund 341 ZONE A NEIGHBORHOOD PARKS	164,202.54	1,059,352.35	1,138,276.37
Fund 342 ZONE B NEIGHBORHOOD PARKS	197,804.94	346,883.58	288,698.55
Fund 343 ZONE C NEIGHBORHOOD PARKS	(6,894.91)	79,461.99	71,121.49
Fund 344 ZONE D & E NEIGHBORHOOD PARKS	55,242.30	20,430.15	279,353.71
Fund 345 ZONE F & G NEIGHBORHOOD PARKS	749,731.90	249,210.68	347,439.65
Fund 347 ZONE I NEIGHBORHOOD PARKS	(208,035.65)	(167,369.65)	(167,369.65)
Fund 348 ZONE J NEIGHBORHOOD PARKS		729,489.95	795,996.65
Fund 400 CAPITAL PROJECTS	41,816.60	629,755.57	(3,048,454.52)
Fund 850 SEWER	3,896,689.35	4,002,037.40	9,539,629.56
Fund 851 WPCF CAPITAL RESERVE	1,080,130.83	3,588,113.93	5,230,969.88
Fund 853 PARKING REVENUE	2,001,621.26	748,789.10	620,209.33
Fund 856 AIRPORT	(183,649.09)	(774,458.47)	(1,044,710.13)
			(9,305,808.21)

S:\BUDGET\13-14\Cash By Fund.xlsx

City of Chico
Cash (Object 10000)
As of 6/30/07, 6/30/12 & 6/30/13

Fund 862	PRIVATE DEVELOPMENT	(3,437,785.24)	Fund 862	PRIVATE DEVELOPMENT	(9,004,183.91)	Fund 862	PRIVATE DEVELOPMENT	586,215.68
Fund 863	SUBDIVISIONS	677,126.55	Fund 863	SUBDIVISIONS	(742,692.44)	Fund 863	SUBDIVISIONS	(905,931.08)
Fund 866	HOUSEHOLD HAZARDOUS MATERIALS	167,713.85	Fund 900	GENERAL LIABILITY INS RESERVE	999,961.50	Fund 900	GENERAL LIABILITY INS RESERVE	1,000,000.00
Fund 900	GENERAL LIABILITY INS RESERVE	1,999,977.00	Fund 901	WORKERS COMPENSATION INS RSRV	3,723,079.00	Fund 901	WORKERS COMPENSATION INS RSRV	2,712,217.36
Fund 901	WORKERS COMPENSATION INS RSRV	4,977,738.85	Fund 902	UNEMPLOYMENT INSURANCE RESERVE	278,848.04	Fund 902	UNEMPLOYMENT INSURANCE RESERVE	226,453.36
Fund 902	UNEMPLOYMENT INSURANCE RESERVE	105,089.49	Fund 920	REVOLVING	74,279.41	Fund 920	REVOLVING	47,389.45
Fund 920	REVOLVING	(15,120.13)	Fund 929	CENTRAL GARAGE	(74,132.37)	Fund 929	CENTRAL GARAGE	19,609.69
Fund 929	CENTRAL GARAGE	(183,957.41)	Fund 930	MUNICIPAL BUILDINGS MTCE	71,880.41	Fund 930	MUNICIPAL BUILDINGS MTCE	56,716.62
Fund 930	MUNICIPAL BUILDINGS MTCE	88,499.58	Fund 931	TECHNOLOGY REPLACEMENT	51,200.00	Fund 931	TECHNOLOGY REPLACEMENT	87,819.25
Fund 932	FLEET REPLACEMENT	3,186,773.08	Fund 932	FLEET REPLACEMENT	2,693,209.71	Fund 932	FLEET REPLACEMENT	2,275,094.55
Fund 933	FACILITY MAINTENANCE	789,426.42	Fund 933	FACILITY MAINTENANCE	200,647.71	Fund 933	FACILITY MAINTENANCE	59,967.63
Fund 935	INFORMATION SYSTEMS	115,795.95	Fund 935	INFORMATION SYSTEMS	70,037.65	Fund 935	INFORMATION SYSTEMS	9,473.43
Fund 936	PAYROLL REVOLVING	366,459.92	Fund 936	PAYROLL REVOLVING	118,174.41	Fund 936	PAYROLL REVOLVING	146,610.60
Fund 941	MAINTENANCE DISTRICT ADMIN	8,178.89	Fund 941	MAINTENANCE DISTRICT ADMIN	1,656.95	Fund 941	MAINTENANCE DISTRICT ADMIN	2,071.20
		42,659,247.25			5,299,422.47			7,702,344.45
		Total Cash @ 6/30/07			Total Cash @ 6/30/12			Total Cash @ 6/30/13
		Excludes Redevelopment, JPFA, Community Maintenance Districts and Agency Funds			Excludes Redevelopment, JPFA, Community Maintenance Districts and Agency Funds			Excludes Redevelopment, JPFA, Community Maintenance Districts and Agency Funds

(Please note that the Cash balances listed for some funds (e.g., General Fund 001) cash balance represented working capital. This report is strictly shows cash balances.

2013–2014 BUTTE COUNTY GRAND JURY REPORT

FEATHER RIVER RECREATION AND PARK DISTRICT

SUMMARY

Poor management and unsound fiscal practices caused the serious problems facing the Feather River Recreation and Park District (FRRPD). Three previous Grand Jury reports, along with numerous newspaper articles and letters to the editor, put the FRRPD Boards of Directors on notice. There was widespread public outrage as the District took on a sky-high debt load.

In FRRPD’s response to the 2011-2012 Grand Jury report, the Board of Directors appeared not to grasp the severity of their financial difficulties. The response stated that the Board was “exploring all options available to it, including loan restructuring, *additional borrowing*, and grant and bond applications [*emphasis provided*].”

Thanks to the efforts of an interim General Manager in late 2012, the District was set on a better path. A new General Manager with the education, experience, and temperament needed to continue that progress was hired in May 2013.

The General Manager has directed a top-to-bottom reorganization. Subordinate managers are now responsible for their own programs and budgets. New and innovative classes and seminars are being added; the pre-school is operating at or near capacity. The District is taking action to repair and upgrade the parks, neglected for far too long.

Overshadowing the District’s accomplishments, however, is its \$4 million debt. The total debt service payment required for Fiscal Year (FY) 2013-2014 amounts to nearly \$600,000. In June 2015, monthly payments for the Activity Center alone will increase from \$23,262 per month to \$42,586. If no corrective action is taken, in two years the annual debt service will jump to \$825,000, a 40 percent increase.

This massive debt has overtaken the District’s ability to fulfill its mission of providing quality parks and recreational facilities. As noted in the most recent audit, unless FRRPD is able to generate additional revenue and renegotiate its debt, the District’s prospects for survival are doubtful.

GLOSSARY

Board or Board of Directors – Board of Directors of the Feather River Recreation and Park District

Debt load – The amount of debt that a person, company, or country has, especially in relation to their ability to pay it back

Debt service – The cash that is required for a particular time period to cover the repayment of interest and principal on a debt

District or FRRPD – Feather River Recreation and Park District

General Manager – General Manager of the Feather River Recreation and Park District

LAFCO – Butte County Local Agency Formation Commission

Performance review – The objective examination of a program, function, operation or the management systems and procedures to assess whether the entity is achieving economy, efficiency and effectiveness in the use of available resources

Separation of duties: The breaking down of tasks that might reasonably be completed by a single individual into multiple tasks so that no one person is solely in control

BACKGROUND

The 2013-2014 Butte County Grand Jury conducted a follow-up inquiry to the Grand Jury reports of 2005-2006, 2006-2007, and 2011-2012 regarding FRRPD. Those reports were highly critical of the District in a number of areas, and the various Grand Juries made many recommendations to resolve those issues.

The Grand Jury of 2006-2007 found that District documents such as the Policies and Procedures and Employee Handbooks were out of date and needed immediate revision. It also noted that “the General Manager and Board have not provided long term financial planning for the District.” The same Grand Jury report recommended that the District develop a long-term financial plan, covering at least five years, before October 2007.

The Grand Jury report of 2011-2012 determined that the “Board and management of FRRPD [had] not given priority to the resolution of their

financial issues,” and that they had “lost the support and trust of the people of the District.” The financial issues threatening the future of the District were of the highest priority in the 2011-2012 report. Again, the Grand Jury recommended that the Board adopt a financial plan.

At the heart of the financial problems was the extended lack of experienced, knowledgeable, and consistent leaders, particularly those with financial expertise, at both the Board and management levels. Deficiencies in planning, budgeting, and accounting were the norm. The results were high turnover; reduced income from District programs; inadequate use of some funding sources; and deterioration of the District’s parks, facilities, and the Activity Center itself.

The focus of the current investigation was to determine if the shortfalls – in particular the financial problems – identified in previous Grand Jury reports had been corrected.

APPROACH

The Grand Jury approached this investigation by:

- Reviewing Grand Jury Reports and FRRPD responses for 2005-2006, 2006-2007, and 2011-2012;
- Reviewing past and current Board agendas and meeting minutes;
- Interviewing members of the current Board of Directors;
- Interviewing FRRPD administrators and supervisors;
- Interviewing financial and accounting consultants;
- Attending meetings of the Board of Directors, Board Standing Committees, and a planning workshop;
- Reviewing job descriptions and employee files;
- Analyzing financial data and reports;
- Following proceedings of the Benefit Assessment District Citizens Oversight Committee;
- Reviewing the FRRPD Policies & Procedures Handbook, the Employee Handbook, and the Draft Park and Recreation Master Plan, April 2009; adopted by Board Resolution 1153-11 in April 2011;

- Reviewing applicable sections of the California Code, the Landscape and Lighting Act of 1972, Benefit Assessment District Engineer's Reports, Municipal Service Review Update and Sphere of Influence Plan (LAFCO), and Parks, Progress, and Public Policy: A Legislative History of Senate Bill 707;
- Reviewing the 2012-2013 Matson and Isom audit report dated February 7, 2014;
- Visiting FRRPD parks and facilities.

DISCUSSION

FRRPD was formed in 1952 to provide recreation and park services to the City of Oroville and its surrounding communities. The District spans 730 square miles, ranging from the valley floor to the mountains. District recreation areas and facilities are as follows:

- Bangor Park
- Bedrock Park and Amphitheater
- Bedrock Skate and Bike Park and Tennis Courts
- Berry Creek Park
- Feather Falls
- Feather River Activity Center
- Feather River Parkway
- Forbestown Park/Community Center
- Honcut Area Park
- Martin Luther King, Jr. Park
- Gary Nolan Sports Complex
- Nelson Sports Complex
- Palermo Park
- Playtown USA Park
- Riverbend Park

District operations are funded through a number of revenue sources:

Property taxes comprise 61 percent of the District's income. Payments are received in April and December, making it somewhat difficult to manage monthly cash flow for payroll and accounts receivables.

Program income, 30 percent of FRRPD's revenue, comes from child care services, recreation and sports, gymnastics, and fitness, dance and special interest classes. The District is increasing the number of classes and recreational activities in order to draw a wider audience and increase program income.

The balance of the Districts revenues comes from the following sources:

- Grants from the state's Special Benefit Fund, which compensate for the loss of property tax revenue following the construction of Oroville Dam;
- Impact fees, which are assessed on new construction in the unincorporated area and are used for the acquisition and development/construction of parks, community centers, and swimming pools;
- Benefit assessments, which came into being as a result of the shifting of local property tax revenue to the state. Proposition 218, approved in 1996, authorizes benefit assessments to provide funding for park services, maintenance, and improvements. FRRPD's benefit assessment proposal was approved by local voters in July 2002.

Parks and Facilities

Maintaining 131 fully developed acres of parklands and facilities is a daunting task. Currently there are three full-time and one part-time maintenance workers. In contrast, the National Recreation and Park Association (NRPA) recommends that a District of FRRPD's size have eight maintenance workers. However, the District does hire seasonal workers for the summer when park and facility use is the heaviest.

Most of the parks are in poor shape, although the District is working to improve them. The FRRPD was established in 1952, and the buildings, facilities, and equipment are aging. Some of the facilities, such as the pool at the Nelson Sports Complex and the dock at the pond in Riverbend Park, need major repairs before the public can use them again. Park maintenance and budgeting of reserve funds for capital improvement projects, depreciation, and contingencies were deferred over the years, while the parks and recreation system continued to deteriorate.

Vandalism is also a serious and costly problem at many of the District's parks. At present there are no security cameras. Maintenance workers spend one-fourth of their time repairing or replacing vandalized park grounds and facilities, like broken restroom fixtures, baseball and soccer fields torn up by joy-riding drivers, and drains packed with rocks. The General Manager and the Board recognize that security cameras would aid in deterring vandalism.

Members of the Board of Directors are always willing to pitch in and do whatever is needed. In addition, volunteers are a valuable resource:

- In December 2013 the General Manager invited the community to join the Board of Directors on a tour of the parks. It is hoped that this will form the foundation of an advisory committee to visit each park and identify repair and maintenance needs.
- Enlisting the support of community resources is one way to make repairs at a minimal cost. For example, Northwest Lineman College trainees replaced utility poles at Martin Luther King, Jr. Park.
- The Adopt-A-Park program encourages community businesses and organizations to sponsor park cleanup and maintenance.
- Park stewards are FRRPD's eyes and ears. Their presence helps deter vandalism and other crimes. The park stewards are issued cards with FRRPD phone numbers and are encouraged to report problems immediately.
- The Sheriff's Work Alternative Program (SWAP) allows eligible offenders to work under supervision, rather than serve time in jail. The Butte County Probation department has similar programs.
- The District does not currently use the services of students enrolled in parks and recreation programs, but the idea is worth considering.

Management and Leadership

Grand Juries dating as far back as 2005-2006 have documented Board turmoil. The high rate of turnover through elections, resignations, and appointments has had a negative impact on the Board's ability to plan and execute solutions to the administrative, operational, and financial problems that have loomed for years.

There was a succession of General Managers holding that position from as little as three months to less than a year, with interim managers filling in because of an abrupt resignation or dismissal of a General Manager.

The current Board consists of two directors who have served since FY 2005-2006, two directors elected in November 2012, and one appointee serving since the resignation in 2013 of an elected director. There are no limits on the number of terms a Board member may serve. Each member of the Board serves on a standing committee, such as Finance, Parks, and Personnel. There is no limit on the number of years a member may serve on a particular standing committee.

In late 2012, the Board hired an interim General Manager who provided leadership and guidance to the Board until the current General Manager was hired in May 2013. The General Manager holds a Bachelor's Degree in Recreation Administration and has been working in the recreation field since her teens. The General Manager has continued with the guidance given to the Board before her hiring. She is making significant headway in setting goals, reforming accounting procedures, and developing staff. She champions fiscally sound budgeting and fiscal accountability.

Record-keeping problems identified in earlier Grand Jury reports have largely been corrected. A schedule for revising job descriptions has been implemented. Employee files have been reviewed and corrected as necessary. Training and background checks are up to date and properly documented. Employee files are kept in a locked cabinet, accessible only to management.

The District's web page is well designed and current. Special events and activities are publicized. Board and committee meetings are advertised, and agendas and minutes are included.

The General Manager emphasizes professionalism in the workplace, which has contributed to an atmosphere of cooperation and teamwork. The recent goal-setting workshop exemplifies the constructive working relationship of the General Manager and the Board.

The General Manager adheres to and seeks guidance from the standards and best practices established by the California Parks and Recreation Society (<http://www.cprs.org/>), and the National Recreation and Park Association (NRPA) (<http://www.nrpa.org/>).

Under the General Manager, the District's operations have greatly improved. However, the General Manager (and the Board) would benefit from the expertise of a qualified financial professional who could provide direction in long-term financial planning.

Previous Grand Juries reported on turmoil among members of the Board and members of the public. However, the current Grand Jury witnessed only positive interactions during recent Board meetings.

The District's Policies and Procedures Handbook describes, among other things, the functions, duties, and responsibilities of the Board. Moreover, it states that the Board alone is responsible for policy *determination*; policy *execution* is the responsibility of the General Manager and other District personnel.

The handbook also states "Board members need to act in concert with their fellow Board members as policy makers without usurping the functions of the General Manager."

It became apparent during meetings, however, that some individuals on the Board are unaware of the separation of duties called for in the Policies and Procedures Handbook. By overstepping their authority and interfering with the General Manager's duties, Board members have inadvertently created more work for the General Manager. This kind of dysfunction hampers the execution of the FRRPD's mission.

Finances

Previous Grand Juries reported on the mishandling of financial affairs resulting in the fiscal problems faced by the District today. It will be extremely difficult for the District to pay off its debt and continue operations.

Until the August 2010, purchase of the Oroville Gymnastics Sports Academy (now the FRRPD Activity Center), the District's mission and priorities were concerned with its parks and facilities. During that time, in order to maintain operations, the District was granted an unsecured line of credit from Bank of the West (\$1 million in 2006, then revised to \$2 million in 2007) and borrowed \$500,000 from U. S. Bank in 2009.

The purchase of the Activity Center, and, with it, the gymnastics and childcare programs, was ill-advised and unsupported by a realistic projection of income potential. There was no performance review of the operation to determine if it was financially sustainable.

State law sets a limit on indebtedness for a recreation and park District: not more than twice the amount of the preceding year's property tax revenue. The debt must be repaid within 10 years. For FY 2009-2010 the District's legal

indebtedness limit was approximately \$3.138 million. In August 2010, the District borrowed \$3.12 million from Butte Community Bank¹ at a 6.5 percent interest rate, and \$350 thousand from the City of Oroville, amounting to a total indebtedness of \$3.47 million for the purchase of the Activity Center.

With the monthly payment set to increase 83 percent in September 2013, the loan was modified in October 2012 to the current repayment schedule, with the interest rate remaining at 6.5 percent. Rather than develop a comprehensive plan to address the debt, the Board approved the loan modification application, apparently without a performance review to determine the impact the building and its costs were having on the District's financial picture.

Nearly \$2.8 million is currently owed on the Activity Center alone. Payments are due to increase in June 2015 from \$23,261 a month to \$42,586.

A financial analysis report was completed in March 2013 at the request of the interim General Manager. The report called FRRPD's continued existence into question, if something was not done immediately to address its debt. The first response to the predicament was to reduce expenses and increase income as much as was achievable in the short term. With staffing cuts and a five percent salary reduction, along with the associated expenses for retirement benefits (seven percent), the payroll costs are projected to be \$60,717 under budget for FY 2013-2014.

Legal expenses have been reduced substantially and are projected to be \$60,000 under budget for the current fiscal year. Part of those savings funded the long-overdue purchase of equipment vital to the office and to park maintenance.

The Board eliminated the full-time finance manager position in May 2013. In July, the General Manager hired and worked closely with a bookkeeper who has expertise in QuickBooks™ accounting software. The General Manager contracted for set-up and revision of the District's books. The accounting system was streamlined and is running smoothly. The contractor provided training to the Board in fiscal management and the reading of financial reports. These services have resulted in a projected overrun of \$7,000 for outside accounting services. Expenses for the outside contractor are expected to decline as the need lessens. Financial accounting and reporting are clearer and reflect the District's budget and financial status more accurately.

¹ With the dissolution of Butte Community Bank, Rabobank assumed the loan.

Despite the positive changes, the District is in a tight corner and has few options to limit the impact of the debt load. By the end of the current fiscal year, the District's long-term liabilities will amount to nearly \$3.7 million. The debt load affects all other considerations: park maintenance, building of reserve accounts, hiring of additional staff, and more.

Currently, the District is attempting to restructure the Activity Center loan with a less onerous payment schedule. Those efforts may be ongoing through the publication of this report. The effort is complicated by the legal requirement that the loan be repaid within 10 years. Enlisting someone knowledgeable in both banking systems and commercial financing would contribute greatly to the negotiations.

Options other than refinancing available to the District include seeking a grant to pay off the debt; negotiating a sale/lease-back agreement for the Activity Center; deeding the building back to the bank and moving to another facility; or declaring bankruptcy.

If the District manages to extricate itself from this financial morass, it needs to take definitive action to prevent such problems from recurring.

Looking Forward

The people who ultimately control the District's finances are elected. The Board of Directors bears the key responsibility for setting legal, policy, and financial objectives. Not surprisingly, most nonprofit Board members are not financial experts and may not fully understand financial reports.

Board members need to develop a firm grasp of the District's financial operations. Board members must be able to understand profit and loss statements, balance sheets, and cash flow. They need to be skeptical and to ask the hard questions in order to fulfill their fiduciary responsibilities.

The Board should rely on the General Manager, the staff, and other sources of experienced support to perform their designated duties. The Board would be well served, however, by contracting for a qualified financial expert in the area of long-range planning. The benefits will far outweigh the costs of these services.

It is not surprising that the District has focused on short-term solutions to its debt load, rather than on planning for future operations. Putting the fiscal house in order will not be an easy task. Nevertheless, it is important that the District

develop a long-range strategic plan including priorities and realistic projections of income and expenses. This will enable the Board and staff to work together in rebuilding the District's financial stability and providing the community with quality park and recreation facilities.

FINDINGS

- F1 The District's debt load is not sustainable.
- F2 Despite previous Grand Jury recommendations, the District has not developed a long-term financial plan.
- F3 The General Manager is well suited for the position and exerts a positive influence on District operations.
- F4 The District is working to improve maintenance and upgrade the parks and facilities.
- F5 The District has done an excellent job updating District handbooks and personnel records, streamlining the accounting system, and improving checks and balances.
- F6 There are no security cameras to deter vandalism in the parks and facilities.
- F7 The District makes good use of volunteers, but has not tapped all sources.
- F8 There are no term limits for Directors and no rotation of committee assignments.
- F9 Some members of the Board have taken actions that encroach on the duties and responsibilities of the General Manager.
- F10 Many Board members and staff lack in-depth financial expertise.
- F11 The District deferred budgeting reserve funds for capital improvement.

RECOMMENDATIONS

- R1 The District should continue to pursue loan refinancing and consider other options to manage its debt load.
- R2 The District should seek professional guidance and develop a long-term financial plan, including capital outlay and depreciation reserves.
- R3 The District should proceed with the installation of security cameras.
- R4 The District should evaluate the feasibility of using students as park interns.

R5 In order to promote new ideas, the District should explore establishing term limits for Directors and rotate committee assignments periodically.

R6 The District should coordinate with Counsel and the General Manager for refresher training in the proper separation of duties and responsibilities of Board members vs. management.

R7 The District should contract for periodic financial refresher workshops.

RESPONSES

Pursuant to Penal Code §933 and §933.05, the following responses *are required*:

- Feather River Recreation and Park District Board of Directors: A response to Findings F1 through F11 and Recommendations R1 through R7.

DISCLAIMER: This report was issued by the Grand Jury with the exception of a juror who has had association with former and current principals of the Feather River Recreation and Park District. This grand juror was excluded from all parts of the investigation, including interviews, deliberations, and the writing and approval of this report.

The governing bodies indicated above should be aware that the comment or response of the governing body must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.

Reports issued by the civil Grand Jury do not identify individuals interviewed. Penal Code §929 requires that reports of the Grand Jury do not contain the name of any person or facts leading to the identity of any person who provides information to the civil Grand Jury.

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2013–2014 BUTTE COUNTY GRAND JURY REPORT

INDIGENT DEFENSE SERVICES

SUMMARY

It has been half a century since the U. S. Supreme Court affirmed an indigent's right to legal counsel at public expense. In response to that decision, states and local governments adopted a variety of public defense arrangements. In Butte County, public defense services are provided by a consortium of independent attorneys, rather than by a County department.

Butte County has contracted for public defense services since the early 1970s. The consortium came into being in 1990. Seven of the present-day attorneys were members of the original group. Butte County benefits from their depth of experience and expertise.

A major advantage of the consortium is the near elimination of conflicts of interest. Because each attorney operates independently, clients' files are not accessible to the other attorneys. Without this arrangement, it would be necessary for the County to pay for outside attorneys' services when conflicts of interest required such additional counsel be obtained.

As independent contractors, the attorneys have none of the financial or organizational benefits enjoyed by County employees. Consortium attorneys must maintain their own offices including support staff, supplies, and equipment.

The Grand Jury found the consortium approach is working reasonably well, but there are several red flags. In terms of resources, the consortium is not on an equal footing with the District Attorney's office. The increase in felony filings that led to a reorganization of the Superior Court in early 2014 did not result in an equivalent increase in the consortium's staffing. Additionally, in part because of growing workloads, operational reviews and contract administration are handled informally. These imbalances and operational issues need to be addressed.

The Grand Jury was impressed with the dedication and commitment of Butte County's public defenders. Their desire to serve the cause of justice is noteworthy.

GLOSSARY

AB 109 — Assembly Bill 109, 2011 Public Safety Realignment Act—shifted responsibilities for certain classes of felons from the state to the counties

Capital case — A legal case in which a defendant can potentially be executed

Conflict / Conflict of interest —The representation of one client whose interests are adverse to the interests of another current or former client

Felony — A criminal offense that is punishable by imprisonment of a year or more

Indigent — A person without sufficient income to afford a criminal defense lawyer

Misdemeanor — A criminal offense punishable by imprisonment in the county jail not exceeding 6 months, or by a fine not exceeding \$1000, or both, except in cases when a different punishment is prescribed by law, with imprisonment in the county jail not to exceed 1 year

Nolo contendere (Latin, “I will not contest”) — A plea in which a defendant neither disputes nor admits guilt

Public Defender Consortium, or consortium — A group of attorneys (currently 20), who contract privately with Butte County to provide defense council to indigent citizens.

BACKGROUND

The 1963 landmark U.S. Supreme Court case, *Gideon vs. Wainwright*, established an individual’s right to competent criminal defense, regardless of an inability to pay. Through subsequent decisions, the Supreme Court extended the coverage from felonies to misdemeanors and juvenile offenses.

For the past 24 years, Butte County has provided indigent defense services through a consortium of attorneys, each of whom contracts independently with the County. In 2002, with the contracts due to expire, the Board of Supervisors authorized an outside consultant to evaluate the effectiveness of the County’s indigent defense services. As a result, a contract maintaining the consortium’s approach was rewritten and adopted.

The 2003-2004 Butte County Grand Jury, in recognition of the new contract cycle, looked at the Indigent Defense Services Consortium¹ in terms of the contracting process alone. The current Grand Jury felt it was time to take a broader view of the consortium's functions.

Over the past two years, the Consortium has seen a steady increase in workload. The Butte County-Superior Court established an additional felony court, which posed new challenges. In addition to handling felonies and misdemeanors, the Public Defender Consortium attorneys represent clients in cases involving a variety of specialty courts: domestic violence, juvenile delinquency, juvenile truancy and conservatorship, drug treatment, child endangerment, and driving under the influence. These are noteworthy and vital endeavors. However, this Grand Jury's focus was primarily on criminal felonies and misdemeanors that were not being handled in the specialty courts.

APPROACH

The Grand Jury performed the following activities:

- Interviewed Public Defender Consortium attorneys, as well as personnel from the District Attorney's office and County Administration;
- Reviewed responses to a Grand Jury questionnaire distributed to Public Defender Consortium attorneys;
- Analyzed statistical data provided by the Superior Court;
- Reviewed current and prior contracts of consortium attorneys and investigators;
- Reviewed studies and documents pertaining to public defense;
- Studied data on California's various public defense structures;
- Attended felony, misdemeanor, and drug treatment court sessions.

DISCUSSION

The *Gideon vs. Wainwright* decision established that the states were responsible for indigent defense. However, over half of the states rely on local government, at least in part, to administer and fund indigent defense services. California's 58

¹ The group is commonly referred to as the Public Defender Consortium; the terms are used interchangeably.

counties have adopted different public defense approaches, including in-house County departments, contractual arrangements, court-appointed attorneys whose fees are paid by the County, or a hybrid approach using a combination of in-house staff and private attorneys, for example. Regardless of the arrangement, conflicts of interest must be prevented. A conflict occurs when a potential client's interests are adverse to those of a current or former client of the attorney.

Counties with larger populations usually have in-house public defender departments. Currently 36 counties have such departments. Smaller counties tend to have contractual arrangements or court-appointed attorneys. However, Yolo and Shasta Counties, whose populations are comparable to Butte County's, do have departments.

In-house departments cost more than contractual arrangements. In addition to salaries and benefits, counties with public defender departments pay for space, support staff, training, and research materials among other services. Costs should not be the overriding factor in determining how indigent defense services are provided, but are a major consideration. The Grand Jury's interviews with attorneys and County Administration established that the primary reason Butte County does not have an in-house department is the higher cost.

The Grand Jury considered the feasibility of establishing a County public defender department. As County employees, the attorneys would enjoy the benefits and services listed above. In addition, they would have a greater say in decisions affecting them—as one attorney put it, “a seat at the table.” But the main advantage of the consortium arrangement, the virtual elimination of conflicts of interest, would be lost. Further, the transition costs, as well as the costs of maintaining a department, would be prohibitive.

Public Defense in Butte County

In the early 1970s, the County provided public defense services through a system of private contracts, along with appointed attorneys for conflict cases. The original contract was executed in 1971. In 1981, the County contracted with two legal firms to provide service from offices in Chico and Oroville. This contract covered only a portion of the costs for indigent defense. The County had to pay for private attorneys in conflict cases and for outside counsel to handle complex capital cases. Other significant costs to the County included investigation fees, witness fees, and interpreter fees.

With the increasing number of public defender cases, the County recognized that the system provided little opportunity to compare service costs to caseload or to services actually rendered. Further, it was impossible to measure the performance of members of the contracting firms.

In January 1990, the County contracted with a group of attorneys, the Butte County Indigent Defense Services Consortium. Because each attorney contracted independently with the County, conflicts were greatly reduced. Cost controls included a timecard and case tracking system, as well as caps on expenditures for extraordinary cases. Each attorney was responsible for office expenses and secretarial support and was required to have malpractice insurance. The contract provided for an executive committee and an executive director to handle coordination and liaison among the attorneys, the Court, and the County.

In November 2002, the Butte County Board of Supervisors commissioned Hughes, Perry & Associates, in conjunction with the Matrix Consulting Group, to assess the costs and benefits of the County's public defense system. Their report, "An Analysis of Indigent Defense Services and Alternatives, Butte County, California," was a thorough, top-to-bottom study of the County's public defense approach.

The study found that the consortium provided a cost-effective system, but needed some improvements. The Board of Supervisors accepted the report. The County issued a request for proposals (RFP), received two bids, and awarded the contract to the Butte County Indigent Defense Services Consortium. The new contract took effect December 5, 2003. The contracts have been renewed, with revisions, every three to four years.

The Public Defense Workload

The Grand Jury reviewed data on criminal felonies and misdemeanors, handled by consortium attorneys, from the Court's Case Management System² for January 1, 2011, through December 31, 2013. The data show that nearly three out of every four cases filed (6,860 of 9,350) were pleaded out, i.e., counts and/or aggravating allegations were dismissed in return for a guilty plea to one or more other charges. See chart below.

² The system does not track specific attorney assignments. The data apply to the last attorney of record in each case.

Workload analysis is complicated by the fact that defendants commonly have multiple cases. For example, one defendant may have a combination of felony

Felony and Misdemeanor Cases Closed — 2011-2013		
	Misdemeanor	Felony
Convicted on Plea of Guilty	583	325
Convicted on Plea of Nolo	3,972	1,980
Charges Dismissed	1,899	525
Convicted and Sentenced	38	28
Total Cases	6,492	2,858
Grand Total	9,350	

charges, misdemeanor charges, and multiple traffic infractions.

One recommendation of the Hughes, Perry & Associates report was for the County to develop an automated case management information system,

along with a definition of what constitutes a “case.” The recommended system would have replaced a tracking report form that had been in use. It was paper-based and made the assessment of caseload and case status difficult. The form in current use is intended to track numbers of cases and defendants, as well as the hours the attorney spends in and out of court (see Appendix A). The system, whether developed or not, is not being used. Most of the attorneys submit the report inconsistently, or not at all.

The public defense attorneys keep track of their own work using a variety of case management systems. They do not submit reports either to the Consortium’s Executive Director or to County Administration. While the contracts originally called for monthly statistical reports, the most recent contracts require reports only if requested by County Administration. According to one attorney, “The consortium asked the County not to burden it with paperwork, and the County obliged.”

A new case management module, which will do more than count cases and clients, is under development and may be of interest to the County (see Appendix B).

The public defense attorneys reported that their caseloads are increasing. The Grand Jury heard comments such as “caseloads are nearing maximum capacity,” “we are beaten down by cases,” and “we need more lawyers.” The caseload information provided by the attorneys to the Grand Jury indicates a 10 percent increase from 2011 to 2012 and a 22 percent increase from 2012 to 2013.

A capital case trial puts a significant strain on the consortium's resources when a consortium member is the lead defense attorney. During the 6 months before the trial and through the trial itself, the lead public defender is occupied full time with the case. This disrupts consortium case assignments and upsets the attorney-client relationship because the trial attorney's clients must be reassigned to other members of the consortium. The consortium must decide if it has the resources to handle the existing caseload or whether the County must hire additional help. Typically, in capital case trials there is a second defense attorney. This is all very costly. For example, the County paid public defense costs totaling \$251,364 for a single capital case spanning fiscal years 2012-2013 through 2013-2014.

Workings of the Consortium

The Public Defender Consortium is a group of 20 attorneys, each of whom contracts independently with the County and is neither an agent of the County nor an agent of any other attorney in the consortium. The contracts are virtually identical, except for statements of duties (felony, misdemeanor, juvenile, drug court, etc.), a differentiation for full-time versus half-time positions, and other minor variations.

Members of the consortium select one attorney to act as their Executive Director. This individual has the following responsibilities:

- Administer the consortium and supervise the attorneys to ensure they fulfill their contract responsibilities;
- Serve as the consortium's liaison with the County and the court;
- Coordinate requests for extraordinary funds by both the attorneys and the investigators;
- Conduct contract negotiations and review contract compliance;
- Manage and supervise the investigative contracts.

The provisions of the current contracts include some that were recommended in the Hughes, Perry & Associates report: professional qualifications of attorneys, ongoing annual training, and standards of client representation. The 2003 contract also incorporated a key element recommended in the Hughes, Perry & Associates report: establishment of a policy board, replacing the old review panel. The intent of the policy board is to monitor and evaluate the consortium attorneys, recommend replacement attorneys, develop guidelines and monitor

the internal management of the consortium, and develop a complaint procedure for clients.

At present, there is no policy board. The paragraph referencing the board still appears in the oldest contracts, but is not included in the newer ones. Responsibility for performance review now is the purview of the Executive Director as noted above.

Whatever review occurs is informal. The attorneys have the opportunity to observe each other in court. They have informal discussions, and if there is a significant problem, they advise the Executive Director. Most feedback comes from the judges and other court personnel.

The closest thing to a policy board is the Criminal Ad Hoc Committee, which meets monthly under the direction of the Presiding Judge. Participants include the Public Defender Consortium Executive Director and representatives from the District Attorney, Sheriff, and Probation Departments. The group discusses operational issues, such as ways of improving efficiency. Contract management is informal, consisting mainly of periodic meetings between the Executive Director and County Administration.

All full-time attorneys receive the same payment for their services, regardless of their experience or the complexity of their cases. The current annual compensation for a full-time public defender is \$138,324. The Executive Director receives an additional \$15,789 per year to cover the added responsibilities. Cost of living adjustments were eliminated in November 2011.

The County provides funding for investigative services, up to \$399,288 per year. Consortium attorneys share the services of seven investigators. The investigators receive a flat monthly payment, ranging from \$2,400 to \$4,800. Each investigator works for an assigned attorney or attorneys and performs all requested investigative services. The investigator's pay is the same regardless of the amount of time spent. The total amount for contracted legal services is \$28,800 per month, of which the County pays \$27,098.³ When additional services are needed, the monthly amount may be exceeded within the limits of the annual cap. In 2012, the cost for investigative services was \$373,000.

³ Effective January 1, 2014, the consortium receives an additional \$2,400 per month for investigative services because of the impact of AB 109.

The attorneys receive no additional compensation for maintaining their offices. They are responsible for support staff, equipment, supplies, mail, telephone service, subscriptions, information systems support, insurance, and the like. Consortium attorneys get no paid vacations, sick leave, or retirement benefits. As one attorney said, “My retirement plan is to work until I can’t work anymore.”

Consortium attorneys may take private clients, as long as first priority is given to their public defense cases. A common perception is that there is a lucrative sideline in private casework. But because of the volume and breadth of their public defense work, many of the attorneys take few, if any, private clients. Several attorneys said their numbers of private clients had declined substantially during the past 3 years.

A number of attorneys commented about being “under resourced.” As one attorney put it, “We are not on an equal footing with the District Attorney” in terms of staffing and support. The District Attorney has an information systems staff. Public defenders are on their own for PowerPoint presentations and the content graphics for exhibit preparations. The District Attorney’s staff assisted the consortium in the installation of electronic discovery two years ago, but they do not provide ongoing technical support.

Staff at the District Attorney’s office are provided with LexisNexis, a computer-assisted legal research service. Public defenders either have to pay for their own subscriptions or use the system in the legal law library in Oroville.

When California consolidated the municipal and superior courts, the public defenders lost courthouse amenities such as a lounge, conference room, and the law library, which was relocated outside of the courthouse. Attorneys use the hallways to confer with clients and other attorneys. There is limited or no privacy.

Until about two years ago there was very little turnover among the consortium attorneys. Nine of the current members signed the 2003 contract, and several of them have been in the consortium since 1990 (see Appendix C).

Members identify potential attorneys by observing them in court — their interactions with clients, judges, and other attorneys. In some cases a prospective member has worked as a relief attorney for the consortium.

The Executive Director puts together a list of possible new hires. Consortium members confer and vote on the selection. The Executive Director then consults with County Administration; the Board of Supervisors awards the contract. Seven new attorneys have been hired since January 2012. New hires receive little if any formal training. They receive a briefing on their caseloads and are guided by a senior consortium attorney.

Because of the past lack of turnover and to open the operation up to new attorneys, the consortium converted two full-time misdemeanor positions to four half-time positions. New hires typically start in the misdemeanor courts with a goal of moving up to a felony court.

Public defense is not for everyone. One attorney stated that only about 20 percent of attorneys could do the job; another said many attorneys decline public defense because of the negative effect on their private practices. A public defender has no say in client assignments. As one attorney said, “We see the worst of the worst.” Those who embrace the profession cited reasons such as the desire to further the cause of justice, the opportunity to work on a wide variety of cases, the quantity of significant cases, and the autonomy.

The New Felony Court

Until January 2014, there were three criminal courts calendared according to the first letter of the defendant’s last name. Three public defenders per court were assigned clients on a rotating basis. During the preceding three years, there was an estimated 21 percent increase in felony filings, owing in part to the impact of AB 109. To accommodate the increased workload, the Butte County Superior Court added a fourth felony court. The alpha distribution of the calendaring system is now spread across the four courts.

It would have made sense to replicate the old public defense model by adding three new public defender attorneys for the fourth court. Budget concerns prevailed, however. The additional staffing for the consortium was not based on workload considerations. Rather, it was determined by squeezing the maximum possible out of the budget.

The Public Defender Consortium received just one new felony attorney⁴ plus additional funding for an investigator. Two attorneys are assigned to each of the four courts. The remaining two attorneys each alternate between two courts. In effect, each court has two and one-half public defense attorneys. The new approach seems to be working, although having the attorneys migrate between courts upsets the flow. It is not unusual to have to be in two places at once. There is no formal plan to evaluate the new system.

The danger of ever increasing public defender caseloads has been pointed out by a number of professional legal organizations—the American Bar Association, the National Right to Counsel Committee, and the National Association of Criminal Defense Lawyers, to name a few. Excessive workloads make it difficult for defenders to represent their clients effectively. Thus far, the Butte County Public Defender Consortium has been able to hold its own. But how long can the status quo be maintained?

FINDINGS

- F1 The Public Defender Consortium attorneys are highly dedicated and committed to the legal defense system.
- F2 The consortium, with independently contracted attorneys, virtually eliminates conflicts of interest.
- F3 There is no consolidated system for tracking numbers of cases and their disposition.
- F4 There is no formal procedure for evaluating attorneys' performance.
- F5 Unlike the District Attorney's staff, public defenders must pay for their own research subscriptions.
- F6 Public defense attorneys have limited private meeting space in the County courts.
- F7 Trying capital cases disrupts the consortium's operations and incurs significant costs.

⁴ An additional half-time attorney was added to staff state parole hearings, a requirement of AB 109.

- F8 County Administration negotiated staffing decisions for the fourth felony court based on costs, rather than workload.
- F9 There is no formal plan to evaluate the impact of the fourth court on public defense services.

RECOMMENDATIONS

- R1 The County should develop and implement a cohesive caseload management system, i.e. numbers of cases, clients, and disposition of cases.
- R2 The Public Defender Consortium Executive Director should develop and implement a procedure for evaluating each attorney's performance.
- R3 The County should provide consortium members with subscriptions to a legal research system, such as LexisNexis or WestLaw.
- R4 The County should provide a meeting space for the consortium attorneys.
- R5 The County administration and consortium should study the feasibility of hiring non-consortium attorneys for capital cases, considering costs and the impact on public defender operations.
- R6 The County should monitor the impact of the fourth felony court on the consortium's operation and staffing and present a report to the Board of Supervisors by March 2015.

RESPONSES

Pursuant to Penal Code §933 and §933.05, the following responses *are required*:

- Butte County Board of Supervisors: A response to Findings F2 through F9 and Recommendations R1 through R6

The Grand Jury *invites* the following individuals to respond:

- Butte County Public Defender Consortium Executive Director: A response to Findings F2 through F9 and Recommendations R1 through R6
- Butte County Chief Administrative Officer: A response to Findings F2 and F5 through F9 and Recommendations R1 and R3 through R6

The governing body indicated above should be aware that the comment or response of the governing body must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.

Reports issued by the civil Grand Jury do not identify individuals interviewed. Penal Code §929 requires that reports of the Grand Jury do not contain the name of any person or facts leading to the identity of any person who provides information to the civil Grand Jury.

Appendix A

Butte County Public Defender Monthly Reporting System Felonies and Misdemeanors

ATTORNEY ACTIVITY IN	Month																															Monthly Totals			
	January-14																																		
COURT	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31				
Calendars																																			0.0
Contested Hearings																																			0.0
Jury Trials																																			0.0
OUT OF COURT																																			
Client Conference																																			0.0
Case Preparation																																			0.0
Research																																			0.0
Other																																			0.0
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	

Monthly Cases and Defendants				TOTAL CASES	
NEW APPOINTMENTS	NEW CASES	CLOSED		# Cases	# Defs.
# of New Cases	# of New Defendants	# Felony Cases	# Misdemeanors	41	28
40	28	33	7		
TOTAL ACTIVE CASES			TOTAL ACTIVE CASES		
# Cases Active	# Defendants Active	# of Felonies	# of Misdemeanors	# Felony	# Misd.
107	99	100	7	32	9

Conflicts Declared		Cases Transferred to	
# of Cases	# of Defendants	Other Contract Atty	Other Counsel

To get new TOTAL ACTIVE CASES # defendants: take PREVIOUS month TOTAL ACTIVE # defts + current month NEW # defts - CLOSED # defts !!
 To get new TOTAL ACTIVE CASES # felonies: take PREVIOUS month TOTAL ACTIVE # felonies + current month NEW # felonies - CLOSED # felonies !!
 To get new TOTAL ACTIVE CASES # misdemeanors: take PREVIOUS month TOTAL ACTIVE # misdemeanors + current month NEW # misdemeanors - CLOSED # misdemeanors !!

Appendix B

An automated case management system would provide statistical information to both the County and the consortium's Executive Director, with minimal effort of consortium staff. It would also provide several services to each public defender including: case tracking, document preparation, calendaring of case events, and discovery.

The District Attorney office's case management system is *JWorksProsecutor*, an application supported by CourtView Justice Solutions. The same vendor has a module for defense attorneys, *JWorksDefender*, which integrates with the *Prosecutor* module. *JWorksDefender* establishes an independent partition for each defense attorney allowing them to autonomously manage their case files.

Pertinent information concerning a case is entered into the *Prosecutor* module by DA staff. If the case is filed, all relevant information would be transferred to the *Defender* module of the public defense attorney assigned. The public defender would review discovery; generate any motions, writs, or other forms from common template files; calendar pending events; and enter the disposition of the case. Statistics could be drawn from the system to evaluate workloads and case distribution.

The *JWorksDefender* module is currently being revised and will not be available until 2015–2016. This Grand Jury suggests the County stay apprised of progress of availability and consider the acquisition of *JWorksDefender* and implement this system when it becomes available.

Appendix C

Butte County Public Defenders

	Date hired as a Public Defender	Date entered Bar	Years of Experience
#1 *	12/05/2003	1979	35
#2 *	12/05/2003	1977	37
#3 *	12/05/2003	1992	22
#4 *	12/05/2003	1987	27
#5 *	12/05/2003	1992	22
#6 *	12/05/2003	1981	33
#7 *	12/05/2003	1986	28
#8 *	12/05/2003	1985	29
#9 *	12/05/2003	1990	24
#10	02/10/2007	1993	21
#11	03/26/2007	2006	8
#12	08/01/2007	2004	10
#13	03/05/2011	1999	15
#14	01/10/2012	2009	5
#15	01/10/2012	2009	5
#16	01/10/2012	2008	6
#17	01/10/2012	1985	29
#18	02/01/2013	1997	17
#19	01/01/2014	2004	10
#20	01/01/2014	2011	3

**Worked as a Public Defender in Butte County prior to 2003*

2013–2014 BUTTE COUNTY GRAND JURY REPORT

NEAL ROAD RECYCLING AND WASTE FACILITY

SUMMARY

Disposing of a community's accumulated trash is an ongoing concern. After past practices of burning and burying garbage proved detrimental, new regulations dictated a different approach to waste management. In recent years with population increases and awareness of limits on land, water, and air, Butte County managers explored new ways to address the issues. The Grand Jury looked at the Neal Road Recycling and Waste Facility (NRRWF) to see how the facility operates. Planning for the future in which our trash does not overwhelm the community should be a concern for every citizen.

GLOSSARY

Ameresco – Ameresco, Inc. is an independent provider of comprehensive energy efficiency and renewable energy solutions for facilities throughout North America, delivering long-term value through innovative systems, strategies and technologies.

Enterprise Fund – A government enterprise fund is a fund that establishes a separate accounting and financial reporting mechanism for municipal services for which fees are charged in exchange for goods and services.

Environmental Attributes – Environmental Attributes refer to any credits, benefits, emission reductions, offsets, and allowances attributable to the generation from Ameresco's facilities, and its displacement of conventional energy generation.

Gate Fees – A gate fee (or tipping fee) is the charge levied upon a given quantity of waste received at a waste processing facility.

Government Incentives – Government incentives are monetary awards or other value provided by any governmental agency with respect to LFG or any activities of County or Ameresco in connection with the agreement.

Landfill Gas (LFG) – Landfill gas is generated during the natural process of bacterial decomposition of organic material contained in municipal solid waste (MSW) landfills.

Leachate – Leachate is any liquid that in passing through matter, extracts solutes, suspended solids, or any other component of the material through which it has passed.

Methane Gas – Methane (CH₄) is a colorless, odorless, non-toxic, and flammable gas, and is the simplest of the hydrocarbons. Methane is produced by the breakdown of plant materials in landfills, swamps, and marshes. This gas consists of about 50 percent methane (the primary component of natural gas), about 50 percent carbon dioxide (CO₂), and a small amount of non-methane organic compounds (NMOCs).

NRRWF -Neal Road Recycling and Waste Facility (NRRWF) – Butte County’s landfill site is located on Neal Road.

Septage – The liquid and solid material that is pumped from a septic tank, cesspool, or other treatment facility after it has accumulated over a period of time.

Supernatant – Supernatant is the clear liquid lying above a solid residue after crystallization, precipitation, centrifugation, or other process.

Waste Cell Module – A waste cell module is an area in the landfill site prepared to receive solid waste materials.

BACKGROUND

The Butte County Department of Public Works, Waste Management Division, manages the NRRWF, maintains the Household Hazardous Waste (HHW) program, and investigates reported illegal dumping within the County. The Division also provides education and outreach for recycling programs, regulates the performance of waste haulers, and conducts tire/recycling enforcement inspections. The Neal Road facility receives waste disposal from commercial trash haulers and the public. A facility for proper disposal of septage waste is also maintained.

Butte County operated the dump site from 1970 through 1978. A private company, Neal Road Landfill Company, a Waste Management, Inc. subsidiary, operated the landfill site from 1978 until early 2003, under contract with Butte County. The State of California Regional Water Quality Control Board established mandates for monitoring the environment of the site in 1989. In response to this, the County established a fund in accordance with these mandates in April 1989.

Revenues from the contract received were deposited into this account to fund required licenses and monitoring. As more state regulations were enacted, the County hired a manager to oversee compliance with these laws in 1992. An additional engineer and workers were hired to handle increased requirements in the following years. In March 2003, the Butte County Public Works Department resumed the role of sole operator of the Neal Road site. NRRWF functions as a division of Public Works.

The Neal Road Recycling and Waste Facility comprises 189.8 acres (see Appendix A map). One hundred forty acres are available for the solid waste cell footprint. This includes waste cell Modules 1, 2, and 3 that closed in 2006. Module 4 is receiving waste materials at this time; Module 5 is in the design phase. There is a septage receiving area. Septage facilities include Primary and Secondary septage ponds. There are five storm water basins and one leachate pond. A privately owned landfill gas-fueled electric generation facility began operation in February 2013.

APPROACH

The 2013-2014 Grand Jury performed the following activities:

- Toured the NRRWF site;
- Interviewed personnel in the Public Works department and its Waste Management division;
- Reviewed documents provided by the Department of Public Works, other Butte County personnel, and online resources.

DISCUSSION

In an ideal world, all Butte County citizens would work hard to reduce waste. The reality is that the County produces solid waste materials in excess of 136,000 tons yearly. This needs to be removed from homes and businesses and disposed of in an environmentally safe manner. State and federal regulations in place protect the environment in terms of air quality, ground water supplies, and hazardous materials. The NRRWF, under the management of the Butte County Department of Public Works, Waste Management Division, is responsible for compliance with these regulations.

The Waste Management Division Strategic Plan identifies four issues and challenges facing the Division and Butte County in the next 10 years:

- Charging reasonable gate fees;
- Guarding against landfill gas, ground and surface water contamination from migrating offsite;
- Implementing engineering controls and practices to comply with environmental regulations;
- Developing cost-effective and safe methods of solid waste reduction and disposal.

The Grand Jury is interested in the utilization of funding and the plans for future maintenance and improvements of the site. The Grand Jury reviewed the revenue sources in the budget and the facility improvements in progress.

Budget

The Waste Management Division receives no financial support from the Butte County General Fund. Its budget is maintained through an enterprise fund. This fund establishes a separate accounting and financial reporting mechanism for municipal services for which fees are charged in exchange for goods and services. The fund supports all operating costs on a yearly basis. Any returned earnings must be appropriated for expenditures relating to the fund.

The operating budget is sustained through revenue generated from gate fees, recycling contracts with private vendors, and occasional grants. The budget balance must support the ongoing operations and projected improvements for this site. Capital improvements are a long process, taking planning, funding, and construction time to implement. The Division must project far into future years to ensure adequate facilities to meet the needs of the County.

The Division conducted a study of possible scenarios to maintain financial stability for NRRWF with capital improvements and equipment replacement. The study identified four possible options, with only one of them maintaining the current balance of the operating budget. That option included combinations of rate increases and added tonnage delivered to the site.

With the economic downturn in the latter part of the last decade, the landfill experienced a decrease in revenue through the loss of gate fees. Operating costs

continued to rise due to ongoing expenses and additional oversight mandated by the government. In addition, the decrease in revenue also impacted future plans for capital improvements of the site.

The division explored ways to maintain a balanced fund for future operations. One of the alternatives was to raise gate fees (see Appendix B - Gate Fee Schedule). In December 2012, the Board of Supervisors approved a rate increase of \$1.50 for each of three years, starting in 2013. At present, a gate fee of \$40.61, (effective January 2014), is charged for waste over 1,515 pounds. This is the lowest rate for service at a county-owned facility north of Sacramento.

The second part of the proposal to maintain a balanced budget explores ways to increase waste tonnage delivery. Several private trash operators are collecting trash in Butte County but delivering it to other landfill sites outside the County. This is estimated to be 20,000 tons yearly. Revenue from this lost tonnage would assist in maintaining reasonable gate fees for the public.

In addition to gate fees, the NRRWF receives revenue from private vendors who remove recyclable materials such as tires, appliances, mattresses, and scrap wood from the landfill site. This helps preserve acreage for future waste. Fees charged cover all directly related expenses for removal from the site.

Landfill Gas Utilization

Decomposition of solid wastes produces landfill gases (LFG). Several factors affect the quality of gases produced: composition of the waste, the temperature of the site, the presence of oxygen, and the time elapsed since the waste cell began. Anaerobic conditions in the waste cell produce primarily methane and carbon dioxide gases. Past practice has been to capture gases through a venting system and burn (flare) the gases to control release into the environment.

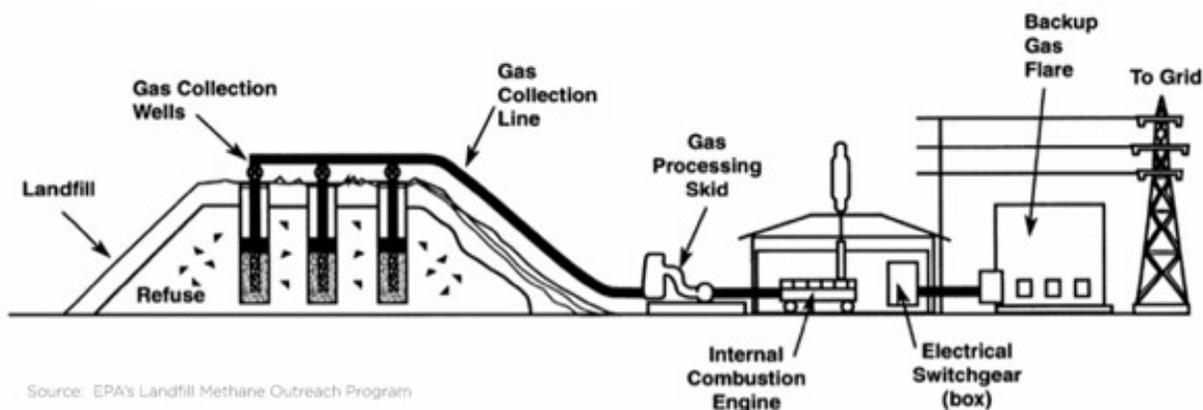
NRRWF closed parts of Modules 1, 2, and 3 in 2004, and installed perimeter probes and gas collection components. Gas extraction wells, collection piping, and a flare became operational. With the final closure of these Modules in 2006, additional wells were installed.

California Global Warming Solutions Act, AB 32, passed in 2006, required operators of MSW landfills to install gas collection and control systems. The Department of Public Works and its Solid Waste Division investigated ways to utilize the gas collection.

In November 2007, the Department of Public Works released a Request for Proposal (RFP) to develop a landfill gas utilization project that would provide financial benefit to the County. An evaluation committee reviewed nine proposals and selected three candidates. A check of references and an interview were conducted with each company. Ameresco, Inc. was selected based on its overall proposal, past history of successful projects, and expertise to develop the project within its organization. The company's financial stability and ability to finance the project internally were also a strong factor in the selection process.

The first contract, signed October 21, 2008, allowed Ameresco to begin constructing an LFG-fueled electric generation facility. This was accomplished in accordance with all local, state, and federal regulations. Ameresco agreed to sell all electricity produced to Pacific Gas and Electric. The plant was to operate two engines producing 4.3 megawatts of electricity. Compensation to the County was to be 25 percent of the gross revenue from the sale of electric energy, plus 50 percent of net government incentives, plus 50 percent of environmental attributes, less all costs incurred by Ameresco for the operation of the plant. Payments to the County were set up to be made quarterly.

LANDFILL GAS TO ENERGY FACILITY



Source: EPA's Landfill Methane Outreach Program. This is an example of how a landfill gas-to-electricity operation functions

When it was determined that the LFG produced was not adequate in quantity or quality to operate two engines, Butte County and Ameresco entered into another contract in September 2009. Ameresco agreed to fund the construction of new pipelines and the hookups to 12 new wells. The costs to construct the necessary

project was \$272,000. The contract stipulated that NRRWW would repay Ameresco in 12 quarterly installments through the revenues generated by the sale of electricity.

Even with the additional wells operating, the gas production was not sufficient for Ameresco to install the two engines as planned. Amendment #3, signed November 10, 2009, allowed for the installation of only one engine. In October 2010, NRRWF and Ameresco addressed the lack of gas production and its effect on the revenues generated by the sale of electricity. With only one engine operating, megawatt capacity was reduced to half of the expected outcome in the original contract. Payment rescheduling of the loan to add new wells and the compensation to NRRWF for the sale of the electricity were both modified.

The loan repayment for the well installation increased from 12 quarterly payments to 24 quarterly payments. These payments come from the revenues generated by the sale of electricity and will be paid off in December 2018. Quarterly payments are \$11,372.17. Compensation for the revenue from the sale of electricity was reduced from 25 percent to 10.5 percent of gross revenues. The Government Incentives and Environmental Attributes percentages remained the same. This percentage remains in place until a second engine is operational. At that time, the percentage of compensation increases to 25.25 percent for the first five years with the second engine operational. For years six through 10, the percentage of gross revenue increases to 26 percent and then to 26.75 percent after the tenth year with two engines operating.

Electricity sales began in February 2013. According to the Ameresco contract, Butte County receives 10.5 percent of the revenue. With the repayment of \$11,372.17 to Ameresco for the pipeline construction each quarter, the net revenue generated for the 11 months of 2013 was \$78,964.68 (see Appendix C Ameresco payments for 2013). The pipeline loan is scheduled to be paid off in the 4th quarter of 2018. Expectation is that this revenue will continue to rise as the quality and quantity of gases collected increases. The collection of gases will be ongoing and allow the Neal Road Enterprise Fund to maintain a steady revenue source.

Septage Receiving and Processing

The Neal Road Recycling and Waste Facility receives septage from numerous pumping companies operating in Butte County. The fees charged for accepting the septage help support the maintenance of the facility. NRRWF accepts only

septage originating in Butte County. On average, the NRRWF site receives 16,000 gallons of sewage daily.

The facility consists of two ponds. The current primary septage pond, which receives raw sewage, and an adjacent leachate pond were retrofitted in 1992. The three non-porous layers prevent leakage into the ground and the water table. The raw septage separates with solids collecting at the bottom and the liquid rising to the top. The clear fluids that rise to the top are known as supernatant. The supernatant is reduced through evaporation and flows into the secondary pond. This pond was constructed in 1996 and is fully triple lined. Rainwater also enters the uncovered ponds and must be included in the volume of liquid removed. While evaporation reduces the liquids, it is insufficient to maintain an acceptable level within the pond. The excess supernatant is transported to either to the City of Chico Water Pollution Control Plant or to the Sewerage Commission-Oroville Region (SCOR) wastewater treatment plant for disposal.

Periodically, the first pond is dredged, and the sludge is compressed to begin the drying process. The semi-dry waste product is laid in rows to fully dry by air and sun. When it has dried to within acceptable moisture limits, it is added to the landfill. It contributes to the production of methane gas for collection.

The septage facilities occupy land within the waste cell footprint. Waste cell Module 5 is in the design phase, and construction will begin in the space devoted to septage in the next two years. New arrangements are needed to accommodate the septage in the future. While the Neal Road facility has no legal responsibility to continue to process sewage, NRRWF and the County are looking at alternative ways to process this ubiquitous waste product. One alternative is to have no facility at the NRRWF site, with all sewage going to the two existing facilities in the County. The City of Chico site has the capacity to handle the sewage in the County. SCOR only handles the sewage from homes and businesses within the defined SCOR area in Oroville. A second alternative is to collaborate with a private company to build and manage a facility. This facility could be onsite, like the Ameresco plant, or at a new site. Discussions are ongoing, and a decision will be made in the near future.

FINDINGS

- F1 The Ameresco LFG plant began operation in February 2013 and continues generating revenue for the Neal Road Recycling and Waste Facility Enterprise Fund.
- F2 The Waste Management Division of Butte County Department of Public Works has a Strategic Plan that shows projections for future development.
- F3 Butte County Public Works and its Waste Management Division are striving to keep the NRRWF from being a financial burden on the citizens of Butte County.
- F4 NRRWF continues to investigate ways to stabilize gate fees for County customers by working with trash haulers on ways to increase tonnage delivered to the site.
- F5 NRRWF is working to identify the best approach to process septage when the current pond area is repurposed as part of waste cell Module 5.

RECOMMENDATIONS

None

RESPONSES

Pursuant to Penal Code §933 and §933.05, the following responses *are required*:

- Butte County Board of Supervisors: A response to Findings F1 through F5

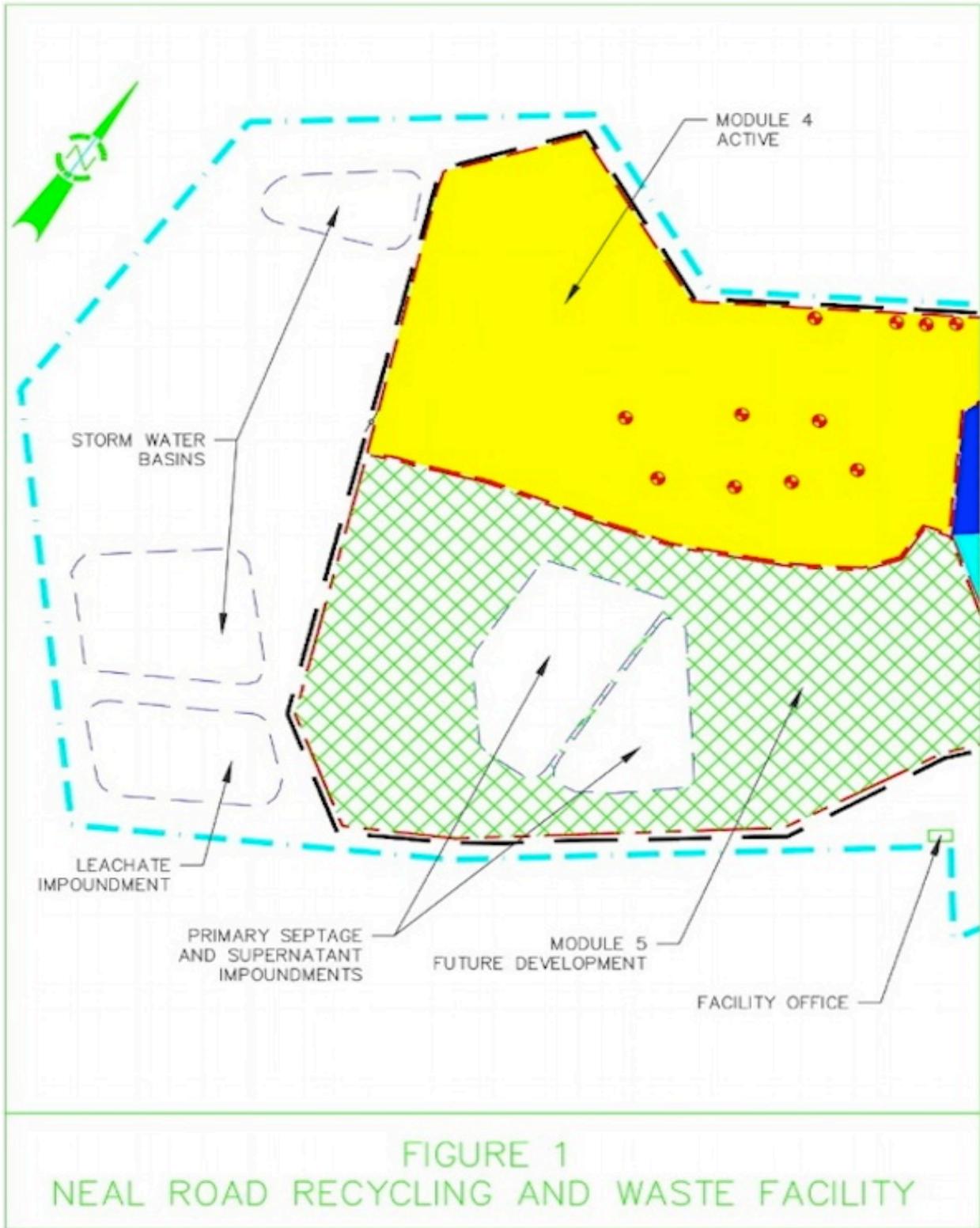
The Grand Jury *invites* the following individuals to respond:

- Director, Butte County Public Works Department: A response to Findings F1 through F5

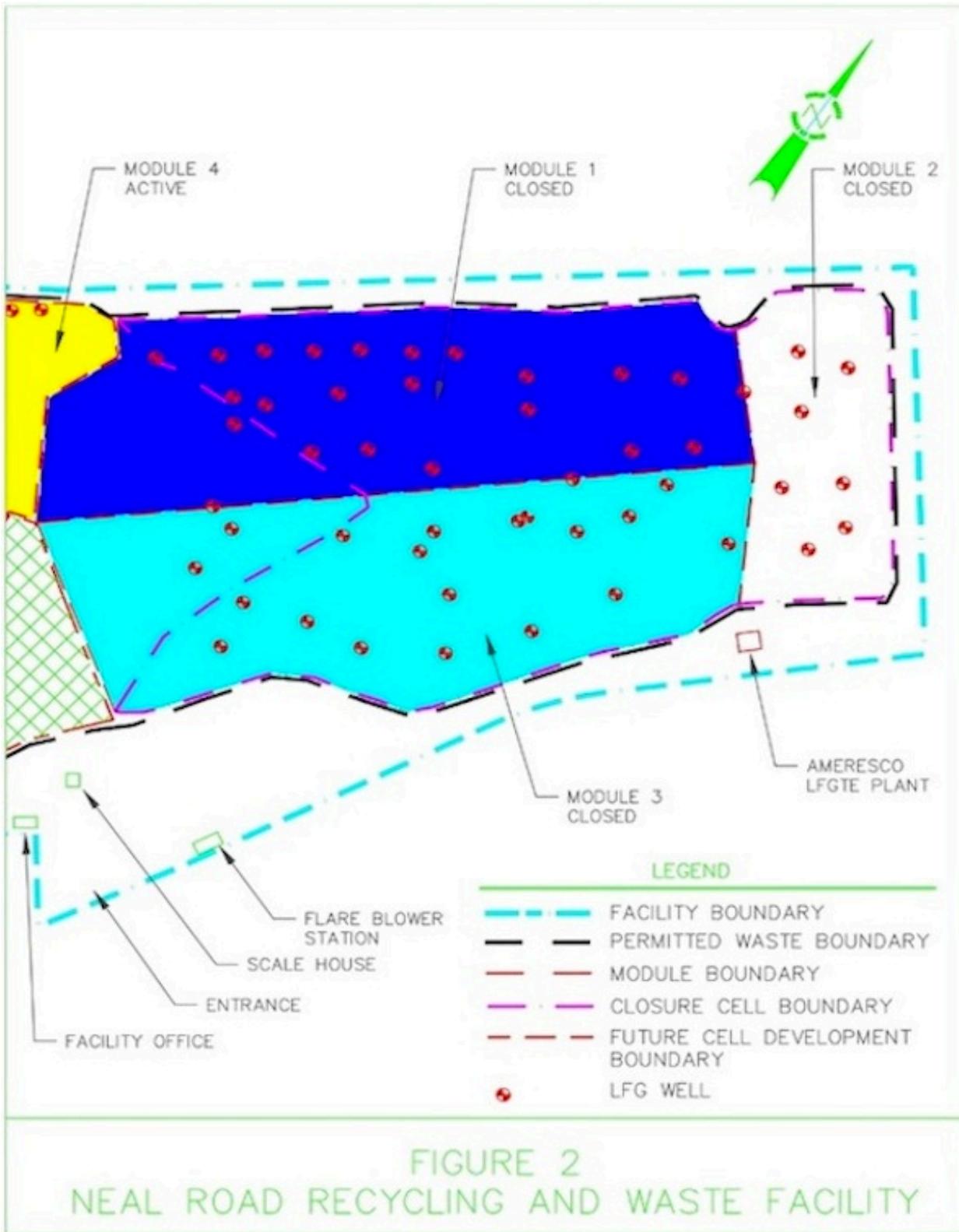
The governing bodies indicated above should be aware that the comment or response of the governing body must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.

Reports issued by the civil Grand Jury do not identify individuals interviewed. Penal Code §929 requires that reports of the Grand Jury do not contain the name of any person or facts leading to the identity of any person who provides information to the civil Grand Jury.

Appendix A: Map of Neal Road Recycling and Waste Facility



Appendix B



Neal Road Recycling and Waste Facility Gate Fee Schedule

Butte County Public Works - Neal Road Recycling and Waste Facility Gate Fees Schedule		
Master Fee Schedule		
Activity	Adopted Fee	Notes
NEAL ROAD RECYCLING AND WASTE FACILITY GATE FEES		
A. Self Haul Vehicles		
1. Minimum Charge per Vehicle, up to 540 lbs. net weight MSW	\$10.00	Per vehicle.
2. Charge per Vehicle, 541 to 1,027 lbs. net weight MSW	\$19.00	Per vehicle.
3. Charge per Vehicle, 1,028 to 1,514 lbs. net weight MSW	\$28.00	Per vehicle.
4. Charge for All Other Vehicles, Over 1,515 lbs. net weight MSW	\$39.11	Per ton eff. 1/1/13
		\$40.61 effective 1/1/14
		\$42.11 effective 1/1/15
B. Commercial Haulers		
	\$39.11	Per ton. All loads, including construction and demolition debris, bulky items (excluding tires, bailing wire and stumps) eff. 1/1/13
		\$40.61 effective 1/1/14
		\$42.11 effective 1/1/15
C. Green Waste		
	\$5.00	Min. fee for 800 lbs. or less. Includes tree branches, woody shrubs and plants. Does not include grass or segregated loads of leaves and needles. Must be free of litter and contaminants.
D. Wood Waste		
	\$5.00	Min. fee for 800 lbs or less, or \$12.00 per ton. Must be free of litter, fixtures sheetrock, and other contaminants.
E. Clean Fill Dirt		
	\$0.00	No charge. No contaminants, litter, yard waste, or C&D debris.
F. Clean Asphalt or Concrete		
	\$0.00	No charge. No contaminants, rebar, litter, or C&D debris.
G. Bulky Items		
	\$6.00	Per item. Mattresses, box springs, furniture, carpet, appliances. Appliances with Freon must be certified as Freon-free.
1. Mattresses, Box Springs	\$9.00	Per item eff. 1/1/13
H. Freon Containing Units (Limit 2/Visit)		
	\$15.00	Per item, \$30 per item after two. Refrigerators, freezers, air-conditioning units, ice makers
I. Cathode Ray Tubes and Electronics:		
1. Televisions and Computer Monitors	\$0.00	No Charge.
2. Other Small Electronic Waste (Dimensions not exceeding 24" VCRs, Microwaves, Stereos, etc.)	\$0.00	No Charge.
3. Other Large Electronic Waste (Dimensions over 24" - Copiers, Computer Servers, etc.)	\$0.24	Per pound.
J. Stumps		
1. Less than 24" trunk diameter (Measured above the rootball)	\$10.00	Per Stump.
2. Greater than 24" trunk diameter (Measured above the rootball)	\$30.00	Per ton, plus special handling fee.
K. Tires		
1. Up to 36" O.D.	\$2.00	Per tire, tires with rims charged double fee. Limit - 9 tires per vehicle unless accompanied by Waste Tire Manifest.
2. 36" to 48" O.D.	\$4.00	Per tire, tires with rims charged double fee. Limit - 9 tires per vehicle unless accompanied by Waste Tire Manifest.
3. 48" to 60" O.D.	\$13.00	Per tire, tires with rims charged double fee. Limit - 9 tires per vehicle unless accompanied by Waste Tire Manifest.
4. Over 60" or Large Loads	\$200.00	Per tire, tires with rims charged double fee. Limit - 9 tires per vehicle unless accompanied by Waste Tire Manifest.
5. Cut Tires (Split, sliced, or quartered)	\$200.00	Per tire, tires with rims charged double fee. Limit - 9 tires per vehicle unless accompanied by Waste Tire Manifest.
L. Septage		
	\$33.25	Per ton.
M. Special Handling		
	\$60.00	Per load. Request by appointment. (NF-Asbestos, large stumps or other loads requiring immediate cover or Landfill Personnel assistance.)
N. Untarped Load Fee		
	\$8.11	
O. Commercial Hauler Prohibited Waste Extraction (and storage in their container)		
	\$15.00	Per occurrence.
P. Credit Application Fee - Administration		
	\$45.00	Per individual, \$68.00 per corporation.
Q. Fluorescent Tubes		
1. 0-32 Lineal Feet	\$0.00	No charge.
2. >32 Lineal Feet	\$0.16	Per lineal foot.

Appendix C: Ameresco Payments for 2013

<p align="center">Ameresco Butte County LLC LFG Purchased From Butte County</p>								
<p>In accordance with Exhibit C of Amendment # 4 dated October 26, 2010 of the LFG Purchase Agreement</p>								
<p>Agreement dated: 10/21/2008</p>								
<p>Operations Date: 2/13/2013</p>								
<p>County Compensation = (GR x 0.105) + (0.5 x A) + (0.5 x B) - C</p>								
<p>GR = Gross Revenue from the sale of electricity.</p>								
<p>A = Ameresco collected with respect to New Government Incentives.</p>								
<p>B = Ameresco collected with respect to New Environmental Attributes.</p>								
<p>C = Ameresco costs which is reimbursable per Article VII.D.</p>								
<p>Expansion Costs: \$ 272,932.00 24 equal quarterly amounts: \$ 11,372.17</p>								
Month	GR	A	B	C	LFG Value	Remaining Expansion Costs	True Up	Payment to County
1st Qtr 2013	\$ 188,698.79				\$ 19,813.37	\$ 261,559.83		\$ 5,113.22
2nd Qtr 2013	\$ 332,289.51				\$ 34,890.40	\$ 250,187.67	\$ 3,327.99	\$ 26,846.22
3rd Qtr 2013	\$ 321,733.98				\$ 33,782.07	\$ 238,815.50		\$ 22,409.90
4th Qtr 2013	\$ 323,499.07				\$ 33,967.40	\$ 227,443.33		\$ 22,595.24
<p>Notes: Gross Revenue is based on the average recent availability of LFG.</p>								
<p>1st Qtr 2013 GR from Feb. 13 through March 31, 2013 only.</p>								
<p>2nd Qtr 2013 True up from 1st Qtr GR and Expansion Cost update</p>								

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2013–2014 BUTTE COUNTY GRAND JURY REPORT

SMALL RURAL SCHOOL DISTRICTS

SUMMARY

The 2013-2014 Grand Jury chose to visit the small rural elementary school districts in the Oroville area: Bangor Union Elementary School District, Golden Feather Union Elementary School District, Feather Falls Union Elementary School District, and Pioneer Union Elementary School District. With the changes to State funding, curriculum and testing, these districts face multiple challenges to adequately provide a quality educational program. Even under these conditions, the experiences provided in the close family-like community atmosphere are productive.

GLOSSARY

ADA – Average Daily Attendance

BCOE – Butte County Office of Education

Bangor - Bangor Union Elementary School District

CCSS – Common Core State Standards (Core) - Educational standards describe what students should know and be able to do in each subject in each grade. In California, the State Board of Education decides on the standards for all students, from kindergarten through high school.

Combination class – A combination class is a self-contained classroom at the elementary school level, which includes students from more than one grade level.

Concow Elementary School (Concow) – Single School site operating within Golden Feather Union Elementary School District

Core – Reference to CCSS

Feather Falls - Feather Falls Union Elementary School District

Golden Feather - Golden Feather Union Elementary School District

LCAP – Local Control and Accountability Plan - Each school district must engage parents, educators, employees, and the community to establish these

plans. The plans will describe the school district's overall vision for students, annual goals, and specific actions the district will take to achieve the vision and goals. The LCAP must focus on eight areas identified as state priorities. The plan will also demonstrate how the district's budget will help achieve the goals, and assess each year how well the strategies in the plan were able to improve outcomes.

LCFF – Local Control Funding Formula - LCFF funding will be distributed via the Principle Apportionment. The system for calculating payments is extraordinarily complex, and the LCFF will add layers of additional complexity during the 8-year phase-in period (after the phase-in period, the calculations will be simpler).

OUHSD - Oroville Union High School District

Pioneer - Pioneer Union Elementary School District

BACKGROUND

The Butte County Office of Education operates six school sites, including the school at Juvenile Hall. There are 14 other school districts in Butte County (see Appendix A). Five districts provide grade levels kindergarten through 12th grade. Those districts are Biggs Unified School District, Chico Unified School District, Durham Unified School District, Gridley Unified School District, and Paradise Unified School District. Oroville Union High School District (OUHSD) has multiple sites offering 9th through 12th grades, and an Adult School program. Seven districts are elementary districts offering kindergarten through 8th grades. Three of these districts have multiple school sites: Oroville City Elementary School District, Palermo Union School District and Thermalito Union School District. The other five districts are a single school district. They are Bangor Union Elementary School District (Bangor), Feather Falls Union Elementary School District (Feather Falls), Golden Feather Union Elementary School District (Concow), Manzanita Elementary School District, and Pioneer Union Elementary School District (Pioneer). Manzanita students enter Gridley High School while the remaining four districts' students enter OUHSD. The Grand Jury focused on the four rural districts in the Oroville area.

Four small rural school districts in the Oroville area currently have enrollments of fewer than 200 students.

- The Bangor Union Elementary School District is located in the foothills southeast of Oroville and serves the community of Bangor. Bangor was founded as a mining boomtown in 1855 and named by the Lumbert Brothers, early settlers and storekeepers, after their hometown of Bangor, Maine. The recorded elevation is 761 feet, and population was 646 at the 2010 census. The community is about 1.5 miles from the Yuba County line.
- Feather Falls Union Elementary School District is located northeast of Oroville and serves a cluster of rural unincorporated communities surrounding Feather Falls. It includes large forested areas and is partly inside Plumas National Forest. The first post office was opened in 1888. It takes its name from the nearby famous waterfall also known as Feather Falls and lies at an elevation of 2,982 feet. The school was originally established in the late 1800s. Current facilities were constructed in the 1940s and 1950s.
- Golden Feather Union Elementary School District is located on 8.5 acres north of Oroville and serves the communities of Concow and Yankee Hill. The school was originally built around 1940 with additions in the 1960s and 1970s. Concow is an unincorporated community named after the Concow Maidu, the Native American tribe that was indigenous to the area. Concow is 20 miles north of Oroville and was permanently settled in 1856. It has an elevation of 2,628 feet and the population was 710 in 2010.
- Pioneer Union Elementary School District, serving the unincorporated community of Berry Creek, is located on 26 acres in the foothills about 12 miles northeast of Oroville in hilly terrain at 1,995 feet. The District was established in 1962 and the existing facility was built in 1983. Berry Creek was first established in 1875. The population was 1,424 in 2010.

APPROACH

The 2013-2014 Grand Jury looked at Butte County's small rural schools to explore the efficiency and quality of the education being offered. A major change in the funding model for California schools has been adopted and is taking place this fiscal year. Funding is moving from a Revenue Limit Formula based on average daily attendance (ADA), to what is referred to as Local Control Funding Formula (LCFF). Curriculum requirement changes throughout the nation are

also taking place with the implementation of Common Core State Standards (CCSS). This Grand Jury chose to look at the possible impacts these changes will have on the smaller school districts.

The 2013-2014 Grand Jury performed the following activities:

- Visited all schools with enrollments fewer than 200 students;
- Interviewed the BCOE Superintendent and additional staff;
- Interviewed the superintendents of each small school district;
- Interviewed administrators from OUHSD;
- Met with school site personnel in each district;
- Met with Parent Club members;
- Attended school board meetings.

DISCUSSION

Each district operates a single school. Low, fluctuating enrollment challenges all four districts and impacts both funding and staffing requirements. When reviewing staffing formulas, it appears the teacher-to-student ratio is high. The Grand Jury agrees with the superintendents that the current staffing is necessary to support the wide range of grade levels assigned to each teacher.

Bus transportation is another area of concern, as the state reimburses only about 60 percent of these costs. If bussing were discontinued, it is estimated that about one-half of the students would have difficulty getting to school on a regular basis.

BCOE currently offers afterschool programs to all kindergarten through 8th grade schools in the County. This satisfies a concern voiced in the 2006-2007 Grand Jury report. Each site administrator expressed gratitude for this program, which offers help with homework and the opportunity to complete it. It also offers physical activities, arts and crafts, music, and a snack after the regular school day.

A nurse is available 12 days a year to each district. She is a permanent employee of BCOE and primarily takes care of all the mandated health issues and reporting requirements.

Rural school superintendents voiced appreciation of the BCOE Superintendent for his leadership role in training for classified and certificated staff; and for providing financial assistance and taking the leadership to secure technology

infrastructure, hardware, and software for the small districts. BCOE also holds monthly meetings for all County superintendents as well as additional meetings designated for the smaller, rural districts to brainstorm issues specific to them.

With a family-like atmosphere at these schools, the Grand Jury was concerned about the ability of 8th graders to transition into the larger, more structured environment of high school. The Grand Jury met with the OUHSD administrators of the schools where most of the students will be attending. The administrators assured the Grand Jury that rural students have no more difficulties than students who come from the larger school environments. Statistics also show that these small feeder school students achieve similar academic levels as their peers. These rural school students make several trips to the high schools to become familiar with the larger school environment. The schools also arrange for students to meet with high school counselors and make preliminary plans for future educational opportunities.

An issue of concern for these rural students attending high school is that they have limited opportunity to participate in after school activities and interscholastic athletics due to transportation issues. Participation in these extracurricular activities helps to build self-confidence. Some students board the bus as early as 5:45 a.m. and don't arrive home until after 5:00 p.m. Bus service to accommodate after school activities is not available due to cost.

Historically, every state has had its own educational standards, definitions, and proficiency requirements. Since 2010, 45 states have adopted the same standards for English and math. Having the same standards helps most students get a better education even if they change schools or move to a different state. Teachers, parents, and education experts designed the standards to prepare students for success in college and in the workplace. In the 2013-2014 school year, these rural districts are implementing the CCSS standards. Next year, state testing will be computer-based. The needed technology infrastructure will be critical and costly to meet. Pioneer, Feather Falls, and Concow schools received federal distant learning grant funds to assist with connections to the California K-12 High Speed Network.

The BCOE Superintendent is working with all superintendents in the County to successfully make the transition to these new standards. The stages of this implementation have been set. Training and support are well underway and it is believed that the goals will be met successfully and on schedule. The BCOE

Superintendent is enthusiastic, but also realistic, stating “there will be bumps in the road.”

The school funding mechanism is currently in a state of flux. California school districts have been funded via a Revenue Limit Formula based on ADA for many years, with add-ons to revenue limit dollars known as categorical funding. Categorical funds are restricted to certain programs such as Economic Impact Aid (EIA). The new LCFF provides more base dollars per student than in past years and allows local districts to prioritize how to spend their money. This new funding formula, while appearing to give flexibility, is tied to new requirements known as Local Control and Accountability Plan (LCAP).

As a result of recent tragic school violence that has taken place in other parts of the country, superintendents expressed a desire that the Butte County Sheriff’s Department would take a more active role in maintaining contact with schools. The Sheriff’s Department might assess each school’s safety policies to see if they are adequate or need improvement. The superintendents would like to have a deputy position assigned to each district to maintain open communications between the school community and the Sheriff’s Department. A deputy’s presence would be beneficial for students, parents, and staff.

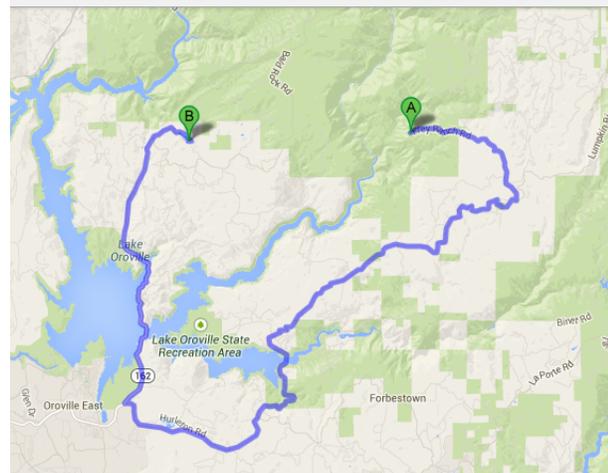
Previously all the rural districts offered preschool programs and acknowledge that these programs are a tremendous benefit to the children whom they served. However, State and Federal funding for preschool programs has been so limited in recent years that most districts do not offer these programs.

Every school in California is required by state law to publish a School Accountability Report Card (SARC) by February 1 of each year. The SARC contains information about the condition and performance of each California public school. This information includes school contact information and location, opportunities for parent involvement, grade levels, enrollment, school climate, facilities, teachers and support staff, curriculum and instructional materials, school finance, teacher and administrative salaries, student performance proficiency testing, exit exam statistics, physical fitness, Academic Performance Index (API), dropout and graduation rates, instructional planning, and scheduling. The Grand Jury searched for the SARC on the four rural districts websites. They had all been produced and were posted on the California State Department of Education website. When contacted about the apparent lack of publishing this information on local websites, one superintendent responded that

they were in the process of getting technical assistance to help design and produce a usable website. Having a website is an excellent source to share relevant information about school contacts, academics, school calendars, meeting schedules, and current school activities.

One Superintendent Serves Two Districts

One Superintendent/Principal serves both Feather Falls Union Elementary School District and Pioneer Union Elementary School District. He drives over an hour each way from one district to the other on narrow, winding roads that are frequently occupied by logging trucks. His primary office is at Pioneer School. The superintendent reports to two separate school boards.



Pleasant, positive interactions were observed between students and also between the students and staff. Of the students currently enrolled in the two districts, 92 percent qualify for free and reduced-price meals. Students were enthusiastic about meals served in the cafeterias; fresh baked bread is often on the menu at both sites. These districts conduct combined activities and field trips to introduce students to places and events that they may not otherwise experience.

Feather Falls Union Elementary School District

Feather Falls employs one teacher and two paraprofessionals, in addition to the Superintendent/Principal shared with Pioneer. Current enrollment is 11 students, kindergarten through 5th grades, the lowest enrollment of all schools in the County. There are no students in 6th, 7th, or 8th grades this year. The school is comprised of a main office, cafeteria, library, four large classrooms, a teacher resource center, and a workroom. The one



double-sized classroom being utilized contains a stage. The school has a capacity to educate 70 students. Staffing is very stable, with employees who have been there for many years; some even attended the school as children.

The 2006-2007 Grand Jury Report stated that this school was in disrepair. Because community members had attempted to keep the buildings in an adequate condition, the District was not eligible for state funding for major repair and modernization. Consequently, the District left the facilities in disrepair by design. The school has since received Extreme Hardship Deferred Maintenance monies from the State and the facilities recently received a new roof, siding, septic system, and heating/air conditioning units.

Pioneer Union Elementary School District

In 1988, construction started on Pioneer to accommodate 175 students. The District employs four teachers for the 70 currently enrolled students. There are three paraprofessionals who work 5 hours a day and one media specialist who works 6 hours a day. Pioneer has opened a parent participation pre-school 5 days a week at a cost of \$150 per month or 3 days a week for \$90 per month. Three children are enrolled; one does not speak English. A parent, who is a credentialed teacher, volunteers to supervise this program.



Pioneer is in the planning stages of working with the community and with Feather River Recreation and Parks District to provide computer classes for the general population. The school will provide the computers and classroom space; the Park District will provide instructional staff.

Cost savings measures are constantly being researched. Although solar energy would bring down utility costs, the Butte County Sheriff's Department has discouraged this, as theft and/or vandalism of solar panels is a grave concern in this area of the County.

A follow up visit to these sites included meeting with a parent group, among them a school board member, volunteer firefighter, and a school secretary. Other meetings were held with teachers, students, cafeteria staff, school psychologist, and a bus driver/maintenance person. Lack of community involvement and/or a

parent support group was a concern of the 2006-2007 Grand Jury. Currently there is strong support from the community and an active parents club.

The District applied for a grant to hire a physical education teacher. The District was awarded \$30,000 for this purpose but did not accept the grant because the \$30,000 would not cover the cost. Ultimately, the grantor donated the money to enhance the existing physical education program.

The 2006-2007 Grand Jury did not perceive a drug problem on campus. During the 2013-2014 school year, Pioneer has had numerous instances of marijuana and cigarette smoking on the playground and in the student bathrooms. Bullying and a case of a student bringing a pellet gun to school have made students and staff anxious. Parents have volunteered to supervise the playgrounds and bathrooms, recognizing that there is not enough staff to be everywhere at all times. Volunteers are required to be TB tested, fingerprinted, and have a background check. Parents are willing to do this, but cannot afford the cost.

Bangor Union Elementary School District

Declining enrollment impacts Bangor. Although enrollment fluctuates, the teaching staff level remains stable. There are five full-time classroom teachers, a special education teacher, a physical education teacher, and six paraprofessionals. Present student enrollment is 120. Due to the grade levels of the students, combination classes are offered in K/1st, 2nd/3rd, 3rd/4th, 5th/6th, and 7th/8th grades. The largest grade level this year is third with 30 students. Consequently, they are in class with either second or fourth graders, depending on their academic and maturity levels.



Original construction on the school started in 1932. The District has a capacity to accommodate 180 students in kindergarten through 8th grade. It is comprised of seven classrooms, a library, staff lounge, computer lab, and extensive playgrounds. Recent remodeling included refurbishing four bathrooms; repaving the quad area; and adding new walkways, heating/air conditioning units, siding,

and paint. In addition to the refurbishing and remodeling of existing facilities, the school has added a new multipurpose room and fully functional cafeteria. Approximately 80 percent of the student body receive free or reduced price meals. The District is in the process of adding additional fencing to limit access and adding cameras to improve student safety and security. The site has a separate play area for preschool and kindergarten children. There is a new track field and usable cross-country running area. Students are encouraged to become involved in athletics and to keep physically fit.

The school has strong community support. There are few discipline problems with no sign of gangs or violence. The staff has had to deal with a parental custody dispute that required intervention by the Butte County Sheriff's Department, and also has experienced a tornado. These two potentially critical occurrences have made staff desire a designated contact person from the Butte County Sheriff's Department. Unfortunately, no ongoing contact has been established between the District and the Sheriff's Department.

Golden Feather Union School District

Golden Feather Union School District facilities are generally adequate and in good repair, although there are areas in need of modernization; other areas



would benefit from a coat of paint. The school has a gym/multipurpose room, library/media center, staff lounge, and playground. The school currently has an enrollment of 107 students and has the capacity to accommodate 194 students. There are six teachers and three paraprofessionals for the six regular classrooms. They consist of a kindergarten and a 4th grade

class plus combination classes of 1st/2nd, 2nd/3rd, 5th/6th, and 7th/8th grades. There are two additional paraprofessionals who each work one-on-one with a student with special needs.

The District owns a swimming pool facility located across the street from the school and has entered into a Memorandum of Understanding with Paradise Recreation and Park District to operate the pool during summer.

There is little turnover among teachers and classified staff. Classified staff members each have more than one primary duty. For example, the librarian is also a bus driver and yard duty supervisor. Another staff member is a bus driver/mechanic/maintenance person. Parents and community members at large are generally supportive of the school. There is an active parents club. Communication with parents is done electronically with most families satisfied with this process. This includes emails or automatic telephone calls. Paper copies of newsletters, monthly calendars, and cafeteria menus are available on request.

There are four bus runs each morning and afternoon. If bus transportation were not available, many families would struggle to get their children to school on a regular basis.

CONCLUSION

The Grand Jury found enthusiastic, dedicated school administrators and staff who are providing quality educational opportunities for students in the rural school districts in Butte County. There are benefits and challenges for each of these districts. Some of the benefits include: the children are fortunate to receive greater individual attention as a result of the low student-to-teacher ratio, there is a caring family atmosphere within the school community, and students are able to remain in their local community. These districts face challenges: inadequate funding to support a wide range of programs, fluctuating enrollment affecting staffing and classroom configurations, and remote locations limiting access to educational and extracurricular activities.

FINDINGS

- F1 School district websites are a good source for information to the public regarding activities, academics, and other relevant information.
- F2 Potential volunteers must complete and pay for state mandated requirements (background check, fingerprinting, TB testing) prior to working with students.
- F3 State and Federal funding for preschool programs has been limited in recent years.

F4 When law enforcement questions arise, staff does not have a dedicated deputy sheriff to contact.

RECOMMENDATIONS

- R1 All school districts should complete the development of their websites and keep them current.
- R2 The school districts should assist with the cost of qualifying volunteers to work on the school campus.
- R3 School districts should provide preschool programs.
- R4 The Butte County Sheriff's Department should assign a designated deputy position to each of the small rural school districts to be of assistance in possible emergency situations and to develop relationships with students, staff, and parents.

RESPONSES

Pursuant to Penal Code §933 and §933.05, the following responses *are required*:

- A response to Finding F1 through F4 and Recommendation R1 through R4 from the following:
 - Butte County Office of Education Superintendent
 - Bangor Union Elementary School District
 - Feather Falls Union Elementary School District
 - Golden Feather Union School District
 - Pioneer Union Elementary School District
- A response to Finding F4 and Recommendation R4 from the following
 - Butte County Sheriff's Department

The governing bodies indicated above should be aware that the comment or response of the governing body must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.

Reports issued by the civil Grand Jury do not identify individuals interviewed. Penal Code §929 requires that reports of the Grand Jury do not contain the name of any person or facts leading to the identity of any person who provides information to the civil Grand Jury.

Appendix A
BUTTE COUNTY SCHOOL DISTRICTS



Source: BCOE website; original map adapted by the 2013-2014 Grand Jury