



**BUTTE COUNTY
GRAND JURY REPORT
2012 ~ 2013**

Superior Court of California
County of Butte
JUN 11 2013
Kimberly Flower, Clerk
By *[Signature]* Deputy



Butte County Grand Jury 2012 – 2013 Final Report

2012-2013 Grand Jury Mission Statement

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.

May 29, 2013

[This page intentionally left blank]

TABLE OF CONTENTS

Preface

| | |
|--|-----|
| Letter to Citizens | i |
| Foreperson letter to the Presiding Judge | ii |
| Acknowledgements | iii |
| 2012-2013 Grand Jury Members | v |
| Grand Jury Final Resolution | vi |
| A Brief History and Overview of the Grand Jury | vii |
| Responses to the 2011-2012 Grand Jury Report | xiv |

2012-2013 Butte County Grand Jury Reports

| | |
|--|----|
| Butte County Audit | 3 |
| Butte County Department of Child Support Services | 5 |
| Butte County Department of Employment and Social Services | 9 |
| Butte County Adult Services Division | 10 |
| Butte County Children's Services Division | 15 |
| Butte County Employment Services and Eligibility Services Division | 21 |
| Butte County's Response to AB109 | 27 |
| Butte County Evidence Storage/Morgue | 34 |
| Butte County Jail | 39 |
| Butte County Juvenile Hall | 47 |
| Butte County Cities | 55 |
| Water: Butte County's Vital Resource | 87 |

[This page intentionally left blank]

PREFACE



P.O. Box 110
Oroville, CA 95965

Butte County GRAND JURY

To: The Citizens of Butte County

The term of the 2012-2013 Grand Jury is coming to a close. The nineteen members of the Jury have been privileged to serve for the past year. It has been a rewarding and interesting experience for all of us and we are pleased to have had this opportunity to serve our community.

The Grand Jury functions primarily as a "watchdog" representing the citizens of the County in providing oversight of the operations of governmental entities within the County. Another section of this report gives more details about how the jury is organized and functions.

In this letter we would like to comment on the importance of the complaints and observations which the Grand Jury receives from the citizens of the County. While each Grand Jury is independent and free to look into such matters as its members decide, many investigations have their origin in correspondence received from citizens of the County. Complaints are received, acknowledged and given due consideration. Because each Grand Jury sets its own priorities and has considerable time constraints, some complaints may not result in investigations.

An investigation undertaken by a Grand Jury typically takes several months to complete. If a report is written following the investigation, several weeks must be added to the process. Because of this, complaints received early in the Grand Jury's term, which in Butte County always begins July 1st of each year, have a better chance of being selected for investigation. Complaints received later in the term may be passed on to the next Grand Jury which may or may not choose to investigate them.

The process for making complaints or expressing concerns is straightforward. Instructions and a complaint form are available on the Butte County website, www.buttecounty.net.

Service on the Grand Jury is voluntary. We urge those citizens who receive a letter offering this opportunity to give it serious consideration. For those able to devote the time and energy, it is a very worthwhile and rewarding opportunity to become a better informed citizen and contribute to your community.

We have been very pleased to have had this opportunity. We thank our family members and friends who have supported this year of service. We thank the many governmental employees and board members who have so willingly contributed to this process. And we thank the citizens of the County for this opportunity to serve.

Sincerely,
Members of the 2012-13 Grand Jury



P.O. Box 110
Oroville, CA 95965

Butte County GRAND JURY

The Honorable Stephen Benson
Presiding Judge, Superior Court of California, County of Butte

Dear Judge Benson,

On behalf of the 2012-2013 Butte County Grand Jury, it is my honor and privilege to present to you our final report for your review and consideration. The twelve reports which follow have been approved by the Grand Jury. It is our intent that these reports and our year of service will be of benefit to the citizens of Butte County.

We are grateful again this year for the use of the courtroom facility in Paradise. It has served our needs well and we hope that as long as the County has use of that facility, it can be used by future Grand Juries. It is our hope that the County will continue to develop plans for the permanent assignment of the Grand Jury to facilities which include a room for meetings and a secure place for storage of resource materials in the Grand Jury library. The California Grand Jurors' Association local chapter and the current Grand Jury have seen the continued development of the library as an important and long term objective.

The Grand Jury visited many County departments, cities and other government entities. Numerous interviews were conducted. Although some of the investigations did not result in the issuance of individual reports, we wish to express our appreciation for the willing and competent assistance we were given. Also, we wish to thank the officials who made presentations to the Jury, the County Counsel and the Court staff who always assisted us in a helpful and professional manner. We also wish to note that while one member of the Grand Jury is employed by one of the entities we reviewed, that person did not participate in any of the interviews, analysis and writing regarding that entity.

2012 was an election year. The Butte County Registrar of Voters invited members of the current Butte County Grand Jury to serve on the Logic and Accuracy Board. Prior to the November 6, 2012 election, three members of our Grand Jury observed the testing of mechanical and electronic equipment, verifying that the ballot counting program accurately tallied the test ballots. On election night, they observed the ballot count process and remained until all ballots were counted. These jurors performed the same functions for the special election on January 8, 2013. These jurors concluded that the entire process assured that the final vote tallies accurately reflected the votes cast in Butte County.

The 2012-2013 Grand Jury has worked as a cooperative and committed team. It has been a great pleasure working with such a conscientious group and I believe the citizens of the County should be extremely pleased with the effort and results of their work. I should note that all nineteen original jury members were able to participate for the entire year. We thank these committed people as well as their families, friends and employers who have supported us during our year of service.

Respectfully Submitted,
Paul L. Moore, Foreperson
2012-2013 Butte County Grand Jury

ACKNOWLEDGEMENTS

The 2012-2013 Butte County Grand Jury wishes to express its sincere appreciation to the following individuals and organizations for their assistance during this term.

- The citizens of Butte County, whose concern for the public good led them to lodge complaints about perceived wrongdoing within local government entities.
- The department heads and staff of the various Butte County government entities who were interviewed by the 2012-2013 Grand Jury during the course of its visits, reviews and investigations.
- The Water and Resource Conservation Department for its continued support of our work throughout the year.
- The Environmental Health Division of the Department of Public Health which also assisted with information and statistics that were essential to our study.
- The managers of the various water districts that we interviewed. We appreciated their cooperation and candidness.
- Heather Hacking and her Enterprise Record/Mercury Enterprise articles that keep the public focused on water issues in Butte County.
- Sheriff Jerry Smith and the staff of the Butte County Sheriff's Office, with special mention going to Undersheriff Kory Honea, who went out of his way to assist the Grand Jury in presenting an accurate and balanced explanation of California's Prison Realignment and to Sergeant Daniel Young for his efforts in providing all the logistics and support to the Grand Jury.
- Dr. Jonathan W. Caudill and Dr. Matthew O. Thomas for their briefing on their California State University, Chico group's monitoring of the Sheriff's Day Reporting Center.
- Nino Pinocchio and Wayne Barley for their assistance in giving the Grand Jury a meaningful overview of the operation of the Butte County Juvenile Hall.

- The Butte County Department of Employment and Social Services for being readily available to the Grand Jury and helping the Jury with questions and comments.

In addition, the 2012-2013 Grand Jury would like to thank the staff of the Superior Court of California, County of Butte, and express particular gratitude for the assistance and support provided by:

- Bruce Alpert, County Counsel
- Elizabeth McGie, Assistant County Counsel
- Vicky Caporale, Court Services Specialist
- Kelly Mortensen, Court Services Specialist
- Andy Pickett, County Administration

2012-2013 BUTTE COUNTY GRAND JURY MEMBERS

| | | |
|-------------------|----------|-------------------------|
| Paul Moore | Chico | Foreperson |
| Jerry Kunkle | Magalia | Foreperson Pro Tem |
| Gary Cantwell | Chico | Recording Secretary |
| Susan Blood | Oroville | Corresponding Secretary |
| Connie Cox | Chico | Treasurer |
| Chuck Harrington | Paradise | Sergeant at Arms |
| Jill Anchordoguy | Chico | |
| Loretta Armstrong | Paradise | |
| Kay Bowles | Oroville | |
| Sandra Boyd | Chico | |
| Sars Clifford | Chico | |
| Howard Grimes | Oroville | |
| Roger Hart | Chico | |
| Darlene Hollmann | Chico | |
| Ronald Hostetter | Chico | |
| Kent Rankin | Oroville | |
| John Rhein | Durham | |
| Susan Struble | Chico | |
| David Waddell | Chico | |

2012-2013 BUTTE COUNTY GRAND JURY
FINAL RESOLUTION

Whereas, the 2012-2013 Butte County Grand Jury has conducted the business of its term and has reached certain conclusions, and

Whereas, the 2012-2013 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,

Now, therefore, be it resolved that the attached papers, commendations, findings and recommendations are adopted as the 2012-2013 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 was passed and adopted by the 2012-2013 Butte County Grand Jury at the Butte County Superior Court in Paradise, California on this 29th day of May 2013.

Paul Moore, Foreperson

A BRIEF HISTORY AND OVERVIEW OF THE GRAND JURY

WHAT IS A GRAND JURY?

The concept of the Grand Jury traces its roots to Classical Greece. Ancient Athenians employed an “accusatory body” much as did the Saxons of early Briton. In fact, from 978 until 1016, one of the Saxon Dooms (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 Eleventh and Twelfth Centuries. As early as 1066, during the Norman conquest of England, courts summoned sworn citizens to investigate crimes that had come to their attention. Initially, these early juries both accused and tried suspects. The members of the accusing bodies were selected from small jurisdictions and 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. 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 through love, and that they would conceal 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, forty-two states have some form of Grand Jury, and California is one of the states that still allows prosecution to be initiated by either criminal Grand Jury indictment or a judicial preliminary hearing. The name “Grand Jury” derives from the fact that the body usually has a greater number of jurors than a trial (petit) Jury. In Butte County a Grand Jury of 19 persons is impaneled each year with 11 chosen as alternates.

THE GRAND JURY SYSTEM TODAY

The California State Constitution calls specifically for the use of Grand Juries in the governance of the State. 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 the administrative branches and it is not a police agency or political group. It is an investigative body with the objective of detecting and correcting 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. The Grand Jury sees that the public's monies are handled judiciously and that all accounts are properly audited. In general, the Grand Jury assures honest, efficient government in the best interest of the people.

THE GRAND JURY'S POWERS

The Grand Jury has three ways to exercise its power:

- 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 the appearance of an individual, particularly a public official, 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 Grand 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, of that work must be conducted in closed sessions. Members of a Grand Jury are sworn to secrecy, thus assuring all who 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. The Grand Jury is tasked with oversight of all local government. 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 GRAND 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 and staff interview the body of qualified and willing candidates and choose thirty potential jurors. Nineteen members make up a full jury. At the discretion of the Presiding Judge, as many as ten members from the previous year's jury may "holdover" or serve a second term. In order to constitute the full panel of nineteen, names are drawn at random to serve a term of twelve 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 THE GRAND JURY WORK?

The Presiding Judge appoints a Foreperson to preside at meetings. The Grand Jury organizes itself into officers and committees. It then 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 Grand Jury, letters and complaints from citizens and dictates of the California Penal Code collectively determine the Grand 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 Grand

Jury publishes a report of its significant findings and recommendations near the end of its term.

The Grand Jury's Final Report typically reflects only a small part of its 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. Elected officials have sixty days to respond; public agencies have ninety days.

The work of a Grand Jury is demanding. Members can expect to invest approximately 500 hours of time to Grand Jury work. Gratifying and personally rewarding service leads one to a much improved understanding of the organization and business of local government. In addition, there is the personal satisfaction of having contributed to its improvement. The Grand Jury experience provides a unique and valuable opportunity for community service.

The 2012-2013 Grand Jury wishes to thank those who responded to last year's Final Report and recognizes their contribution to the community and to the Grand Jury process. The time and effort taken to review the 2011-2012 Grand Jury Final Report and to prepare and submit responses to the Presiding Judge are appreciated.

May 29, 2013

The Grand Jury Final report has been submitted for filing on this date pursuant to California Penal Code section 933.

Final Reports, Responses and Government Entities

§ 933.

- 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, 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.

Responses to Findings and Recommendations

§ 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 therefor.
- b) For purposes of subdivision (b) of Section 933, as to each grand jury recommendation, 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 therefor.
- 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.

Added by Stats.1996, c.1170 (SB1457), § 1. Amended by Stats.1997, c.443 (AB829), § 5.

COMMENTS REGARDING RESPONSES TO THE 2011-2012 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 the 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 2011-12 Butte County Grand Jury report contains a total of 88 recommendations for 11 local government entities, of which 56 (64%) have been or will be implemented, according to the responding agencies. The 2012-13 Grand Jury believes that the four Butte County government agencies, the City of Gridley and the Feather River Recreation and Park District provided exemplary responses to the 2011-12 report. Agency responses to the 2011-12 report are available at www.buttecounty.net. Following are details on how local government agencies responded to the report:

Butte County Agencies

All Butte County government entities responding to 2011-12 reports did so on time and in accordance with state law. Those responding included the Board of Supervisors, Sheriff's Office, Probation Department and Department of Behavioral Health. Considered together, the four entities agreed with 18 of the reports' 42 findings (43%), while implementing or agreeing to implement 27 of the jury's 44 recommendations (61%).

| Recap by County of Butte Agency | | | | | | |
|--|-----------------|----------|------------------------|--------------|------------------|-------------------|
| | Findings | | Recommendations | | | |
| | Agree | Disagree | Has been done | Will be done | Will not be done | Requires analysis |
| Butte County Supervisors | 37% | 63% | 36% | 19% | 36% | 9% |
| Dept. of Behavioral Health | 33% | 67% | 29% | 38% | 25% | 8% |
| Sheriff | 50% | 50% | 27% | 20% | 27% | 26% |
| Probation Officer | 33% | 67% | 67% | 0% | 33% | 0% |

Cities

The Gridley City Council, as well as the city’s administrator, responded to the 2011-12 report on time and in accordance with state law. The city put considerable effort into providing a detailed response. Of the report’s 27 findings, the city agreed with 20 (74%), while implementing or agreeing to implement 20 of 28 Grand Jury recommendations (71%).

The City of Oroville responded to the 2011-12 report on time and in accordance with state law. The City Council and city administrator agreed with five of the Grand Jury’s seven findings (71%), while implementing all four recommendations (100%).

Special Districts

The Durham Recreation and Park District responded to the 2011-12 report within the required response deadline. However, the district was informed by the 2012-13 Grand Jury that its initial response was not in accordance with state law in addressing the report’s findings and recommendations. In a follow-up response, the district manager wrote that three of the Grand Jury’s four recommendations (75%) will be implemented, but still no response was given to the report’s 10 findings.

The Feather River Recreation and Park District responded to the 2011-12 report on time and in accordance with state law, providing by far the most comprehensive response of the four recreation and park districts. The district

agreed with seven of the Grand Jury's nine findings (78%) and plan to implement four of the seven recommendations (57%).

The Paradise Recreation and Park District responded to the 2011-12 report within the required response deadline. However, the district was informed by the 2012-13 Grand Jury that its initial response was not in accordance with state law in addressing the report's findings and recommendation. A follow-up response from the Paradise board president agreed to implement the jury's single recommendation but still did not address any of the nine findings.

The Richvale Recreation and Park District failed to respond to the 2011-12 report until contacted by the 2012-13 Grand Jury several weeks after the response deadline. The district's subsequent response did not address any of the nine findings and just three of the six recommendations, agreeing with one recommendation (17%).

The Gridley Business Improvement District responded to the 2011-12 report on time and in accordance with state law, concurring with the report's single finding and agreeing to implement all three recommendations (100%).

FINDINGS

- F1 Butte County government showed support for the grand jury system with its on-time and on-point responses, even as county officials disagreed as often as not with the findings and recommendations of the 2011-12 report.
- F2 The Feather River Recreation and Park District explained all of its positions in considerable detail and in conformance with state law. In contrast, three recreation and park districts - Durham, Paradise and Richvale - failed to meet their legal requirements even after a reminder letter from the 2012 - 13 Grand Jury.
- F3 The two cities that were the subjects of reports, Gridley and Oroville, both agreed overwhelmingly with the 2011-12 Grand Jury's findings and recommendations.
- F4 Larger local government agencies, which commonly have more personnel and more experience dealing with grand jury reports, generally did better than smaller agencies in providing legally adequate responses to reports.

RECOMMENDATIONS

None.

REQUEST FOR RESPONSES

None.

2012 – 2013
BUTTE COUNTY
GRAND JURY REPORTS

[This page intentionally left blank]

2012 – 2013 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 2012-13 Grand Jury performed the following activities:

- Reviewed the Butte County Auditor's report for the fiscal year ending June 30, 2012
- Reviewed the Independent Auditor's report for the fiscal year ending June 30, 2012
- 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 (September 27, 2012 and April 2, 2013), which included a county supervisor, a partner from the independent auditing firm and the County Auditor

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.

[This page intentionally left blank]

2012–2013 BUTTE COUNTY GRAND JURY

BUTTE COUNTY DEPARTMENT OF CHILD SUPPORT SERVICES

SUMMARY

The 2012-13 Grand Jury reviewed the operations of the Butte County Department of Child Support Services (LCSA). For clarity in reading, this report refers to the Butte County Department of Child Support Services as LCSA and the California Department of Child Support Services as DCSS. This department receives state and federal funding to perform its duties of enhancing the well-being of children and the self-sufficiency of families. Though it administers state policy, it is staffed and operated by Butte County.

GLOSSARY

- DCSS - California Department of Child Support Services
- LCSA - Local Child Support Agency

BACKGROUND

The state Child Reform Act of 1999 created a new California Department of Child Support Services (DCSS) and moved local administration from the 58 county district attorneys to the newly created Local Child Support Agencies (LCSAs). Butte County is one of the 58 LCSA agencies offering child support programs. Services offered by Butte County include:

- Establishing paternity (fatherhood)
- Locating absent parents
- Requesting child support orders from the court
- Requesting medical support orders from the court
- Enforcing child support orders
- Modifying child support orders
- Enforcing spousal support orders in conjunction with child support
- Providing opportunity for parents to be heard in court on child support matters

Butte County currently has over 12,000 open child support cases and more than 10,500 minor children in the caseload. There are more than 3,500 parents in arrears with child support payments. These arrear cases are open cases until all financial obligations are paid. Over \$16.85 million was distributed to custody parents in fiscal year 2011-12.

APPROACH

The 2012-13 Grand Jury performed the following activities:

- Toured the Butte County LCSA facility
- Reviewed LCSA and DCSS materials
- Interviewed the LCSA management and staff

DISCUSSION

The Butte County Grand Jury was given a tour of the Butte County LCSA facility. The highlights were:

- 1) The Call Center, where custodial, as well as non-custodial parents, call with questions about support payments and changes of status. This call center serves eight counties that share a state computer database. The call center maintains a call-log board so that the intake workers can monitor improvement in their call handling effectiveness.
- 2) Interview rooms, where parents are counseled and made aware of the many county programs that are available to them regarding the raising and support of their children.

The DCSS has the mission to enhance the well-being of children and the self-sufficiency of families by providing professional services to locate parents, establish paternity and establish and enforce court-ordered financial and medical support. The Butte County LCSA has improved its overall ranking of effectiveness in these areas compared to other counties in the state (from 57th to 17th). The time frame of this improvement was 2001-2012.

Both parents have a legal duty to provide support for their children whether they have custody or not. The court may order either or both parents to make regular payments for the child's living and medical expenses. This monthly payment is called Child Support. There are many factors used to determine this amount and the court has at its disposal power to review all assets of each parent or guardian.

The DCSS has an ombudsperson available to explain the parent's rights and responsibilities and to talk about child support concerns. Every family court has a Family Law Facilitator to inform parents and assist in completing court forms. Legal services are free and separate from DCSS. Most communities have child support advocacy groups. The DCSS ombudsperson can help parents contact these groups. Butte County does have its own ombudsperson who can be contacted to resolve issues quickly.

The court process begins when the LCSA files a complaint with the court to obtain a child and/or medical support order. If so ordered by the court, the complaint and an answer form are delivered to the parent. The parent has 30 days to respond to the following options: (1) answer the complaint if the parent disagrees with the judgment, (2)

sign a stipulation if he/she agrees with the judgment or (3) if not in agreement, hire an attorney for representation in court. After the court makes a determination of support and circumstances change regarding a parent's income, the parent may petition the court to review the order and make a new judgment for support. This applies to situations such as changes in income, insurance coverage, medical needs, child care or foster care. Most child support payments are made through employer income withholding, when an employer deducts court-ordered child support payments from the employee's paycheck. The employer pays the amount withheld to the LCSA.

When a child is placed in foster care, the right to child support payments belongs to the state. Any child support collected is first used to pay back the state for foster care benefits received. Any remaining funds are placed in trust by the county welfare office to be used in the best interest of the child. Court-ordered medical support requires the parent paying support to enroll the child in a health insurance plan, if available at a reasonable cost.

Certain circumstances preclude seeking a child support order, such as when the parent or child is in danger. If the welfare department verifies family violence, the LCSA will not seek child support.

Parents seeking, receiving or paying child support must know and understand their responsibilities. They must respond in a timely manner to all requests for information, court orders and any time there is a change in income status or healthcare plans. This helps to insure the quality of life for the child.

The people the Grand Jury interviewed at the Butte County LCSA were satisfied with their caseloads and indicated satisfaction with their jobs. The director did not think more staff would better serve their clients.

FINDINGS

- F1 The Butte County Child Support Call Center is staffed by transferred county personnel, saving Butte County valuable funds.
- F2 The Butte County LCSA has increased its efficiency since 2001, becoming a California LCSAs leader.
- F3 LCSA uses a wide variety of analytical methods to measure and enhance the department's effectiveness.

RECOMMENDATIONS

None

REQUEST FOR RESPONSES

None

2012-2013 BUTTE COUNTY GRAND JURY REPORT

BUTTE COUNTY DEPARTMENT OF EMPLOYMENT AND SOCIAL SERVICES

SUMMARY

The 2012-13 Grand Jury initiated a review of the Butte County Department of Employment and Social Services (DESS) as a result of complaints filed by the public, as well as articles in the press. This review focused on four divisions: Children's Services, Adult Services, Employment Services and Eligibility Services.

BACKGROUND

The Department of Employment and Social Services (DESS) provides employment and social services to the citizens of Butte County. Its goals include preserving the dignity of children, families and adults. With a staff of 628 and a budget of \$142 million, DESS is the largest county department. Most of the department's budget comes from state and federal funds.

All divisions of the department are faced with increasing demands for services, shifting of responsibilities from state to county offices and limited budgets. Butte County's aging population, along with changes to the healthcare system, ensures continued growth in demand for services for the foreseeable future.

Adoption services, previously administered by state agencies, were transferred to the Butte County Children's Services Division in January 2013.

DESS is taking a proactive approach to the increased workload in the Eligibility Services Division. In September 2013, the division will inaugurate a call-in service center and convert to task-based workload assignments. Both of these changes are modeled on a successful program in San Bernardino County.

The Grand Jury was impressed by the dedication and professionalism exhibited by caseworkers and social workers throughout DESS. Because of privacy rules and regulations, DESS and its employees cannot legally respond to accusations made to the press by their clients. This is a particularly difficult problem when children are involved.

2012-2013 BUTTE COUNTY GRAND JURY REPORT

ADULT SERVICES DIVISION

SUMMARY

The Grand Jury reviewed the Adult Services Division (ASD) of the Department of Employment and Social Services. ASD programs consist of:

- Adult Protective Services (APS)
- In-Home Supportive Services (IHSS)
- Public Administrator
- Public Authority
- Public Guardian

The two areas the Grand Jury reviewed were Adult Protective Services and In-Home Supportive Services.

GLOSSARY

- APS – Adult Protective Services – Responds to reports of neglect and/or abuse of elderly and/or dependent adults
- ASD – Adult Services Division – Department of Employment and Social Services programs aiding adult and dependent citizens
- IHSS – In-Home Supportive Services – Provides support services so that low-income elderly, blind and dependent people can remain safely in their own homes
- Public Administrator – Responsible for handling the estates of those Butte County residents who die without anyone who is willing or able to act on their behalf
- Public Authority – A Department of Employment and Social Services' partner that recruits, screens and trains in-home care givers for In-Home Supportive Services recipients

- Public Guardian – Appointed by the Superior Court to act as conservator of persons who are not able to manage their own affairs and are unable to resist fraud or undue influence because of a mental or physical illness

BACKGROUND

Approximately 35,000 people aged 65 and older live in Butte County. This is 15.6% of the county's population and is expected to grow. There is a great need to respond to the challenges facing the older and dependent adult population. The health and safety of the county's vulnerable adult population is the primary focus of the Adult Services Division. The annual budget for ASD is approximately \$3.86 million.

APPROACH

The 2012-13 Grand Jury performed the following activities:

- Interviewed personnel in both management and social worker positions
- Reviewed documents provided by the Adult Services Division

DISCUSSION

Adult Protective Services

Adult Protective Services (APS) was established in 1999. Its purpose is to protect adults against physical abuse, sexual abuse, financial exploitation, endangered health and neglect. APS serves people aged 65 and over and individuals aged 18-64 who are physically or cognitively disabled. APS does not have protective custody powers, so it must have the cooperation of clients in order to serve them. APS helps individuals to remain safely in their homes. To accomplish this, it works with local physicians and law enforcement and refers clients to service-providing agencies. APS also helps clients obtain In-Home Supportive Services, if appropriate. APS social workers are on call 24 hours a day. During fiscal year 2011-12, APS responded to over 1,580 reports or referrals involving suspected abuse or neglect. Caseworkers conducted 541 investigations that confirmed 152 cases of abuse and/or neglect.

APS receives approximately 55 referrals a month, about half the nationwide average. The relatively low number of referrals is of concern to the APS staff and is possibly due to a lack of public knowledge of this service.

The current staff of APS includes one supervisor, six social workers and a case aide. Social workers have an average of 14 open cases each. Each senior social worker investigates dozens of referrals each month to determine if services are needed. At one time, there were also three public health nurses on staff. The last nurse left

approximately six years ago, and the positions have remained vacant due to lack of funding. Staff voiced a strong need to hire a public health nurse to evaluate medical neglect cases and assist in developing work plans for In-Home Supportive Services. The county is currently in the process of hiring one public health nurse.

The California Welfare Directors Association has developed Adult Protective Services Guidelines to supplement state regulations. APS staff will undergo training in 2013 on the newly published consistency standards.

In-Home Supportive Services

The main goal of In-Home Supportive Services (IHSS) is to provide personal care so elderly or disabled individuals can remain safely in their homes. Allowing individuals to stay in their own homes is usually desirable and avoids costly nursing home care.

IHSS is medically based and for people who, because of medical problems, cannot care for themselves. To be eligible for IHSS, an individual must be eligible for Medi-Cal. A social worker assesses the need for assistance and determines the number of hours to provide that assistance, up to 283 hours per month. Each client is visited at least once a year by a social worker and clients can call their social worker between visits if they need assistance.

In 2012, approximately 3,000 IHSS clients hired their own care provider in Butte County. The current staff of IHSS includes two supervisors and 14 ongoing social workers. The Public Authority has a registry of providers, but clients must do the actual selection, hiring and supervising. To become an IHSS care provider, workers must have a background check, be fingerprinted and have a reference check. The client signs the caregiver's timecard, which is the basis for payment from IHSS. Fraud is a problem and cases are investigated when fraud is suspected.

Each IHSS social worker has a caseload of 220-230 clients. The social workers state that these caseloads are overwhelming. Not only are social workers required to visit each of their clients at least once a year, they are also responsible for a great deal of follow-up work and other duties in the office. Social workers made it clear that staff needs to be increased in order to make caseloads manageable.

APS and IHSS staff seemed very dedicated to their jobs and clients. Social workers felt that communication with their supervisors was good and they felt free to express concerns. There was some concern for staff safety when they were seeing clients that have threatening animals, other hazards at their homes or live in remote areas.

FINDINGS

- F1 The social workers and their supervisors in the Adult Protective Services and In-Home Supportive Services programs are dedicated to providing the best possible services to their clients. They are to be commended for their work.
- F2 Adult Protective Services staff is concerned that they receive only about half the national average of referrals a month. They speculate that this may be due to lack of public knowledge regarding their services.
- F3 Not having a public health nurse inhibits the ability of the APS staff to evaluate medical neglect cases and to develop work plans for In-Home Supportive Services.
- F4 Fraud is a problem in some In-Home Supportive Services cases.
- F5 The caseloads of IHSS social workers are significantly large.
- F6 Staff in Adult Services feels communication with their supervisors is good, that they can voice concerns and that those concerns are heard.
- F7 There are safety concerns for Adult Services workers when doing field visits.

RECOMMENDATIONS

- R1 Develop and implement an outreach program to raise awareness of Adult Protective Services in order to educate the public about programs.
- R2 Hire additional public health nurses to evaluate and assist with APS and IHSS clients.
- R3 Continue to investigate and assist in prosecuting IHSS fraud cases and seek ways to reduce recurrences of fraud.
- R4 Hire additional social workers to better manage the caseload for the IHSS program.
- R5 Work with social workers in Adult Services to equip them with whatever resources are available that they would need to insure their safety.

REQUEST FOR RESPONSE

Pursuant to Penal Code Section 933 and 933.05, the Grand Jury requests responses as follows:

- Director, Butte County Department of Employment and Social Services:
 - A response to Findings F1 through F7; and Recommendations R1 through R5

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 Section 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.

2012-2013 BUTTE COUNTY GRAND JURY REPORT

CHILDREN'S SERVICES DIVISION

SUMMARY

The 2012-13 Grand Jury reviewed the Children's Services Division as part of an investigation of the Department of Employment and Social Services. The programs the Grand Jury reviewed were Child Protective Services (CPS), Foster Care, Family Maintenance/Family Reunification and Adoption Services.

GLOSSARY

- AB12 - Assembly Bill 12, "California Fostering Connections"
- CAM - Children Affected by Methamphetamine, a federal grant program
- Child - A person younger than 12 years of age
- CFSR - Child Family Services Review
- CPS - Child Protective Services
- CSD - Children's Services Division
- FM - Family Maintenance
- FR - Family Reunification
- FTC - Family Treatment Court
- Mandated Reporter - A person who, by law, is required to report suspected cases of child abuse and/or neglect
- Meth - Methamphetamine
- NVCSS - Northern Valley Catholic Social Service
- Youth - A person age 12 to 18

BACKGROUND

Child Protective Services (CPS) assesses and investigates allegations of child abuse or neglect. CPS offers services to families to ensure child safety and keep children safely in their own homes. If a child is at risk, CPS addresses the situation. The majority of referrals are mandated to be reviewed within 10 days, though some situations are

investigated within 24 hours. Services are provided to children and their families whenever allegations of abuse or neglect are substantiated.

The Foster Care program is available for children who have been removed from their homes through a legal process.

Family Maintenance provides services designed to promote a safe and stable environment, enabling children to remain in their own home.

Family Reunification services provide assistance to those families whose children are in out-of-home care. A plan is devised to assist a parent in meeting the court's requirements for the return of a child to the parent's custody. Over 60% of the children taken from their homes are reunified with family within one year. Ten percent of those are returned to foster care.

Responsibility for Adoption Services, previously administered by state agencies, was transferred to the county in January 2013. This program facilitates the adoption of children.

APPROACH

The 2012-13 Grand Jury performed the following activities:

- Interviewed personnel in both management and social worker positions
- Reviewed documents provided by the Department of Employment and Social Services
- Interviewed foster care providers

DISCUSSION

Child Protective Services

CPS is a statewide program that receives calls 24/7 regarding possible child abuse or neglect. The caller is not required to have first-hand information and can remain anonymous. The intake worker determines the caller's connection to the family being reported. Information is obtained on the child and everyone else in the child's household and the caller's concerns are documented. A formal process is used to assist in determining the level of abuse or neglect.

There are four categories of abuse: physical, sexual, emotional and general neglect. A situation may need an immediate, three-day or 10-day response, depending on the risk

level to the child. Seven hundred calls are typically received each month; however, some are requests for information.

If a referral is assigned, a social worker looks at the allegation and checks the prior history of the child. The social worker obtains as much background information as possible. The goal is to handle cases requiring an immediate response within 24 hours. If there is a 10-day window for investigation, the social worker tries to interview the child in a safe and non-threatening environment.

Removal is avoided unless the child is in danger. A social worker must write a report to the court and obtain a court order to remove a child from the home. A judge is available on a 24/7 basis, and law enforcement is available in a majority of detentions. There is currently no orientation program on CPS parameters for law enforcement officials. When a child is removed from the home, he or she is placed in foster care for up to 30 days. After 30 days, a longer-term solution is provided.

Each case has a primary social worker who carries 12-14 cases. Social workers interviewed felt this was a manageable caseload. Social workers meet and work with the parents to get the child back home. The social worker administers various assessments to determine the parents' competencies and abilities. Each parent is dealt with separately. Social workers provide the parents with positive, detailed information regarding what is expected in the process.

If applicable, a behavioral health professional recommends treatment/programs suitable to the parent's needs. All children in CPS receive screening and assessments for counseling services through the Behavioral Health Department. All parents attend a mandatory eight-week parent support group. The group facilitator recommends the next steps for the parent, and then the social worker makes a plan with the parents to get the children home.

The staff interviewed emphasized that going through the removal of children and working through programs to have them returned is not a "happy time" for families. However, it can prove to be a positive time, as it allows for families to improve their situations.

A local counselor is available to the CPS staff. Social workers in the program often deal with very difficult cases and those interviewed expressed gratitude for the ability to access counseling support when needed. Supervisors also monitor their staff members' stress levels and adjust workload as needed.

If a child can never return home, there is permanency planning with three options: adoption, guardianship or long-term foster care.

Foster Care

In January 2013, slightly fewer than 500 children were in foster homes in Butte County. This number is down from 1,000 in 2005 and 750 in 2011. According to an interviewed social worker, the reduction is due to a decline in meth use in the county and the efforts of the social workers working with families.

Relatives are the first to be considered to provide a foster home. All homes must be evaluated by social workers using a standardized state checklist. Under AB12, youth can stay in the foster system until they are 21.

In Butte County, there are currently 23 children placed in group homes, including 19 within the county. Children are assigned to group homes when their behaviors and needs cannot be met in traditional foster homes.

A monthly visit by a social worker is required for each child in foster care. Even when a child is returned to his/her parents, the child may remain under Children's Services' jurisdiction for up to a year.

Some concerns were expressed by foster parents interviewed. They felt that the county staff, at times, did not listen to them and also that the requirements to remain qualified as a foster parent were not always applied consistently.

Family Maintenance/Family Reunification

The FM/FR caseworkers take over cases that have been initiated by the investigating social workers, roughly five to six weeks after a child has been detained. There are 14-30 children assigned to each of the caseworkers. Seventy-five percent of the families under CPS are involved with drugs or alcohol. The parents must attend eight sessions of a parent support group within 10 weeks. Some also are required to attend parenting classes provided by NVCSS in Chico, Paradise and Oroville.

Parenting, communication and coping skills are enhanced by the programs in which families must participate. The interviewed staff expressed a desire for more staff and access to the depth of services that are available to families in urban settings.

If it is determined that the children have been exposed to meth, the parents are required to attend one FTC/CAM session before starting the FTC's Parents in Recovery classes, which must be completed within 20 weeks. There are currently 20 families in the CAM program. The parents are subject to the Family Treatment Court. Families that go through the FTC are required to appear before the judge monthly and are in touch with program workers daily. The parents, social workers and behavioral health counselors function as a group. The parents are permitted only two absences in the 20-week program.

If the child is under age 3, the family has up to six months to reunify; if the child is 3 or over, the family has up to a year. If reunification is not achieved in the allotted time, the child is adopted, ordered into legal guardianship or placed into long-term foster care.

There is special “wrap-around” assistance to families in which service providers, parents and social workers meet together to work as a team. Wrap-around services provide a family-led service model, including counseling, crisis intervention, ongoing family meetings and case management services. A shortage of funds has resulted in a long wait list for this service.

Adoption Services

On January 1, 2013, Butte County took over providing adoption services from the state. County staff feels assumption of this program will help expedite adoptions so that children will move through the system more quickly and be placed sooner. Generally, children do not thrive in foster care, so the goal is to place them in adoption as soon as possible. California has set a goal of having adoptions finalized within 24 months from the determination that a child should be put up for adoption. Butte County refers to this period of time as Child Family Services Review (CFSR). Older children frequently do better with relatives or other people with whom they’ve had a connection, such as a coach or a neighbor.

FINDINGS

- F1 The social workers and their supervisors in the Children’s Services programs are dedicated to providing the best possible services to their clients. They are to be commended for their work.
- F2 Law enforcement works closely with the Children’s Services Division. A training course in Children’s Services policies and regulations for law enforcement would enhance the working relationship and would result in a more efficient collaboration.
- F3 While being involved with CPS is not a pleasant experience, it provides an opportunity for families to improve their circumstances.
- F4 CPS staff recognize and appreciate the personal counseling support that is available to them if needed.
- F5 While several programs are available to families working with CPS, there is a desire to provide more programs if funding were available.
- F6 Assumption by the county of Adoption Services should expedite the adoption process.

F7 CSD has a wealth of information and checklists on foster care, child custody regulations, etc. However, it can only be obtained in hard copy from a CSD office.

RECOMMENDATIONS

- R1 Establish an orientation program on CPS parameters for law enforcement.
- R2 Seek additional funding to expand the programs for families working with CPS.
- R3 Monitor the newly acquired Adoption Services program to ensure that adoptions are taking place within 24 months.
- R4 Put as much information and checklists as possible on the Butte County government website, www.buttecounty.net.

REQUEST FOR RESPONSE

Pursuant to Penal Code Section 933 and 933.05, the Grand Jury requests responses as follows:

- Director, Butte County Department of Employment and Social Services:
 - A response to Findings F1 through F7 and Recommendations R1 through R4

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 Section 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.

2012-2013 BUTTE COUNTY GRAND JURY REPORT

EMPLOYMENT SERVICES AND ELIGIBILITY SERVICES DIVISIONS

SUMMARY

The 2012-13 Grand Jury reviewed the operations of the Employment Services and Eligibility Services Divisions of the Butte County Department of Employment and Social Services. The two divisions administer the following programs:

- Employment Services
 - Welfare-to-Work
 - Child Care Program
 - Cal-Learn
 - Employer Services
- Eligibility Services
 - CalWORKs
 - Homeless Assistance
 - Aid to Families with Dependent Children-Foster Care
 - CalFresh
 - Medi-Cal
 - County Medical Services Program
 - General Assistance

GLOSSARY

- ACA - The Affordable Care Act, a federal law that establishes expanded medical coverage and institutes new regulations for U.S. healthcare
- CalWORKs - California Work Opportunity and Responsibility to Kids is the California welfare implementation of the federal welfare-to-work Temporary

Assistance for Needy Families (TANF) program that gives cash aid and services to eligible, needy California families

BACKGROUND

One of every four Butte County residents receives public assistance. The number of public assistance cases has increased over the past several years due to the recession and will increase with the introduction of the Affordable Care Act (ACA) in January 2014. The implementation of the ACA will take place over several years and continue to increase the workload, particularly in the Eligibility Services Division. The state and federal governments will provide more funds for the implementation of the ACA and for the overall increase in the number of cases. The county expects that more efficient operations will be needed, as the funding is unlikely to be sufficient to completely cover the anticipated increased workload.

APPROACH

The 2012-13 Grand Jury performed the following activities:

- Interviewed Department of Employment and Social Services managers and employees
- Reviewed applicable documents

DISCUSSION

Employment Services

The Employment Services Division has an annual budget of approximately \$17 million and a staff of 60-70 people.

Welfare-to-Work program, a program which promotes a “work first” philosophy, had 1,067 adult participants in June 2012 compared to 1,206 in June 2009.

The Child Care Program pays for licensed child care providers so families can participate in the Welfare-to-Work program. The Child Care Program paid approximately \$1.73 million in fiscal year 2011-12.

Approximately 84 student parents per month participate in the Cal-Learn program that requires minor parents to remain in school as a condition of receiving aid.

The Employer Services Center provides services to local employers including employee recruitment, customer service training, job applicant screening and testing and topic-specific seminars.

Eligibility Services

Butte County's Eligibility Services Division has an annual budget of approximately \$22 million and a staff of about 270 people.

The CalWORKs program provides financial support for the care of needy children when one or both parents are absent, deceased or unemployed. The caseload of this program has remained stable since 2009 at approximately 3,500 cases.

The Homeless Assistance program provides support for temporary or permanent housing costs to eligible CalWORKs families. During the fiscal year 2011-12, approximately 230 families in Butte County received assistance through this program.

Aid to Families with Dependent Children-Foster Care provides financial support for children in foster care. During the fiscal year 2011-12, 848 children were in foster care and 406 children had emergency assistance placements.

The CalFresh program provides nutritional assistance to low-income individuals and families. During the fiscal year 2011-12, \$50.2 million of CalFresh benefits were issued to Butte County residents. The average monthly number of CalFresh cases has increased from 10,188 in 2009 to 13,862 in 2012, a 36% increase.

Medi-Cal provides health coverage for eligible, low-income residents of California. The average number of Medi-Cal cases in Butte County has increased from 14,845 in 2009 to 18,335 in 2012, a 24% increase.

The County Medical Services Program provides healthcare coverage for eligible, low-income residents of Butte County who do not qualify for Medi-Cal. Approximately 5,600 individuals received coverage in 2011-12.

General Assistance provides financial assistance in the form of a loan for eligible, low-income residents of Butte County who do not qualify for any other cash assistance program. The average number of people receiving this assistance monthly was 374 in fiscal year 2011-12.

Communication and morale among the staff of both divisions and their supervisors are generally good. Staff members at all levels are encouraged to voice ideas for improving the system.

Reorganization

To address the current and anticipated increases in workload, the Eligibility Services Division will be reorganized effective September 1, 2013. The reorganization consists of two parts:

- 1) The opening of a “one and done” call center to handle most routine requests.
- 2) The assignment of workload by task to caseworkers instead of each caseworker handling a set number of clients.

A few other counties have successfully reorganized their Eligibility Services Division as proposed above. This allows the handling of larger workloads. The use of a statewide computer system allows one county to cover for another in the case of an emergency. The Division will receive state funds to cover some of the one-time costs associated with the reorganization. This will enable the county to purchase ergonomic furniture and an upgraded computer system for the call center. The call center will be located within the current division’s “footprint” to prevent an increase in cost for office space.

FINDINGS

- F1 The demand for public assistance has increased over the past several years and will most likely continue to increase.
- F2 Although the county anticipates receiving additional state and federal funds to administer public assistance programs, the increases will not be sufficient to continue providing services in the current manner.
- F3 The Department of Employment and Social Services plans to reorganize the Eligibility Services Division in the manner of successful reorganizations in other counties.
- F4 The department deserves commendation for its proactive efforts to find economical ways to address increased workload.

RECOMMENDATIONS

- R1 Monitor the number of calls, length of time before a call is answered, length of each call, etc. of the future call center to ensure that the public continues to receive a high quality of service when calling for assistance.
- R2 After implementation of the task-based workload allocation, conduct user surveys to determine customer satisfaction with the system and solicit ways to improve the service.

REQUEST FOR RESPONSE

Pursuant to Penal Code Section 933 and 933.05, the Grand Jury requests responses as follows:

- Director, Butte County Department of Employment and Social Services
 - A Response to Findings F1 through F4 and Recommendations R1 and R2

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 Section 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.

[This page intentionally left blank]

2012 - 2013 BUTTE COUNTY GRAND JURY REPORT

BUTTE COUNTY'S RESPONSE TO AB109

SUMMARY

The 2012-13 Grand Jury saw the need to monitor the impacts of the 2011 Public Safety Realignment Act (AB109) in Butte County. One factor that contributed to the Grand Jury's decision to investigate AB109 was the extensive media coverage regarding its ramifications. A fundamental change in relationships and responsibilities between counties and state government in the incarceration and monitoring of paroled felons had taken place and it will take several years for the full impact to be realized. In investigating the Butte County response to AB109, the Grand Jury found that the primary impacted agencies, the Probation Department and Sheriff's Office, had developed the county's response in a spirit of cooperation and innovation. Both developed cost-effective programs that had the potential for bringing positive change to inmates in Butte County.

GLOSSARY

- AB109 – Assembly Bill 109, 2011 Public Safety Realignment Act
- ACLU – American Civil Liberties Union
- CCCP – California Community Corrections Partnership
- CDCR – California Department of Correction and Rehabilitation
- CSUC – California State University, Chico
- DRC – Day Reporting Center
- PCS – Post-Release Community Supervision

BACKGROUND

AB109 was a shift of certain responsibilities from the state government to California counties in the incarceration and monitoring of specific classes of felons in the criminal justice system. The legislation was passed as a state response to the federal court mandate addressing overcrowding in the state prison system. The Grand Jury believes that a continuing investigation of the programs instituted by Butte County law enforcement is appropriate.

In 2009, the California Legislature created the California Community Corrections Partnership (CCCP) to manage programs to reduce recidivism. These 58 separate county CCCP groups were designated by the 2011 AB109 legislation to develop each county's plan to deal with the realignment, subject to the approval of the Board of Supervisors. The most affected county agencies are the Sheriff's Office, Probation Department, district attorney, Department of Behavioral Health, the Superior Court and city police departments. Through the separate CCCP groups, each county was left free to develop its own response to the resulting shift in responsibilities.

AB109 specified that convicted felons who are considered "non-non-non's" be sentenced to serve their time in county jails. Non-non-non felons were defined as those who are deemed "non-violent, non-serious and non-sex offenders." It also specified that this same category of inmate, when released from state prison on parole, would be supervised by county probation rather than state parole officers. Felons in these categories, sentenced before the October 1, 2011 implementation date of AB109, are not being returned to serve their sentences in local institutions. Currently, non-non-non felony offenders sentenced in superior courts are not sent to state prison but serve their sentences in county jails. Initial estimates in Butte County were for an additional 268 inmates per year to be incarcerated in the county jail.

APPROACH

The 2012-13 Grand Jury performed the following activities:

- Interviewed Butte County Jail management
- Reviewed applicable documents from Sheriff's Office
- Toured the Day Reporting Center (DRC)
- Interviewed DRC management
- Interviewed contract provider of DRC classes
- Interviewed DRC inmates
- Interviewed Probation Department management and staff
- Reviewed California State University, Chico (CSUC) report on sheriff's response to AB109
- Interviewed CSUC professors who authored the report
- Attended League of Women Voters public forum on AB109
- Reviewed applicable documents and reporting from public and private sources

DISCUSSION

The initial result of AB109 has been an increase in overcrowding in the Butte County Jail. A needs assessment in 2006 predicted the need for a jail expansion to 920 beds. No jail expansion was funded at that time. A new jail needs assessment, completed in March 2013, projects that the Butte County Jail requires adding 293 beds to the current total of 614 to meet the future needs of the county. In order to alleviate the already crowded population in the county jail, the sheriff turned to alternative custody programs. Part of this approach included improving assessment tools. The plan was to safely increase misdemeanor and pre-trial offender releases on their own recognizance under the existing overcrowding consent decree. The primary component of that program was the creation of the Day Reporting Center. The Butte County Sheriff's Office was able to utilize the vacant former Juvenile Hall on the county government campus in Oroville. Using inmate labor, the Sheriff's Office was able to upgrade the facility to house the newly created Day Reporting Center in a cost-effective manner. Inmates who are transferred to the Day Reporting Center are able to live in approved residences, their location monitored electronically by ankle bracelets. They are enrolled in programs at the DRC designed to give them the attitude and tools to successfully re-enter society. As of February 2013, the average number of inmates in this program is about 110 inmates daily. Jail management told the Grand Jury that additional inmates, based upon their criminal history and charges, could qualify for this program. Using leased electronic monitoring equipment, expansion of the program population can be accomplished rapidly. The main barrier to significant expansion is that many inmates in the jail who might otherwise qualify cannot because they are homeless. The program is based on inmates that have an acceptable place to live and resources outside of the jail.

The Butte County Probation Department also experienced a significant increase in responsibilities with the public safety realignment. Prior to AB109, any inmate released on parole from state prison would be the responsibility of State Parole officers to monitor. AB109 applied the non-non-non category to inmates released on parole. These inmates were released to their local county, as usual, but became the responsibility of county probation officers, not state parole officers. Violent, serious, or sex offender inmates being released on parole continue to be supervised by state parole officers. Initial projections of the California Department of Corrections and Rehabilitation (CDCR) estimated 484 offenders will be released on Post-Release Community Supervision (PCS) to Butte County by September 30, 2013. It is estimated that the average daily population of offenders discharged to Butte County on PCS at full implementation will be 181. This is not an increase in the number of felons being discharged back into the community. These inmates would have been released prior to AB109, but would have been monitored by state parole rather than by county probation.

There is a distinct difference in the procedures needed to monitor county probationers and PCS felons. For that reason, the Probation Department created a separate unit to supervise the PCS offenders, funded by AB109 allocations. As these PCS offenders initially came from Butte County, the Probation Department usually has some history with these offenders. Also, the California Department of Corrections sends a background history along with the PCS inmate. This background helps determine the level of supervision required. It must be emphasized that all of these PCS offenders released to county probation are in the non-non-non category.

Local authorities have discovered an unanticipated problem with the non-non-non category of inmates. The non-non-non designation has been applied by the state to only the most recent sentence of these inmates assigned to county responsibility. This results in some inmates with a far more violent and sophisticated criminal background being included in the AB109-eligible group of offenders. This was found not only among those inmates kept in the county jail, but also those monitored on parole by county probation.

Felons released from State prison on parole make their own way to the county to which they are assigned and report to the supervising agency. County Probation has found that 89% of these prison releases do report as required. County Probation Officers who supervise AB109 releases told the Grand Jury that most of the AB109 inmates would prefer to be monitored by State Parole, as they were previously. The probation officers also said offenders with experience in both systems find that the county monitors their activity much more closely than State Parole. When county probation set up the special AB109 monitoring unit, seven officers were designated to work with this group of parolees, with an upper limit caseload of 50 inmates per officer. Two additional probation officer positions were created solely to monitor those placed on electronic monitoring. Currently, the average caseload is at 40 offenders per officer. Probation officers generally see the offenders on their caseload two to three times per month. If offenders are having difficulty adjusting to the terms and conditions of their release, probation officers have the option of placing them under GPS ankle bracelet monitoring. Offenders with continuing problems can be immediately returned to the county jail. A full violation of parole can result in a maximum 180-day stay in jail. Sensitive to the overcrowding issues in the jail, this is only used in cases where the probation officer feels this action is necessary. If the offender on parole is violation free for six months, the probation officer can discharge the sentence of the inmate. The maximum length of time the offender can be kept on probation is three years.

The state providing funding for AB109 programs has been a concern of local agencies from the beginning. The first-year funding for Butte County was planned to include one-time startup costs including facility and staff training. The second-year budget was designed to provide enough funds for sustainable operational costs. The first full year of

operation of the planned programs, with the bulk of the funding going to the Sheriff's Office and Probation Department, was \$3.55 million from state funding. The estimated county costs were \$3.62 million, which left a projected \$66,400 shortfall in state funding.

The state did not set up a mechanism for the counties to submit uniform reports on the results of their various approaches to these changes. This has led to a great deal of uncertainty, as counties are left largely to themselves to interpret the success or failure of their programs. The American Civil Liberties Union (ACLU) has reviewed 53 counties' programs in the *Public Safety Realignment; California at a Crossroads* monograph. The review focuses on a lack of "...state monitoring, data collection, outcome measurements...to help counties successfully implement realignment." The ACLU lists what it sees as the "best of the best" practices by counties in response to realignment. Butte County was praised among only four counties for the use of "...evidence-based risk assessments...." Butte County was among the 12 counties singled out for implementing programs to reduce recidivism, and was the sole county cited for utilizing graduated sanctions when inmates enrolled in their alternative custody programs violate the rules of their participation.

In light of the lack of state-established uniform reporting requirements in the AB109 legislation, the Butte County Sheriff's Office took the initiative and obtained the assistance of California State University, Chico (CSUC). A CSUC research group made an agreement with the Butte County Sheriff's Office to quantify those areas of the program that were successful or needed change or replacement. The agreement called for the group to identify county prisoner needs, establish a recidivism measure and evaluate the Alternative Custody Supervision program, a specific program enhanced in response to AB109. This research is ongoing and has proved to be a valuable tool for the sheriff in judging the successes or failures of the newly established alternative custody programs.

Despite attempts by the Butte County Sheriff's Office to inform the public regarding AB109 and its ramifications, there continues to be misconceptions and confusion. California is in the early stages of addressing the challenges of retaining some longer-term felony offenders in county jails. Jails were built and run on the premise that those inmates housed there would be short-term inmates, generally serving sentences of one year or less. With longer-term inmates, county jails are seeing a need for more funding and space for more programs. There is an increased potential for long-term inmates to become restive and more difficult to supervise. Jail managers also anticipate the need for more sophisticated medical, mental and dental care for longer-term inmates.

FINDINGS

- F1 AB109 realignment legislation has aggravated an already serious overcrowding problem. This has emphasized the need for additional jail space.
- F2 The Butte County Sheriff's Office has approached realignment in an innovative manner.
- F3 Inadequate local information and community conversation have resulted in a misunderstanding of AB109 by the public.
- F4 The Day Reporting Center program has been implemented in a manner that has been cost effective for county taxpayers.
- F5 There are inmates in the County Jail that could qualify for Alternative Custody Supervision if they had an acceptable place to live.
- F6 Medical needs of inmates in alternative custody programs are not taken care of by jail medical services or other government programs.
- F7 The CSUC research group is a valuable resource for the Butte County Sheriff's Office and this is a productive partnership.

RECOMMENDATIONS

- R1 Butte County needs to obtain funding to expand the critically overcrowded Butte County Jail, as recommended by the March 2013 Jail Needs Assessment.
- R2 The Sheriff's Office should designate a public information officer to keep the citizens of Butte County better informed.
- R3 Butte County should explore ways to provide temporary housing options for indigent inmates who would otherwise qualify for alternative sentencing programs.
- R4 Butte County needs to explore ways to provide basic medical care to those alternative custody inmates who do not qualify for state or federal health care assistance.
- R5 Proposed changes in alternative custody programs by the CSUC study group should be prioritized by the Butte County Sheriff's Office.

REQUEST FOR RESPONSES

Pursuant to Penal Code sections 933 and 933.05, the Grand Jury requests responses as follows:

- Butte County Sheriff's Office:
 - A response to Findings F1 through F7 and Recommendations R1 through R5

- Butte County Board of Supervisors:
 - A response to Finding F1 and Recommendations R1 through R5

- Butte County Department of Employment and Social Services:
 - A response to Findings F5 and F6 and Recommendations R3 and R4

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 Section 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.

2012-2013 BUTTE COUNTY GRAND JURY REPORT

BUTTE COUNTY EVIDENCE STORAGE/MORGUE

SUMMARY

Included in the many functions of the Butte County Sheriff's Office is the responsibility for the storage of evidence that is held for pending criminal prosecution. The sheriff serves as the county coroner and has the responsibility for investigating all sudden or unexpected deaths. Evidence is stored in a building referred to as the Evidence Storage Facility. The 2012-13 Grand Jury felt that the storage of evidence was an important responsibility and worthy of inspection. The Sheriff's Office, General Services and all the personnel interviewed were helpful and accommodating to the Grand Jury. Although the building's storage shelves were at capacity, everything was clearly marked, neatly filed, coded and easily retrievable. All evidence was carefully cataloged via a computer inventory system.

GLOSSARY

- AB109 – Assembly Bill 109, 2011 Public Safety Realignment Act
- ATV – All Terrain Vehicle
- DNA – Deoxyribonucleic Acid

BACKGROUND

The Evidence Storage Facility is located off County Center Drive, adjacent to the Butte County Sheriff's Office. It consists of an evidence storage building and an outside yard enclosed with a chain link fence. Vehicles and evidence too large to store indoors are in the yard. The building is a commercial type of metal building. It is old and has been modified several times to accommodate the influx of evidence coming into storage. The climate control equipment is adequate but needs to be upgraded to maintain the evidence in a useable state for the long term.

Butte County does not have a morgue. The sheriff, as the county coroner, must outsource the necessary functions, including autopsies and storage of bodies.

APPROACH

The 2012-13 Grand Jury performed the following activities:

- Toured the Evidence Storage Facility
- Toured the old county hospital building
- Interviewed Butte County Sheriff's Office staff and management
- Interviewed General Services management
- Interviewed Evidence Storage Facility staff
- Interviewed Butte County Coroner personnel
- Reviewed documents provided by General Services
- Reviewed documents provided by the Butte County Sheriff's Office

DISCUSSION

Grand Jury members met at the Butte County Evidence Storage Facility in February 2013 for a tour. One sergeant and two deputies who manage the evidence storage complex guided the tour and answered Grand Jury questions. The Evidence Storage Facility is over 21 years old and was designed to accommodate the needs at the time of construction. To store the amount of evidence now coming into the facility requires utilizing every possible space from the floor to the ceiling. The original design of the current building did not include a staff restroom. Utilizing available components, a minimally adequate temporary restroom was constructed but is in the process of being upgraded.

The atmospheric control system that is required to protect DNA evidence and other items that require climate control is inadequate, outdated and has experienced outages. The current climate control system is a mechanical cooling system with a propane generator backup. The Grand Jury was told that, at times, portable fans have been used temporarily to assist with keeping the temperature in the building at acceptable levels.

The outside area, where vehicles and other large items are stored, is poorly secured and leaves items vulnerable to deterioration. Hazardous waste is stored in a large container in the yard. Some items of evidence must be maintained for years, even beyond the adjudication of the criminal case. In major crime cases evidence may be reviewed years later during the appeal process.

Interviews conducted with Sheriff's Office personnel revealed they are aware of the need for a new Evidence Storage Facility. In 2003, a bid of approximately \$2 million was obtained for a new building. In 2008, a new Evidence Storage Facility was again in the spending plan but postponed due to costs incurred fighting Butte County wildfires. Alternatives to building a new facility have been investigated. It has been found that available existing buildings would be prohibitively expensive to bring up to code and retrofit with the requisite climate controls, security access controls, alarms and electrical components.

The Sheriff's Office is attempting to get a new Evidence Storage Facility's design and construction costs added to the county's capital expense list in order to proceed with the necessary steps toward acquiring a new building. Under the best of circumstances, from approval to completion of construction would take approximately five years. Funding from the implementation of AB109 may offer a partial solution.

When the Sheriff's Office obtained the vacant former Juvenile Hall, not all of the space was needed to accommodate the Jail's Day Reporting Center. The hallway adjacent to the Day Reporting Center is secure, with jail-type locks. The hallway is climate controlled and the individual cells, after removal of the plumbing and beds, made an ideal storage area when shelving was added. The transfer of some evidence to these annex areas in the former Juvenile Hall was well underway when members of the Grand Jury investigated the site. By utilizing this additional space, the crisis for evidence storage has been temporarily eased. However, the need remains for a new, state-of-the-art facility to be designed and built within a reasonable time.

As stated earlier, Butte County does not have a morgue and outsources the storage of bodies to local funeral homes. A pathologist is under contract to perform autopsies. If the pathologist is not available, bodies must be transported out of the county for autopsy. Butte County was unable to obtain adequate funding to build a morgue.

In 2003, an approximate \$2 million bid for a schematic design and site proposal was not funded due to other county priorities. Again in 2006, planning for a combined evidence storage/morgue facility was added to the County Capital Improvement Plan but not funded. The Grand Jury toured the old county hospital building, which is vacant, to see if it could be retrofitted and serve as the Butte County morgue. General Services estimated the cost to bring it up to code would be significantly more than the cost of a new morgue. This is especially true if the new morgue is combined with a new Evidence Storage Facility. A county-owned morgue could rent space to other counties and produce new revenue. Required autopsies could also be performed on site.

The Sheriff's Office, General Services and coroner personnel agree that a combined evidence storage/morgue would be beneficial to Butte County. If approved, the new facility should be located on county-owned property near the Butte County Jail. The Grand Jury was shown documentation from General Services that plans for a new evidence storage/morgue facility are being developed and are scheduled for completion in the spring of 2013. Actual construction of a new facility, once through the planning stages, is estimated to take three to five years. The Grand Jury hopes the project will be completed.

FINDINGS

- F1 The existing Evidence Storage Facility is outdated and needs to be replaced.
- F2 Past attempts, dating back to 2003, to upgrade the Evidence Storage Facility or build a county-owned morgue have failed due to lack of funding.
- F3 Combining evidence storage with a Butte County morgue would be cost effective.
- F4 Any new facility should be located geographically near the Sheriff's Office.
- F5 Evidence is a critical component of criminal cases.
- F6 Butte County Evidence Storage Facility management and staff are doing an exceptional job of protecting evidence within the current facility.

RECOMMENDATIONS

- R1 Continue with the proposed plan for a new modernized evidence storage/morgue facility.
- R2 Solicit help from all funding sources to secure adequate funding for this critically-needed project.

REQUEST FOR RESPONSES

Pursuant to Penal Code sections 933 and 933.05, the Grand Jury requests responses as follows:

- Butte County Sheriff's Office:
 - A response to Findings F1 through F6 and Recommendations R1 and R2

- Butte County Board of Supervisors:
 - A response to Recommendations R1 and R2

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 Section 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.

2012-2013 BUTTE COUNTY GRAND JURY REPORT

BUTTE COUNTY JAIL

SUMMARY

To comply with state law, the Grand Jury conducted an inspection into the operation and management of the Butte County Jail. It was the Grand Jury's goal to gather factual information and to release an accurate report to the public. The Butte County Sheriff's Office and staff demonstrated a willingness to work with the Grand Jury to achieve that goal.

Two main factors were considered in conducting this inspection. First was a look into the normal operation of the jail, including cleanliness, treatment of inmates and safety, as well as whether required services were being provided.

The second factor involved how well the Sheriff's Office is coping after one year of operation under AB109. In October 2011, California's realignment legislation (AB109) went into effect. AB109 will be mentioned in this report only as it pertains directly to the operation of the jail. It will be fully explained in a separate Grand Jury report.

GLOSSARY

- AB109 - Assembly Bill 109
- ACS - Alternative Custody Supervision
- BCJ - Butte County Jail
- BSCC - Board of State and Community Corrections
- CSUC - California State University, Chico
- DRC - Day Reporting Center
- SB1022 - Senate Bill 1022

BACKGROUND

The Butte County Jail is a Type II facility mandated by the California Constitution. 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 Complex in Oroville.

The Butte County Jail was built 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 and the kitchen remodel was completed at a cost of \$7.5 million. This new facility brought the total bed count to 614. Expansion of the inmate medical services unit and the intake/booking area was completed in 1999.

APPROACH

The 2012-13 Grand Jury performed the following activities:

- Toured the Butte County Jail (BCJ)
- Toured the Day Reporting Center (DRC)
- Interviewed BCJ correctional deputies
- Interviewed BCJ inmates, both male and female
- Interviewed BCJ management
- Interviewed Butte County Probation Department personnel
- Interviewed California State University, Chico (CSUC) professors
- Reviewed Alternative Custody Supervision (ACS) report by CSUC professors
- Reviewed documents provided by the Sheriff's Office
- Reviewed Board of State and Community Corrections (BSCC) biennial inspection of the County Jail

DISCUSSION

Throughout the tour of the jail, many positive areas were apparent, beginning with the booking process, where safety for both the inmate and staff is top priority. The tour advanced through the medical facility and the exercise and housing areas. Grand Jury members observed how inmates are segregated based on degree of offense. The Grand Jury felt the jail was run effectively. The staff demonstrated competency and high morale in what is a difficult job.

AB109 mandates the release of specified categories of inmates to county probation instead of state parole and retention of defined categories of inmates to be incarcerated in the County Jail instead of State Prison.

The Butte County Sheriff's Office estimates an additional 240 felony offenders annually will be serving their sentences in Butte County rather than in state prisons. With inmate populations hovering near 600, alternative forms of incarceration are the key to managing the new population of prisoners generated by AB109 realignment. Butte County currently contracts with the federal government to house up to 100 federal prisoners. As of February 5, 2013, there were 77 federal prisoners in the jail.

Under the leadership of the Butte County Sheriff's Office, plans were developed to supervise over 1,000 inmates. Six hundred offenders will be housed in the Butte County Jail. Low-risk offenders who are eligible will serve their sentences in alternative custody programs. The Sheriff's Office stated that safety to the public was the number one consideration in forming these plans. It was emphasized that any inmate released under Alternative Custody Supervision (ACS) will be closely monitored 24/7. Inmates are monitored with ankle bracelets, live in predetermined safe housing, report daily to a common facility (Day Reporting Center) and are randomly visited at home by correctional deputies.

Following are Alternative Custody Supervision programs put into effect by the Sheriff's Office:

- Sheriff's Work Alternative Program: A program which currently allows for the supervision of over 300 low-risk inmates to live at home, maintain jobs, and do public service work.
- Pre-Trial Release Program: The Sheriff's Office, in agreement with the courts, permits low-risk offenders to live at home on their own recognizance while they go through the adjudication process.
- Sheriff's Parole Program: The Butte County Board of Parole Commissioners accepts applications from sentenced inmates who are seeking release from the jail and acceptance into a supervised program of alternative custody.

Overcrowding continues to be a serious problem in the Butte County Jail. It has become critical due to the retention of inmates who previously would have been sentenced to state prison. Staff indicated most inmates are incarcerated for alcohol and drug-related crimes.

The Sheriff's Office believes that this overcrowding necessitates a larger jail. As of February 5, 2013, the jail population was 608, nearing total capacity of the 614 bed count. It should be noted that this population of inmates is considered unqualified to be released into the public under any Alternative Custody Supervision programs. Even now, on rare occasions, the lack of beds results in new arrivals having to wait overnight in the intake holding area for a bed.

Jail expansion will not be easy. As with all proposed county projects, finding adequate funding is difficult. To obtain funding and expand the jail is estimated to take three to five years. Plans are being considered to obtain additional space by possibly

contracting with other counties to house inmates until a jail expansion can be completed. A needs assessment for a new jail has been completed.

SB1022 provides money for expansion and the construction of new jails. Butte County can apply for a \$40 million grant from this money. The county would be required to come up with a 10% match (\$4 million) to qualify. If more funding is required, voter-approved bonds could be an option. If this is done, Butte County, under SB1022, would not be able to continue contracting out bed space with the federal government or other agencies. An alternative would be for Butte County to float a bond approved by the taxpayers to build or expand the jail and have the capability to lease out extra bed space to help offset the operational costs. The Butte County Jail will have to be enlarged to accommodate the growing number of prisoners.

Interviews were conducted with jail supervisors, management, line staff and inmates, both male and female. Some concerns surfaced that could adversely affect the safe operation of the jail. In the view of the correctional deputies, two economical modifications could be made to improve jail safety:

1. When there is a disturbance in the housing pods, officers now have to open a door to use deterrents such as pepper spray. This puts them in potentially dangerous situations. Staff indicated they would like to see ports installed in the pod tower control center through which deterrents could be dropped. This is currently being researched.
2. In the protective custody housing areas designated T3 and T4, the security camera only shows the hallway, not the cell interiors. Renovation of this area is needed to address both security and privacy issues.

Some concerns were expressed by correctional deputies:

1. In their opinion, the job has become more demanding since the passage of AB109. A more violent type of inmate now populates the jail for longer periods of time.
2. Staff believes training is adequate but also that their safety is being compromised due to jail overcrowding.
3. There are currently only seven female correctional deputies. When any are absent, adequate coverage of female inmates is difficult.

Interviewees stated that while medical emergencies are handled in a timely manner, medical and mental health appointments take too long to schedule. Basic dental care is available once a week with only one dentist. A doctor and nursing staff is on site. Critical emergency care is provided at the local hospital. There is a mental health room with a licensed therapist on staff. A remote therapy room allows inmates to communicate with

a licensed psychiatrist via Skype. Correctional deputies noted that the jail is not set up to effectively treat the mentally ill.

Female housing is located in the oldest part of the jail with multiple inmates per cell; however, it meets minimum Title 15 jail standards. One inmate interviewed felt that the female section was operated well. Disturbances are handled in a timely manner by the staff. The inmate said that two gang members are in her section, but cause no problems.

A team of California State University, Chico political science professors released the results of a study in September 2012 that suggest the Butte County Sheriff's Alternative Custody Supervision program shows promising trends. The professors presented an overview on how the study was conducted, as well as some conclusions:

- The Butte County Sheriff's Office developed and implemented the program to manage the influx of county prisoners generated by California's AB109.
- Butte County is at the top of the list of the 58 counties in California on their implementation of Alternative Custody Supervision programs.
- Each county had the opportunity to create its own programs. Butte County's implementation of AB109 is looked at as a model statewide.
- Balance between public safety, managing jail resources and offender treatment has been the main focus of the Butte County Sheriff's Office.
- Inmates as well as officers and deputies were interviewed. Many inmates interviewed expressed a desire for services and assistance during substance abuse recovery.
- Although tracking is still continuing, it is felt that the Alternative Custody Supervision program will result in a lower recidivism rate - the rate at which released offenders are sent back to jail for repeat crimes.
- The Sheriff's Office was complimented in this report as demonstrating leadership, having a positive attitude and a determination to make AB109 work.

On June 21, 2012, the Board of State and Community Corrections conducted a biennial inspection of the Butte County Jail. The board inspects for compliance with the minimum standards for local detention facilities. BSCC found no issues of non-compliance during its review of documentation that included housing areas, safety check logs, inmate records, classification records and incident reports. One area that was found in non-compliance was the inmate grievance procedure. This issue has been resolved.

FINDINGS

- F1 The Butte County Jail is operating well. Professionalism by correctional deputies and staff was demonstrated throughout the tour and interviews. Inmates were treated with respect and the jail was clean and orderly.
- F2 Jail overcrowding is evident now and destined to become worse in the near future if additional space is not found. The Sheriff's Office is actively searching for solutions.
- F3 Alternative Custody Supervision programs are an effective way to minimize overcrowding and reflect a collaborative effort of the Sheriff's Office, Probation Department and the courts.
- F4 Modification in the pod tower control center would improve safety for correctional deputies. In the event of a disturbance in the housing pods, as it stands now, a door has to be opened to use deterrents such as pepper spray. This exposes the deputy to potential danger.
- F5 In the protective custody housing sections T3 and T4, the camera only shows the hallway. A camera is needed over the door so officers can monitor what's going on in the cells.
- F6 The wait for medical and dental appointments is sometimes excessive. Before AB109, most sentences were short term, and the County Jail was more involved with medical emergencies. Now there is a greater need to focus on long-term medical care.
- F7 Butte County Jail is not set up to effectively treat mental health disorders.
- F8 There are some concerns among the correctional deputies due to the stress of managing security issues in an overcrowded jail.
- F9 Having only seven female deputies is insufficient for a 24/7 operation.

RECOMMENDATIONS

- R1 The Butte County Sheriff's Office, in cooperation with other county agencies, is encouraged to actively search for interim housing to accommodate inmates until jail expansion is completed.
- R2 The Butte County Sheriff's Office should continue its search for adequate funding to enlarge the jail.

- R3 Develop a tracking system to evaluate the effectiveness of the ACS programs.
- R4 Install ports in the pod tower control room to have direct access to the interior of the pods to introduce deterrents.
- R5 Install a security camera over the doors of T3 and T4 so officers can monitor activity in the cells.
- R6 Due to increased incarceration time, expand medical and dental care to cover the longer-term needs of inmates.
- R7 Look for evidence-based methods of dealing with mental health disorders and formulate a plan for implementation at the County Jail.
- R8 Conduct an anonymous survey of the correctional deputies for any possible concerns. Formulate a plan to address any issues and provide feedback to the deputies.
- R9 Recruit additional female correctional deputies.

REQUEST FOR RESPONSES

Pursuant to Penal Code sections 933 and 933.05, the Grand Jury requests responses as follows:

- Butte County Sheriff's Office:
 - A response to Findings F1 through F9, and Recommendations R1 through R9
- Butte County Board of Supervisors:
 - A response to Findings F2 and F4 through F9, and recommendations R1, R2, R4 through R6 and R9

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 Section 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.

[This page intentionally left blank]

2012–2013 BUTTE COUNTY GRAND JURY REPORT

BUTTE COUNTY JUVENILE HALL

SUMMARY

Under California Penal Code sections 919(a) and 919(b), the Butte County Grand Jury is required to annually inspect the operations and management of the Butte County Juvenile Hall (BCJH).

Overall, the facility is clean, well maintained and provides for the basic needs and security of the juvenile detainees. The administration, staff counselors and other employees are dedicated to these tasks and should be commended for their efforts. Programs are in place to provide education, community involvement, individual and family counseling, behavior management and positive guidance for making better choices. The goal is to reduce recidivism. Some issues with safety, security and physical upgrades are addressed in this report.

Reports from the Butte County Juvenile Justice Delinquency Prevention Commission (BCJJDPC) were reviewed for applicable information. Some of its investigative work on Juvenile Hall parallels the efforts and conclusions of the Grand Jury.

GLOSSARY

- BCJH - Butte County Juvenile Hall
- BCJJDPC - Butte County Juvenile Justice Delinquency Prevention Commission

BACKGROUND

Juvenile Hall is administered by the Butte County Probation Department, which provides a variety of services for juvenile offenders in Butte County. Approximately 550 juveniles get referred to the Probation Department each year for law and probation violations. The purpose of the Juvenile Hall is to detain youth offenders, if applicable, and provide them with rehabilitative, educational, nutritional, medical and mental health services while they are incarcerated. Juveniles are detained for a variety of penal code violations. Their length of stay in Juvenile Hall varies from a few hours to months or years.

Under the California Welfare and Institutions Code, sections 225-236, each county is required to have a juvenile justice commission to annually inspect and monitor the correctional, rehabilitative and preventive services for juvenile offenders. A delinquency

prevention commission is optional. The Butte County Juvenile Justice Delinquency Prevention Commission combines both these functions into one commission.

APPROACH

The 2012-13 Grand Jury performed the following activities:

- Reviewed responses to 2011-12 Grand Jury recommendations
- Toured the BCJH
- Interviewed managers and employees of the BCJH, Table Mountain School and the Boys and Girls Club.
- Interviewed BCJH juvenile detainees
- Inspected BCJH records and documents concerning:
 - Security equipment upgrade project
 - Boys and Girls Club activities
 - Procedures for use of force, mechanical restraints, pepper spray
 - Incident reports of disturbances
 - Historical statistics regarding disturbances and outcomes
- Interviewed a representative of the BCJJDPC
- Inspected BCJJDPC documents concerning:
 - the latest Juvenile Hall inspection (2011)
 - BCJH use of pepper spray (2007-2010)
 - Juvenile delinquency diversion program

DISCUSSION

The Butte County Juvenile Hall opened in November 2003, with a capacity of 120 juveniles, arranged in six pods of 20 beds each. Each pod has individual or double-bunk cells, a meeting area with tables and chairs for recreation and meals, a classroom and a security office. With a Board of Corrections capacity rating of 60 beds, BCJH currently uses only three pods for housing juveniles, two for males and one co-ed. Placement in a particular pod is based on risk level. Interaction among the juveniles is closely monitored by staff. Two of the remaining pods are used for storage, training and a soon-to-be welding class for juveniles. One pod houses a Boys and Girls Club. The total yearly budget is \$5.2 million, with \$3.9 million of that for staffing. A nurse is present 12 hours a day, seven days a week. Processing into the facility takes about an hour or slightly longer.

There are approximately 8-12 female and 30-40 male juveniles at any one time being housed in Juvenile Hall. The average age is 16, with an average stay of 16-18 days. Approximately 10-12% are on some form of medication, with about 4% on psychotropic drugs. There are 20-30 juveniles on an electronic monitoring program, serving their time outside the facility.

A commissary is available for the juveniles to spend points earned by good behavior. Each pod has one night during the workweek for visitors, plus one hour on the weekend. Only parents or guardians are allowed, and all visits take place in a visiting room. Once a month, extended family is allowed to visit. Northern Valley Catholic Social Service provides some programs for the juveniles and special events are included during holiday breaks.

A tour of the facility gave the Grand Jury a look at the processing center, activity room, kitchen, laundry room, housing pods, gymnasium, exercise yard, Boys and Girls Club, security command center and an outside area used for barbeques and gardening. The facility is clean and well maintained. The staff demonstrated respect and commitment to the care and safety of the juveniles.

Juvenile Hall has a food service supervisor and helpers who prepare the three hot meals a day for the juveniles. A software program called Nutri-Kids is used to provide the guidelines for the meals to ensure the state-mandated daily allowances for nutrition are met. The program is used in consultation with the medical staff for special diets. Twice a year, the Butte County Environmental Health Department inspects the kitchen area and reviews the menu data. A contracted nutritionist reviews the menu plan annually. Grand Jury members ate lunch one day in the pods with the juveniles and found the food acceptable.

The Table Mountain School in Juvenile Hall is staffed by the Butte County Office of Education with a principal and teachers. Within each pod is a classroom used for school. Juveniles are evaluated and programs developed to meet the youths' academic needs.

Physical activity for the juveniles is provided daily by use of the gymnasium and an outside exercise yard. The gymnasium is used for supervised indoor games like basketball and volleyball and includes a climbing wall. The outside yard is used for sports, exercise, relief from spending long hours in the pods and for fresh air.

In 2007, BCJH partnered with the Boys and Girls Club organization to establish a Boys and Girls Club inside the facility. It is one of only three existing in California juvenile halls and one of 15 nationwide. It is available to the juveniles Monday through Friday after school, if they have earned the privilege. Just like Boys and Girls Clubs in the community, there is a director, counselors, classes and activities. Classes are provided

to help the juvenile with life skills such as money management, healthy habits, future employment and cooking. Activities revolve around games, social involvement, art, exercise and movies. A counselor is assigned to provide individual attention when needed. The Boys and Girls Club inside Juvenile Hall interfaces with the Boys and Girls Clubs in Chico, Oroville and Paradise to provide for follow-up interaction once the juvenile is released.

The staff counselors stated that their main responsibility is the safety and security of the staff and juveniles. They do receive formal initial job training, plus 24 additional hours per year. The main desirable trait is the ability to work with minors and really listen to them. The morale of the staff is good and supervisors have an open-door policy. Each pod has two counselors per shift, with roving backup and a senior staff member to help when needed. There are 5-10 disturbances each month. Some require staff assistance calls, usually in the male pods. Minor daily disturbances also occur. Staff members are good at recognizing trouble situations and preventing them from escalating. Drugs inside Juvenile Hall are not a problem, but there are gang members in every pod. There is a Strengthening Families program between parents and probation officers.

Some safety concerns expressed by staff counselors are that:

- Pepper spray training is not given immediately to new counselors. Depending on staffing schedules, there are times when no counselor in the pod has this capability.
- There are more gang members and longer-term detainees in Juvenile Hall now, and only three pods available for housing. Extra staff would be helpful in preventing and dealing with disturbances.
- There is no video surveillance in the classrooms.

A few common themes were evident when interviewing the juveniles. Family dysfunction and peer pressure are often the root causes of their problems. Drugs, gang activity and probation violations for repeat offenders are the main reasons for juveniles to be detained. Recidivism is an issue. Management estimates that 30-35% of the detainees have returned two or more times, some as many as 10 times.

Juveniles feel safe in the facility and the staff is always available for consultation. The rules of the facility are adequately explained upon arrival at Juvenile Hall. Sometimes the standards of conduct expected of juveniles vary between experienced and newer staff members, plus the level of enforcement may vary day to day by an individual counselor. Minors who are approaching 18 years of age and are about to be released can participate in the county's One Stop program, which helps them prepare for and find

a job. Assistance is also available to attend Butte College and receive financial aid. The food is good and medical care is generally acceptable, although a few juveniles think that minor injuries are minimized by the staff and nurse. Some expressed the need for more counseling interaction to improve trust. Visitation rules are adequate, but some parents or guardians can't visit the one night available during the workweek because of their work schedules.

Security at Juvenile Hall, both physical and electronic, was a major focus of the Grand Jury investigation. A tour of the facility and interviews provided the Grand Jury with pertinent information.

Physical security is a priority of the staff, with an emphasis on constant awareness of activity. Each staff counselor receives training on the appropriate use of force, including pepper spray, based on state law and Juvenile Hall guidelines. The last escape from the facility was from the old Juvenile Hall in 1997. Random cell checks for drugs or contraband are performed daily, with pod and facility checks conducted periodically. Drug-sniffing dogs have been used occasionally to check the inside of the facility and have found nothing.

The exercise yard is a concern to the Grand Jury. There is a visual check of the yard before use by the juveniles. It is surrounded by a 15-20 foot chain-link fence, which can be accessed from the staff parking lot. There is only one security camera, which is mounted outside the access door between the yard and the building to record the in and out traffic. Periodically, pieces of metal left over from the construction of the building are exposed on the surface of the exercise yard. Some metal detection work has been done to attempt to reduce the problem.

Electronic surveillance of Juvenile Hall is concentrated in the Central Control room, where monitors display the views of remote cameras throughout the facility. Outdated equipment, plus some areas not covered by cameras, leaves the facility with limited coverage and vulnerability to outages. The central computer does not have a backup. The audio system uses an older analog amplifier with no replacement parts available. The workstations are not user-friendly due to antiquated hardware and software. The video storage capability provides approximately 20 days of storage on only 16 of the more than 50 cameras.

More cameras inside and outside, plus security equipment upgrades, are being pursued by Juvenile Hall administrators. The same design consultant and installation company that upgraded the Butte County Jail security system has looked at the technical needs of Juvenile Hall. The design has been completed and the installation expense is awaiting approval by the Butte County Board of Supervisors, expected by the spring of 2013. Installation would follow shortly thereafter. If approved and completed, the

upgrades will include increasing the number of cameras to 150. The cost of the upgrade is projected to be about \$550,000. Some staff counselors were unaware of the details of the security system upgrade.

Since the retirement of the BCJH superintendent at the end of 2012, the Butte County Probation Department has realigned under the Chief Probation Officer, with three deputy chiefs – Adult, Juvenile and Juvenile Hall. These positions are on a two-year rotating basis.

FINDINGS

- F1 Juvenile Hall is clean, efficiently operated and focused on the needs of the juvenile detainees.
- F2 Staff members work hard to ensure the welfare and safety of the juveniles, plus try to establish mentoring relationships. These relationships provide positive role models and identify opportunities for the juveniles to improve their lives and succeed in the community.
- F3 Programs like the Boys and Girls Club and the Table Mountain School provide valuable services and reinforce positive behavior.
- F4 Counselor safety would be improved with earlier pepper spray training and more staff to deal with disturbances.
- F5 Due to increased numbers of gang-affiliated juveniles in custody, with limited options for separation, the potential for violence is increased.
- F6 A significant number of juveniles return multiple times to Juvenile Hall.
- F7 Visitation during the workweek is hard for some parents and guardians due to their work schedules.
- F8 The safety and security of the exercise yard is an issue. Access to the perimeter fence around the exercise yard is unsecured. Passing contraband over or through the fence is possible, although a visual check before use minimizes the risk. The lack of security cameras for the entire yard limits electronic monitoring capability.
- F9 Juvenile Hall needs a combination of more inside/outside security cameras to cover unmonitored areas and a security system upgrade for outdated and obsolete equipment.

F10 Knowledge of the proposed security system upgrade was varied among the staff counselors.

RECOMMENDATIONS

- R1 Add pepper spray training earlier in the formal training program given to new counselors.
- R2 Increase the staff to provide more safety, security and one-on-one juvenile counseling.
- R3 Explore opening a fourth pod for separating increased gang population and longer-term serious offenders.
- R4 Continue to improve and expand programs that deal with family counseling and parental interaction.
- R5 Look at adjusting visiting hours to provide more weekend opportunities for parents and guardians.
- R6 Limit public access to the exercise yard fence.
- R7 Make use of the jail drug dog to randomly search the exercise yard.
- R8 Make sure the Security System Upgrade Project includes some cameras with day/night recording capability to be deployed in the classrooms and around the exercise yard.
- R9 Proceed with acquiring funding and installation approval of the Security System Upgrade Project.
- R10 Better communicate details and updates about the security system upgrade to the staff.

REQUEST FOR RESPONSES

Pursuant to California Penal Code sections 933 and 933.05, the Grand Jury requests responses as follows:

- Butte County Chief Probation Officer:
 - A response to Findings F1 through F10 and Recommendations R1 through R10

- Butte County Sheriff:
 - A response to Recommendation R7

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 Section 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.

2012-2013 BUTTE COUNTY GRAND JURY REPORT

THE CITIES OF BUTTE COUNTY

SUMMARY

The challenging economy of 2012-13 had significant consequences for the cities of Butte County. The Grand Jury reviewed the five incorporated cities: Biggs, Chico, Gridley, Oroville and Paradise. The latest recession reduced tax revenues. In response, the federal government reduced revenue sharing and grants to cities and states while increasing city and state responsibilities. California reduced revenue sharing and grants to cities while increasing local responsibilities with underfunded mandates. Cities struggled to balance budgets with more responsibilities and less revenue.

The Grand Jury conducted initial interviews with the city management of Chico, Oroville and Paradise which included interim managers and former managers. The financial situation as initially reported was mostly positive. Later interviews indicated that 2012-13 will likely end with deficits which would be covered with reserve funds. City management gave the impression that it was acceptable to cover deficits with reserve funds. City management also contended that financial issues were under control. The Grand Jury questioned how long reserves would last if they continue to be depleted. The Grand Jury found some cities did not provide a clear and up-to-date picture of their city's financial condition.

The Grand Jury conducted subsequent interviews, as city managements changed. In the fiscal year 2012-13, the Gridley City Manager was the only City Manager left from 2011-12. All other Butte County cities have new or interim managers. As the cities began the budgeting process for 2013-14, city councils and management staffs, many with a new perspective, realized that structures that were adequate in the past are no longer sufficient. City councils need to make hard decisions about staffing, programs offered and a more efficient way to conduct city operations.

In this report, the 2012-13 Grand Jury reviewed the embezzlement of funds in Gridley, which was discovered in 2009. The Grand Jury observed that limited staffs require crossover in duties which can result in internal controls being breached.

GLOSSARY

- BART – Bay Area Rapid Transit

- CAL FIRE – California Department of Forestry and Fire Safety
- CalPERS – California Public Employees’ Retirement System
- CHIP – Community Housing Improvement Program
- DWR – Department of Water Resources
- FERC – Federal Energy Regulatory Commission
- MW – Megawatt, a million watts
- PG&E – Pacific Gas & Electric
- NCPA – Northern California Power Agency
- RDA – Redevelopment Agency
- SBF – Supplemental Benefit Fund

BACKGROUND

Butte County has numerous distinct communities such as Bangor, Durham and Magalia. The County only has five incorporated cities: Biggs, Chico, Gridley, Oroville and Paradise. Oroville is the county seat while Chico is the largest city. Services for the non-incorporated communities are provided by Butte County. The cities have their own elected governments, property, revenue sources and employees that provide services within their city limits. All five cities use the elected city council/city manager form of government. The city council hires a city manager to be the city’s chief operating officer. In California, state and local governments use the fiscal year, July 1 - June 30.

In this fiscal year 2012-13, with the exception of Gridley, the cities have been in the process of replacing their city managers. The vacancies were caused by a combination of retirements and a manager moving on to another job. The city councils have hired interim managers while selecting permanent city managers.

Each city is unique and faces its own challenges, yet all face fiscal issues of various degrees. Among the sources of revenue for the cities are property taxes, sales taxes, vehicle taxes, fee income and occupancy taxes. Gridley and Biggs each own and operate municipal utilities whose profits help, along with taxes, to fund their government. By State law, all cities must end the fiscal year with a balanced operating budget. Many of the cities have found it necessary to draw on their reserve funds to balance their operating budgets. Obtaining an open-market loan is also an option to

balance budgets.

The 2011-12 operating budget for each of the five cities was:

- Biggs - \$3.9 million
- Chico - \$43.3 million
- Gridley - \$19.8 million
- Oroville - \$20.4 million
- Paradise - \$17.4 million

Causes of the operating budget deficits include the following:

- The state of the economy, since 2008, has hit every jurisdiction with reduced property, sales and other retail taxes. Although city revenue is down, the demand for services is not.
- The State of California fiscal challenges have impacted the cities. Local tax income and obligations of the State are distributed to the local governments by the State. The State, sometimes without warning, “temporarily” delays payments, changes the rules by legislation or executive order, or revises the formulas for allocation of funds.
- The State of California dissolved all Redevelopment Agencies (RDAs); therefore, the cities who had an RDA are no longer receiving an incremental share of property taxes. The funds were used to develop, expand and diversify their business sector and housing. This included infrastructure improvements and the subsidizing of city administrative costs. In Butte County, Chico, Gridley, and Paradise were affected in various degrees by the cancellation of RDA funds.
- Since the recession, the California Public Employees' Retirement System (CalPERS) has experienced significant shortfalls in its projected income from investments and other sources. This resulted in unfunded pension liabilities for cities and other participants. The cities are obligated to CalPERS for the amount of their unfunded liability. In addition, according to the guidelines of the National Accounting Standards Board, the amount of unfunded pension liabilities must be reflected as a liability on city 2013-14 balance sheets.
- CalPERS payroll contributions consist of an employer portion and an employee portion. In the past, many of the cities, in negotiating with their employee bargaining units, had agreed to pay all or part of the employees' portion of retirement contributions. In recent years, this practice is being reversed.

- The implementation of prison realignment (AB109) does not have a direct impact on city budgets. However, several cities have had an increase in police calls. The cities feel this is anecdotal evidence of an indirect impact on them. *(See the report on AB109 elsewhere in this Grand Jury Report.)*

Just as the causes of the fiscal challenges vary, the solutions adopted by each city have varied. The immediate short-term solution is to use their reserve funds. Every city uses reserve funds to cover temporary cash-flow deficits, but many have used the reserves to balance the budget at the end of the fiscal year. The ideal solution is to repay or possibly increase the reserves in the following fiscal year. After multi-year fiscal challenges, some cities are adopting long-term solutions, often involving austerity budgets.

Employee compensation is usually the largest element of a city's budget. Most cities have been negotiating with their employee bargaining units to freeze or reduce wages and/or increase employee contributions for individual pension and health insurance benefits. In some cases, cities are establishing multi-tier benefit packages. Another way to cut expenses is to reduce the size of the workforce. A city can start with a hiring freeze, which reduces the work force by attrition, or use direct layoffs to reach the fiscal goal. This may balance a budget in the short-term, but it may not solve the basic structural problems. With new management, some cities are taking the opportunity to restructure their city government by consolidating high-cost management positions, eliminating redundancy and reducing the total work force. Using outside contractors or selling city-owned property are other options.

Providing for public safety is a city's responsibility. Biggs contracts with Gridley to provide police protection. Biggs and Gridley have contracted with CAL FIRE to provide fire protection. In 2012-13, Paradise also contracted with CAL FIRE.

Many city governments believe there is a limit to how many expenditure cuts are possible without harming the city as a whole. To avoid the expenditure cuts, many cities are looking to increase revenue. A recovering economy should increase the tax base, but real growth may need to come from expanding retail, industrial and commercial sectors. Major infrastructure improvements are often financed with state and/or federal grants or bond measures. These funding sources are currently difficult to obtain.

APPROACH

For this report, the members of the Grand Jury have made multiple visits to each city. Our interviews included City Managers, Interim City Managers, one Temporary Interim City Manager, one retired City Manager, Finance Directors and an Electric

Superintendent. In addition to the interviews, the Grand Jury attended city council meetings and reviewed city websites, documentation and budgets.

DISCUSSION

The following analysis of the Butte County cities is not meant to be a comprehensive report of all issues facing each city. Instead, we have limited the scope of individual reports to the most significant challenges that are affecting their well being and financial condition.

Our analysis of Butte County cities follows:

City of Biggs

Established in 1871, the city of Biggs, with a current population of about 1,700 and total area of 0.6 square miles, is the smallest city in the county.

Biggs' revenue sources include the following:

- Electrical Utility Fund - 52%
- Vehicle Licensing Fees – 16%
- Property Tax – 13%
- Sales Tax – 2%

Many city functions and services are contracted out, including police and fire protection, accounting, legal advice and planning. Biggs never established a Redevelopment Agency (RDA).

Biggs' new city manager began his employment in August 2012. There are 9 full-time regular positions on the city staff and five elected City Council members. Biggs has one employee bargaining unit which represents its public works employees. Although there is an unfunded pension liability of \$177,280, the city has adequate revenues and contingency funds to cover any pension-related claims.

In 2013, Biggs substantially completed work on a new General Plan for the city that calls for an expansion through the annexation of suburban and agricultural lands. Furthermore, the Community Housing Improvement Program (CHIP) is working on a development that includes 53 new residential units, which may be built at a rate of 10 units per year.

There are two major issues in Biggs:

1. The wastewater treatment facility needs to be upgraded at an estimated cost of \$8 million. The city is exploring the availability of state and federal funding mechanisms.
2. Many roads need maintenance and repair. Funds for street repair come from gasoline taxes.

City of Chico

The City of Chico was incorporated in 1872 and encompasses 33 square miles. Chico has an estimated population of 100,000 people in the greater urban area, of which approximately 87,000 live within the incorporated area. It is the most populous city in Butte County. Chico is managed by a City Council consisting of seven members, each elected to a four-year term. The mayor is a council member, selected by the City Council. The City Manager, employed by the City Council, is responsible for the day-to-day operations of the city. As of April 2013, city staff totaled 375, a reduction from 450 staff members on January 1, 2011. The city negotiates with nine public employee bargaining units. Primary issues are a reduction of expenses through staff reductions and negotiating changes in compensation and pension plan payments.

Chico is a regional center of commerce and derives most of its revenue from these sources:

- Sales Tax – 41%
- Property Tax – 26%
- License & Fees – 9%
- Gasoline Tax – 7 %
- Transient Occupancy Tax – 5%

Primary sales tax generators include Costco, Walmart and numerous automobile dealerships. Economic drivers and the largest employers are California State University, Chico and Enloe Medical Center.

The City of Chico has recently experienced significant turnover in management. During the last ten months, long-time employees have been replaced in the positions of City

Manager, Assistant City Manager, Finance Director and Police Chief. The current Chico City Manager is restructuring city staff from eleven city departments to five departments in an effort to reduce expenses and improve efficiencies.

Chico's revenue was impacted by the defeat of a November 2012 ballot measure regarding a cellular telephone tax, which eliminated \$1 million in estimated revenue. The dissolution of the Redevelopment Agency (RDA) by the State of California impacted Chico significantly. Chico had a substantial RDA and commensurate RDA staff. The Grand Jury analysis found that the City of Chico did not address revenue reductions in a timely manner.

According to CalPERS annual Actuarial Valuation, on June 30, 2011, Chico had an unfunded pension liability of over \$69 million, an increase of \$5.3 million from the prior year. There is also an unfunded liability for employee medical coverage of \$10.1 million.

The Grand Jury met with Chico management in September and December 2012 and was given a favorable financial report in both instances. In March 2013, the Grand Jury sent a follow-up questionnaire to all five Butte County city managements and received Chico's response on March 8. The financial report again was favorable with no deficits disclosed. On April 3, 2013, senior management informed the Grand Jury that Chico's general fund had a significant structural deficit.

After further research and analysis, the Grand Jury identified inconsistencies and omissions. For example:

- Stale data was given to the Grand Jury. CalPERS Actuarial Valuation Report dated October 2012, for the period ending June 30, 2011, was available at the time of the City Management Questionnaire. However, the Grand Jury was not provided with this information. Instead, Chico management cited data from June 30, 2010, which was \$5.3 million less than the latest available data. As of June 30, 2011, total unfunded pension liability was \$69 million.
- Critical budget details were omitted. To the question "During the current fiscal year (ending June 30, 2013), do your operation expenditures exceed your revenues?" the answer was "No." Upon further investigation, the Grand Jury found that the City transferred funds from their Capital Projects Fund and Private Development Fund to supplement their cash flow. As a result, the Capital Projects Fund 400, as of February 28, 2013, showed a negative balance of \$3.0 million. The Private Development Fund 862, as of March 31, 2013, showed a negative balance of \$9.0 million. The City of Chico used funds that do not have to be balanced by law, to balance their operating budget. At the time of this report, the Grand Jury was unable to determine

how these funds will be replenished.

- In April 2013, the Grand Jury discovered financial information that directly contradicted the favorable reports we received from senior management.

City of Gridley

The City of Gridley is located in southern Butte County. It has a population of over 6,500 and occupies just over two square miles. Gridley is governed by a City Council of five elected council members, including the mayor who is selected by the other council members. They serve a term of four years with no term limits. The City Administrator, employed by the City Council, is responsible for the day-to-day operations of the city. The city has approximately 49 employees.

The 2010-11 and the 2011-12 Butte County Grand Juries conducted investigations of the City of Gridley because of the receipt of complaints. Both prior juries did thorough investigations and most of the complaints were resolved.

Revenue sources for the 2012-13 City of Gridley budget include:

- Electrical Utility Fund - 30%
- Sewer Usage Tax - 6.4%
- Water Usage Tax - 5.5%
- Sales Tax - 3.7%
- Property Tax - 2.5%

In addition, the 2012-13 budget included a one-time reimbursement of \$3.8 million from the federal government for the Gridley Springs housing project. This represented 20% of that year's budget.

The RDA represented less than 1% of Gridley's prior operating budgets. Recently, Gridley has been successful in attracting new businesses, such as Clean Flame Log Factory, and expanding existing businesses, such as Mary's Gone Crackers.

The City of Gridley has a five member financial staff, which requires crossovers in duties. In 2010, the City discovered an embezzlement. The amount of embezzlement was 2.5% of the operating expenses for fiscal year 2009-10. The City recovered 96% of the lost amount from insurance. This case is still in the courts. Expenditure of funds must now pass through multiple crosschecks. There is now a regular review of accounts

and a monthly treasurer report is issued. While no system is perfect, the city has taken several positive steps to ensure all financial transactions are approved.

Gridley Electric Department

Gridley Electric Utility, operating since 1910, oversees the procurement and delivery of wholesale power to the City of Gridley. Gridley is a member of the Northern California Power Agency (NCPA) with ownership in a hydroelectric generator at the Shasta Powerplant, two geothermal plants, two combustion turbines and 4% ownership in the Lodi Energy Center.

Gridley contracted with BART to build two solar array systems: a 1.0 MW and a 2.5 MW solar array system. The solar plants were built at no cost to the city of Gridley. Gridley Main 1, the 1.0 MW system, was placed in service in March 2013. The long-term contract provides BART with 2.5 MW of power.

Besides the solar plant, Gridley owns and maintains two substations and the city's distribution lines. Gridley has a contract to maintain Biggs' powerlines and substation. Gridley consumers have a choice of purchasing their electricity from either the City of Gridley or PG&E. Gridley rates are less than PG&E's rates and the monies received by the Gridley Electrical Fund subsidize the Gridley General Fund. This on-going stream of income contributed \$3 million to the city in calendar year 2012.

City of Oroville

In 1856, the town of Ophir was re-christened Oroville and became the county seat of Butte County. It was one of the most populated mining towns in California and became its fourth city in importance. Incorporated in 1906, it currently has an estimated population of 16,000 and a total of 55,000 in the greater Oroville area.

Oroville is managed by a City Council consisting of seven members, including the mayor. The mayor is elected separately and serves a four year term. Five council members serve a four year term and the council member receiving the least amount of votes serves a two-year term. As of April 2013, the City Administrator position is filled with an Interim City Administrator.

The City of Oroville's revenue sources include:

- Sales Tax – 26%
- Utility User Tax – 15%
- Property Tax – 11%
- Departmental Revenues, i.e. fees and fines – 9%

- Transient Occupancy Tax – 3%

In connection with the Federal Energy Regulatory Commission (FERC) relicensing of Oroville Dam, the California Department of Water Resources (DWR) entered into an agreement with the City of Oroville that was designed to benefit the local community. The agreement established the Project Supplemental Benefits Fund (SBF) that DWR funds on an annual basis and designated the City of Oroville as the Fund Administrator. The City receives compensation for administering the fund. The SBF money is provided as grants to organizations that stimulate recreation, tourism and economic development to the community. From 2009 to 2012, DWR has funded the SBF \$100,000 a year. When the relicensing of Oroville Dam is completed, DWR will provide up to \$61,270,000, with a combination of initial payments and annual payments for the term of the new license.

The City of Oroville is designated as one of 44 Enterprise Zones in the state and is currently tracking 13 businesses. This classification provides many incentives for a new business in the zone including wage credits, sales tax credits and business and property expenses for a period of five years.

An issue that the City Council addressed in 2012-13 was fee waivers for the use of city facilities and parks. Over the past 24 months, the City Council had granted fee waivers in excess of \$68,000 requested by various groups for special events, while they denied others. In January 2013, the Council adopted a new Facility and Park Fee Waiver Policy to be consistent on granting fee waivers.

The City of Oroville is facing fiscal problems due to the loss of RDA revenue. When the RDA was started, the City loaned it \$1.8 million for start-up costs. In 2012, the RDA repaid the loan to the city. The State is now demanding that loan repayment money be paid to the State with the rest of the RDA funds. This is in litigation with many other cities in the State that started their RDA in the same fashion. Four percent of Oroville's 2011-12 operating budget was funded by RDA revenue.

The City of Oroville has not seen reductions in other revenues; however, current annual operating expenditures exceed revenues by approximately \$4,300 per day. The City has been using its contingency fund to balance the operating budget. The largest operating expenditures are employee salaries (48%) and employee benefits (30%).

The Interim City Administrator is developing various options to address the projected 2013-14 budget deficit of \$2 million. These were presented to the City Council for review.

Town of Paradise

The Paradise community dates back to the Gold Rush days of the 1850's. It once had its own railroad station. Canals built for the hydraulic mining of gold still exist. However,

Paradise did not become the incorporated Town of Paradise until 1979, which makes it Butte County's youngest incorporated area. The town of 18.2 square miles has a population under 27,000. Although the Town is proud of its distinct character, it is still basically a bedroom community with many of its citizens working and shopping in Chico and Oroville. The largest employer in Paradise is Feather River Hospital and the adjacent medical community.

The Town of Paradise's management is in transition. The long-term Town Manager retired as of December 31, 2012. As part of the budget process, the plan for the fiscal year 2012-13 was for the Town Manager to work part-time from June through December and then have the Assistant Town Manager become the Interim Town Manager. As part of the 2013-14 budget process the Town Council will make plans for procuring a new Town Manager.

Paradise's revenue sources include:

- Property Taxes – 46%
- Motor Vehicle Taxes - 21%
- General Sales & Use Taxes – 18%

As of February 2013, fiscal year 2012-13 expenses exceeded revenue by \$294,000. The Town management expects to be in balance by the end of the fiscal year by reducing expenses. To save costs this fiscal year, the Town contracted with CAL FIRE rather than operate a Town fire department. However, the non-recurring costs in transitioning to CAL FIRE have been more than anticipated and could make it difficult to balance the budget this fiscal year.

The Town lost \$2.6 million in General Fund Revenue as the result of declining property values since 2008-09. Budget analysis for the fiscal year 2013-14 indicates that there should be a modest increase in its primary revenue income due to the improvement in the economy. In preparing the 2013-2014 budget, the Town plans to continue to reduce expenses. The Town continues to negotiate with employee bargaining units on salary and benefit packages. This includes placing caps on medical insurance contributions, having employees pay a greater percentage contribution to CalPERS, and establishing a third tier of retirement benefits. Employee concessions have totaled \$560,000 over the last four years. The Town is also planning to defer maintenance and postpone equipment purchases when possible. Further cuts in staffing will be a last resort.

The Town of Paradise's diligence in solving immediate fiscal problems will not lead to long-term fiscal health. The Town of Paradise is a bedroom community that is without an adequate retail sales tax base. Paradise needs to increase its sales tax base. This could be accomplished by attracting additional retailers. Paradise should be able to attract new business investors due to its customer base which includes customers from the Upper Ridge areas such as Magalia and Stirling City. The primary barrier to growth

is the lack of a sewer system and possible water shortages. (*For information about the Town's water situation, see the report Water: Butte County's Vital Resource, Paradise Irrigation District, found elsewhere in this Grand Jury Report.*)

The Town, both residential and business districts, is on septic systems. The Town of Paradise is the largest community west of the Mississippi River without a sewer system. When a large retail complex wishes to locate in Paradise, it must build a self-contained wastewater system. This is a costly challenge to these businesses. Lack of a sewer system is also making growth difficult for the existing businesses whose septic systems are reaching capacity. Some heavy-use businesses, such as restaurants, must pump their systems daily. Due to the mountain topography, it is not practical to have a sewer system for all residential areas. Paradise has been exploring the creation of a sewer system for the business area. There are tentative talks with Chico about connecting to Chico's treatment plant, which has excess capacity. This could be beneficial to both communities. Without solving the sewer/septic issues, business growth in Paradise is limited. Without business growth, the Town of Paradise will have limited options for solving its financial problem.

FINDINGS

Biggs

- F1 The City of Biggs traditionally balances its General Operating Budget by supplementing its revenue with monies from the Electric Utilities Fund.
- F2 Biggs wastewater treatment facility is antiquated and will need to be upgraded in the near future.
- F3 Many roads need maintenance and repair.

Chico

- F4 Primary revenue sources of Chico are taxes which have been reduced by the slowing economy.
- F5 The City of Chico had a significant turnover in senior management in 2012-13 and is in the process of restructuring the city government.
- F6 The City of Chico was slow to respond to the loss of RDA funding and of other funding sources.
- F7 City management provided the Grand Jury with some financial data that was outdated, incomplete and misleading.

F8 Shortfalls in operating revenues are being covered by transfers from non-general revenue funds. Some of these funds continue to carry significant negative balances.

Gridley

F9 Gridley traditionally balances its General Operating Budget by supplementing its revenue with monies from the Electric Utilities Fund.

F10 Gridley strengthened its internal controls after an embezzlement discovered in 2010.

Oroville

F11 The City of Oroville, under contract with DWR, is the Fund Administrator for the Project Supplemental Benefits Fund and will be disbursing grants to the community to stimulate recreation, tourism and economic development.

F12 The City Council's adoption of a new Facility and Park Fee Waiver Policy will bring consistency to this process.

F13 Although the City of Oroville has a shortfall in its annual operating expenditures as compared to its revenues, City management is transparent about their steps to correct the situation.

F14 The City of Oroville balanced its operating budget by using its Contingency Fund.

Paradise

F15 The Town of Paradise is primarily a residential community with minimal retail and commercial businesses. Therefore, Paradise residents often work and shop elsewhere, leaving their sales tax dollars in other jurisdictions.

F16 The Town of Paradise has experienced revenue challenges for many years, which impact town services.

F17 The Town of Paradise carefully planned for the transition to a new town manager.

F18 The Town of Paradise's lack of a sewer system has been a barrier in attracting significant new retail and commercial businesses.

F19 A sewer system for the residential districts is impractical due to the Town of Paradise's topography.

RECOMMENDATIONS

BIGGS

R1 The City of Biggs should explore all funding possibilities for upgrading its wastewater treatment facility and road maintenance.

CHICO

R2 The City of Chico should become more transparent in its financial condition, reporting and budgeting process.

R3 The City of Chico should continue the process of restructuring the city government.

R4 The City of Chico should develop a viable financial plan to replenish funds with negative balances.

GRIDLEY

None.

OROVILLE

R5 The City of Oroville should develop a sustainable financial plan to replenish their contingency fund.

PARADISE

R6 The Town of Paradise should explore all options for a sewage system in its business districts and adopt a plan to resolve this problem.

REQUEST FOR RESPONSES

Pursuant to Penal Code sections 933 and 933.05 the Grand Jury requests responses to the recommendations as follows:

- Biggs City Council
 - A response to Findings F1 through F3 and Recommendation R1

- Chico City Council
 - A response to Findings F4 through F8 and Recommendations R2 through R4
- Gridley City Council
 - A response to Findings F9 through F10
- Oroville City Council
 - A response to Findings F11 through F14 and Recommendation R5
- Paradise Town Council
 - A response to Findings F15 through F19 and Recommendation R6

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 Section 929 requires that reports of the Grand Jury do not contain the name of any person of facts leading to the identity of any person who provides information to the Civil Grand Jury.

Appendix A

City of Chico's Response to the Butte County Grand Jury's QUESTIONS FOR CITY MANAGERS March 8, 2013

1. During the current fiscal year (ending June 30, 2013), do your operation expenditures exceed your revenues?

No, expenditures do not exceed revenues within the City's General/Park Fund for Fiscal Year 2012-13. The table below provides the City's Adopted Budget, Modified Adopted Budget (which reflects the Adopted budget plus any Council-approved modifications after budget adoption in July) as well as the City's mid-year projection. The Net Revenue/(Deficit) line below indicates that the City no longer has a structural deficit.

| GENERAL & PARK FUNDS FY2012-13 BUDGET FUND SUMMARY | ADOPTED BUDGET 2012-13 | MODIFIED ADOPTED BUDGET | PROJECTED ACTUALS (as of Jan'13) | VARIANCE FROM BUDGET |
|--|------------------------------|-------------------------------|--|----------------------------|
| Total Tax Revenues | 38,917,487 | 38,917,487 | 38,501,861 | (415,626) |
| All Other Revenues | 1,594,509 | 1,594,509 | 1,594,509 | 0 |
| Other Financing Sources | 2,941,605 | 2,941,605 | 2,941,605 | 0 |
| TOTAL REVENUE SOURCES | 43,453,602 | 43,453,602 | 43,037,975 | (415,628) |
| Total Operating Expenditures | 42,983,073 | 43,026,676 | 41,957,206 | (1,069,470) |
| Capital Improvement Projects | 100,000 | 122,468 | 174,468 | 52,000 |
| Other Financing Uses | 282,677 | 282,677 | 282,677 | 0 |
| TOTAL EXPENDITURES | 43,365,760 | 43,431,821 | 42,414,361 | (1,017,470) |
| NET REVENUE/(DEFICIT) | 87,851 | 21,781 | 623,625 | 601,844 |
| BEGINNING FUND BALANCE | 174,055 | 254,287 | 254,287 | |
| Available Funds | 281,907 | 278,068 | 877,912 | 601,844 |

If so, by how much?

Not applicable

If so, what is the source of funds you will use to balance the budget?

Not applicable

2. For the fiscal year ending June 30, 2014, how do you plan to balance your budget?

City staff is in the process of developing its FY2013-14 Budget, so figures are not yet available for this fiscal year. The City has only two methods for balancing its budget: reduce costs or increase revenue. The City's General Fund is comprised of 90% tax revenue, which cannot be increased without a vote of the people, therefore if a structural imbalance occurs, the City must reduce expenditures to balance the budget.

3. List all of your revenue sources.

See attached Exhibit A – General & Park Fund Revenue

List the percentage of total revenue for each revenue source.

See attached Exhibit A – General & Park Fund Revenue

4. What percentage of your operating budget is spent on employee salaries?

For the General & Park Funds, 63% of the Total Operating Budget is allocated to pay for salaries, including overtime.

What percentage of your operating budget is spent on employee benefits?

For the General & Park Funds, 25% of the Total Operating Budget is allocated to pay for benefits.

5. Does the city pay all or part of the employee contribution to CALPERS?

The City has nine separate employee groups, and each group independently negotiates the share of CalPERS that the City will pay.

If so, how much does the city pay (break down by employee type, if appropriate)?

Below is the amount of the employee share of CalPERS that the City has agreed to pay for each bargaining unit for Fiscal Year 2012-13. The information is also summarized on the attached Exhibit B - FY2012-13 Summary of Employee Benefits.

Safety Employees – 9% of wages is the Employee Portion:

- Chico Police Officers Association (CPOA) = 9%
- Public Safety Management (PSM) = 9%
- International Association of Firefighters (IAFF) = 7%

Miscellaneous (Non-Safety) Employees – 8% of wages is the Employee Portion:

- Chico Public Safety Association (CPSA) = 8%
- Service Employees International Union - Trades & Crafts (SEIU-TC) = 5%
- Local 39 = 5%
- Management = 4%
- Chico Employees Association (CEA) = 2%
- Confidential Employees = 0%

6. Does the city pay all or part of the employee contribution to medical coverage?

The cost of health insurance is shared between the employee and the City, as is subject to negotiations with each bargaining unit.

If so, how much does the city pay (break down by employee type, if appropriate)?

See attached Exhibit B - FY2012-13 Summary of Employee Benefits.

7. How much is your city's unfunded pension liability?

As of June 30, 2010, the unfunded pension liability for safety employees was \$30,206,458 and for non-safety employees it was \$33,578,537

What is your plan to address it?

The CalPERS annual contribution rates are adjusted each year to pay the actuarially-determined share of the unfunded pension liability. This share is expressed as a percentage of payroll and is added to the Employer rate for current pension costs. The City does not currently make additional contributions towards the unfunded liability over and above what is incorporated into the annual contribution rates determined by CalPERS each year.

8. What percent of your total operating budget was funded by RDA during the fiscal year ending June 30, 2012?

Prior to the dissolution of the Redevelopment Agency, 2.5% of the City's total operations were funded by the RDA, as adopted in the FY2011-12 Annual Budget.

9. Apart from RDA, has your city recently lost any other sources of revenue?

Yes, the City has lost a substantial amount of revenue in recent years, as summarized below. In addition, Exhibit C summarizes the fiscal impacts of historical State legislation and their impacts on the City's revenue.

General Fund Revenue Losses:

FY2013-14 = (\$900,000) in Utility Users Tax from the loss of Measure J (ongoing)
FY2012-13 = (\$500,000) in Utility Users Tax from the loss of Measure J (Nov'12)
FY2011-12 = (\$750,000) in Vehicle License Fees - (ongoing revenue)
FY2010-11 = (\$450,000) in Vehicle License Fees related to annexation
FY2005-06 = (\$770,853) payment to the Educational Revenue Augmentation Fund
FY2004-05 = (\$770,853) payment to the Educational Revenue Augmentation Fund
FY2002-03 - present (\$100,000-150,000/year) in State Mandated Reimbursements.
(Outstanding receivable totals approximately \$1.2 million owed from the State for past years.)

If so, what were they and what were the average annual amounts of those sources?

See above & attached Exhibit C

10. What other factors are affecting your ability to balance your budget?

The rising costs of health insurance, workers' compensation, pension costs as well as general inflationary factors are a continual challenge for municipalities. In addition, the City of Chico must begin replenishing funds that have been depleted through this past recession, including fleet replacement funds, facility improvement funds, technology replacement funds and liability reserve funds.

11. Please provide a copy of your current fiscal year budget (ending June 30, 2013)

I believe a copy of the City's FY12-13 Budget has been previously provided to a member of the Grand Jury, and can also be accessed on the City's website at <http://www.chico.ca.us/finance/budget.asp>

City of Chico
2012-13 Annual Budget
General & Park Fund Revenue Sources

EXHIBIT A

| GENERAL FUND | | FY2012-13 Council Adopted | % of Total |
|--------------|---|---------------------------------|---------------|
| 40101 | Sales Tax | 12,680,300 | 29.18% |
| 40102 | Sales Tax Audit | (5,500) | -0.01% |
| 40103 | Public Safety Augmentation | 134,600 | 0.31% |
| 40104 | Sales Tax Compensation Fund | 4,254,000 | 9.79% |
| | Total Sales Tax | <u>17,063,400</u> | 39.27% |
| 40201 | Property Tax-Secured | 3,524,100 | 8.11% |
| 40204 | Property Tax-Unsec | 324,400 | 0.75% |
| 40205 | Property Tax-Unitary | 213,400 | 0.49% |
| 40206 | Property Tax-Curr Sec Supple | 82,900 | 0.19% |
| 40215 | RDA Pass Thru | 500,000 | 1.15% |
| 40225 | RDA Pass Thru-Sec Inflation Allocation | 248,899 | 0.57% |
| 40228 | CAMPRA Statutory Pass Through | 147,889 | 0.34% |
| 40230 | Property Tax-Prior Sec | 0 | 0.00% |
| 40231 | Property Tax-Prior Unsec | 10,000 | 0.02% |
| 40234 | Property Tax-Prior Unsec Suppl | 1,000 | 0.00% |
| 40265 | Property Tax-inlieu Butte Housing Auth. | 5,700 | 0.01% |
| 40270 | Payment In Lieu of Taxes | 3,300 | 0.01% |
| 40290 | Property Tax - In Lieu of VLF | 6,357,600 | 14.63% |
| 40295 | Property Tax Admin Fee | (289,700) | -0.67% |
| | Total Property Taxes | <u>11,129,488</u> | 25.61% |
| 40301 | Business License Tax | 489,600 | 1.13% |
| 40302 | DPBIA Bus Lic Tax-Zone A | 19,700 | 0.05% |
| 40303 | DPBIA Bus Lic Tax-Zone B | 8,100 | 0.02% |
| 40403 | Franchise Fees-Cable TV | 559,400 | 1.29% |
| 40404 | Franchise Fees-Gas/Electric | 656,300 | 1.51% |
| 40407 | Real Property Transfer Tax | 179,400 | 0.41% |
| 40410 | Transient Occupancy Tax | 2,023,300 | 4.66% |
| | Total Other Taxes | <u>3,935,800</u> | 9.06% |
| 40460 | UUT Refunds | (7,500) | -0.02% |
| 40490 | Utility User Tax - Gas | 955,300 | 2.20% |
| 40491 | Utility User Tax - Electric | 3,690,000 | 8.49% |
| 40492 | Utility User Tax - Telecom | 1,363,500 | 3.14% |
| 40493 | Utility User Tax - Water | 787,500 | 1.81% |
| | Total Utility User Taxes | <u>6,788,800</u> | 15.62% |
| 40501 | Animal License | 30,600 | 0.07% |
| 40504 | Bicycle License | 1,700 | 0.00% |
| 40506 | Bingo License | 100 | 0.00% |
| 40509 | Cardroom License | 1,000 | 0.00% |
| 40510 | Cardroom Employee Work Permit | 700 | 0.00% |
| 40513 | Vending Permit | 1,500 | 0.00% |
| 40514 | Solicitor Permit | 100 | 0.00% |
| 40519 | Uniform Fire Code Permit | 36,700 | 0.08% |
| 40523 | Alarm Permit | 16,300 | 0.04% |
| 40525 | Overload/Wide Load Permit | 6,000 | 0.01% |
| 40528 | Vehicle for Hire Permit | 5,000 | 0.01% |
| 40534 | Hydrant Permit | 1,900 | 0.00% |
| 40540 | Parade Permits | 3,100 | 0.01% |
| 40599 | Other Licenses & Permits | 2,300 | 0.01% |
| | Total License & Permits | <u>107,000</u> | 0.25% |
| 41220 | Motor Vehicle In Lieu | 0 | 0.00% |
| 41228 | Homeowners Prop Tax Relief | 51,000 | 0.12% |
| 41235 | Peace Officers Standards & Trg | 46,000 | 0.11% |
| 41238 | Off Highway Motor Vehicle Fees | 0 | 0.00% |
| 41245 | Highway Maintenance St Payment | 18,000 | 0.04% |
| 41250 | Mandated Cost Reimbursement | 31,600 | 0.07% |
| 41256 | Pers-Emergency Response | 25,000 | 0.06% |
| 41257 | Supp-Emergency Response | 1,100 | 0.00% |
| 41258 | Mgmt-Emergency Response | 0 | 0.00% |
| 41291 | BIINTF OCJP Byrnes Grant | 36,400 | 0.08% |
| 41399 | Other County Payments | 0 | 0.00% |
| 41499 | Other Payments from Govt Agy | 2,000 | 0.00% |
| 44522 | Bullet Proof Vest Grant Program | 9,000 | 0.02% |
| | Total Other Agencies | <u>220,100</u> | 0.51% |

City of Chico
2012-13 Annual Budget
General & Park Fund Revenue Sources

EXHIBIT A

| GENERAL FUND | | FY2012-13 Council Adopted | % of Total |
|--------------|---|---------------------------------|---------------|
| 42101 | DUI Response Fee | 0 | 0.00% |
| 42102 | Public Safety 2nd Response Fee | 0 | 0.00% |
| 42104 | Weed & Lot Cleaning Fee | 9,200 | 0.02% |
| 42105 | UFC Inspection Fee | 23,000 | 0.05% |
| 42106 | Code Enforcement Reinsp Fee | 300 | 0.00% |
| 42107 | Animal Control Impound Fees | 22,000 | 0.05% |
| 42108 | Feed and Care | 34,000 | 0.08% |
| 42109 | Spay/Neuter Fine | 12,000 | 0.03% |
| 42110 | Impound Fees | 50,000 | 0.12% |
| 42111 | Repossession of Vehicle Fee | 800 | 0.00% |
| 42112 | Parking Citation Sign Off Fee | 200 | 0.00% |
| 42113 | VIN Verification Fee | 300 | 0.00% |
| 42120 | Surrenders | 1,000 | 0.00% |
| 42121 | Animal Disposal Fees | 1,000 | 0.00% |
| 42417 | Abandonment Fee | 3,500 | 0.01% |
| 42601 | Parking Fine Admin Fee | 0 | 0.00% |
| 42603 | Fingerprinting Fee | 15,000 | 0.03% |
| 42604 | Sale of Docs/Publications | 13,000 | 0.03% |
| 42605 | Appeals Fee | 1,000 | 0.00% |
| 42670 | Franchise Review Fee Event | 1,500 | 0.00% |
| 42690 | Health Insurance Admin Fees | 700 | 0.00% |
| 42699 | Other Service Charges | 6,500 | 0.01% |
| | Total Charges For Curr Serv | 195,000 | 0.45% |
| 40524 | False Alarm Fines | 10,000 | 0.02% |
| 43001 | Motor Vehicle Fines-Court | 0 | 0.00% |
| 43004 | Criminal Fines-Court | 164,800 | 0.38% |
| 43011 | Restitution-Court | 1,700 | 0.00% |
| 43016 | Parking Fines | 527,900 | 1.21% |
| 43018 | Administrative Citations | 16,000 | 0.04% |
| | Total Fines, Pen & Forfeitures | 720,400 | 1.66% |
| 44101 | Interest on Investments | 5,200 | 0.01% |
| 44120 | Interest on Loans Receivable | 0 | 0.00% |
| 44129 | Other Interest Earnings | 26,400 | 0.06% |
| 44130 | Rental & Lease Income | 91,179 | 0.21% |
| 44140 | Concession Income | 0 | 0.00% |
| 44202 | Late Fee-Business License | 5,000 | 0.01% |
| 44203 | Late Fee-DPBIA | 500 | 0.00% |
| 44204 | Late Fee-Dog License | 1,600 | 0.00% |
| 44220 | Bad Check Fee | 0 | 0.00% |
| | Total Use Of Money & Prop | 129,879 | 0.30% |
| 44501 | Cash Over/Short | 0 | 0.00% |
| 44502 | Refund from Comm Agy(121) | 0 | 0.00% |
| 44504 | Trading Card Revenue | 0 | 0.00% |
| 44505 | Miscellaneous Revenues | 15,000 | 0.03% |
| 44512 | Reimbursement-Subpeona/Jury Dty | 300 | 0.00% |
| 44516 | Police Officer-Reimbursement | 27,400 | 0.06% |
| 44517 | Firefighter-Reimbursement | 500 | 0.00% |
| 44519 | Reimbursement-Other | 5,000 | 0.01% |
| 44520 | Extradition Revenue | 1,000 | 0.00% |
| 44521 | Crossing Guard Reimbursement | 12,200 | 0.03% |
| 44523 | Reimbursement-Planning | 2,000 | 0.00% |
| 44529 | Refund-Other | 0 | 0.00% |
| 44531 | Graffiti Reimbursement | 500 | 0.00% |
| 44580 | Settlement Proceeds | 0 | 0.00% |
| 46001 | Donation from Private Source | 13,000 | 0.03% |
| 46007 | Sale of Real/Personal Property | 40,000 | 0.09% |
| 46010 | Reimb of Damage to City Prop | 10,000 | 0.02% |
| 49992 | Principal on Loans Receivable | 0 | 0.00% |
| 49998 | Revenue from Prior Year | 0 | 0.00% |
| | Total Other Revenues | 126,900 | 0.29% |
| | Total Revenue-General Fund | 40,416,767 | 93.01% |

City of Chico
2012-13 Annual Budget
General & Park Fund Revenue Sources

EXHIBIT A

| | | FY2012-13 Council Adopted | % of Total |
|---|--|---------------------------------|---------------|
| GENERAL FUND | | | |
| PARK FUND | | | |
| 42441 | Tree Replacement In-Lieu Fee | 2,000 | 0.00% |
| 42501 | Park Use Fees | 30,800 | 0.07% |
| 42604 | Sales of Docs/Publications | 1,000 | 0.00% |
| 42699 | Other Service Charges | 8,700 | 0.02% |
| 43018 | Administrative Citations | 15,000 | 0.03% |
| 44101 | Interest on Investments | (18,850) | -0.04% |
| 44131 | Lease-Bidwell Park Golf Course | 46,380 | 0.11% |
| 44140 | Concession Income (Bidwell Pk Riding Stable) | 8,200 | 0.02% |
| 44501 | Cash Over/Short | 0 | 0.00% |
| 44505 | Miscellaneous Revenues | 1,000 | 0.00% |
| 46002 | Caper Acres Donations | 0 | 0.00% |
| 46003 | General Park Donations | 0 | 0.00% |
| 46010 | Reimb. of Damage to City Property | 1,000 | 0.00% |
| Total Revenue-Park Fund | | 95,230 | 0.22% |
| OTHER FINANCING SOURCES | | | |
| Fund 211 | Traffic Safety Fund | 120,000 | 0.28% |
| Fund 212 | Transportation Fund | 250,000 | 0.58% |
| Fund 214 | Private Activity Bond Fund | 49,605 | 0.11% |
| Fund 307 | Gas Tax Fund | 2,522,000 | 5.80% |
| Total Other Financing Sources | | 2,941,605 | 6.77% |
| Total Revenue Sources - General & Park Funds | | 43,453,602 | |

CITY OF CHICO
 FY 2012-13 ANNUAL BUDGET
 SCHEDULE OF EMPLOYEE BENEFITS

MONTHLY CONTRIBUTION (\$ or %)
 2012-13 RATES

| BENEFIT CATEGORY | CITY | EMPLOYEE | REMARKS |
|-----------------------------------|--|-----------------------|---|
| RETIREMENT | | | |
| A. Safety | 31.006% | 9% + \$.93/Pay Period | Rates per Contractual Agreement with PERS. City pays 9% of employee contribution for PSM, 2% for CEA, 5% for SEIU-T/C, 7% for IAFF employees, 9% for CPOA employees, 8% for CPSA employees, 0% for Confidential employees, and 4% for Management employees pursuant to provisions of Memorandum of Understanding and Pay and Benefit Resolutions. |
| B. Miscellaneous | 23.831% | 8% + \$.93/Pay Period | |
| UNEMPLOYMENT INSURANCE | DNA | | As billed by State - Direct Reimbursement. |
| GROUP HEALTH INSURANCE | | | |
| Anthem Blue Cross | | | |
| 80/10 PPO | | | |
| Single | \$335.30 | \$267.98 | Per Insurance Agreement - CSAC-EIA/Anthem Blue Cross and Memorandum of Understanding Chico Police Officers Association, Chico Public Safety Association, International Firefighters Association, Confidentialis, Chico Employees Association, Service Employee International Union units, and by Council Resolution for Management, and Public Safety Management. |
| Double | \$709.43 | \$573.21 | |
| Family | \$923.71 | \$728.43 | |
| 80/20 PPO | | | |
| Single | \$383.24 | \$173.64 | |
| Double | \$813.75 | \$370.23 | |
| Family | \$1,055.65 | \$469.41 | |
| EPO | | | |
| Single | \$520.17 | \$83.77 | |
| Double | \$1,120.84 | \$163.20 | |
| Family | \$1,437.77 | \$216.17 | |
| HDHP | | | |
| Single | \$389.62 | \$0.00 | |
| Double | \$828.78 | \$0.00 | |
| Family | \$1,067.54 | \$0.00 | |
| HEALTH SAVINGS ACCOUNT | | | |
| A. IAFF | | | Per Sterling HSA agreement, and Memorandum of Understanding and Council Resolutions. Employees must be enrolled in the Anthem HDHP Insurance plan to be eligible for the Health Savings Account. |
| Single | \$100.00 | | |
| Double | \$160.00 | | |
| Family | \$200.00 | | |
| A. All Other Groups | | | |
| Single | \$83.13 | | |
| Double | \$133.00 | | |
| Family | \$166.25 | | |
| GROUP DENTAL INSURANCE | | | |
| A. CNF, MGT, PSM, IAFF, SEIU, CEA | \$58.53 | \$19.52 | Per Delta Dental agreement, and Memorandum of Understanding and Council Resolutions. |
| B. CPOA, CPSA | \$3.96 | \$74.09 | |
| GROUP LIFE INSURANCE | \$0.108/month per \$1,000 Emp Annual Salary + \$0.46 | 0 | Per Insurance Agreement - Unum, and Memorandum of Understanding and Council Resolutions. |

CITY OF CHICO
 FY 2012-13 ANNUAL BUDGET
 SCHEDULE OF EMPLOYEE BENEFITS

MONTHLY CONTRIBUTION (\$ or %)
 2012-13 RATES

| BENEFIT CATEGORY | CITY | EMPLOYEE | REMARKS |
|--|--|--|---|
| GROUP SHORT-TERM/LONG-TERM DISABILITY INSURANCE A. CNF, MGT, PSM (PD), SEIU-TC, CPSA B. CEA C. CPOA D. IAFF | 1% of salary 0 \$19.50/month \$20.00/month | .15% of salary 1.15% of salary | Unum Insurance Company. IAFF represented employees and CPOA employees have an alternative plan under which the City pays full cost. |
| GROUP VISION INSURANCE All permanent employees | \$5.40/emp per month | \$5.41 1 dependent \$8.75 2+ dependents | Per SafeGuard Vision Plan agreement, and Memorandum of Understanding and Council Resolutions. |
| RETIREE MEDICAL TRUST A. CPOA B. PSM (PD) C. IAFF | \$300/month \$300/month \$350/month | | Per Memorandum of Understanding. |
| FICA - MEDICARE A. CNF, MGT, PSM, SEIU-TC B. CPOA, CPSA, CEA C. Hourly-Exempt Employees | 2.90% 1.45% 1.45% | 1.45% 1.45% | Per Federal Insurance Contribution Act for all employees hired after 4/1/86 only. A number of permanent employees hired prior to 4/1/86 have elected to be subject to Medicare, with the City paying 1.45% of that contribution. |
| FICA - SOCIAL SECURITY A. Hourly-Exempt Employees | 6.20% | 4.20% | For all employees not subject to PERS. |
| UNIFORM ALLOWANCE A. Police Personnel 1. CPOA 2. CPSA 3. PSM B. Fire Personnel 1. IAFF 2. PSM C. Misc. Personnel 1. Parking Meter Coll/Rep 2. Tree Maintenance Worker D. Park Ranger | \$900/year \$550/year \$0/year \$500/year \$500/year \$350/year \$250/year \$350/year | | Per Resolution #27-11, adopted 03/15/11. Per Resolution #02-11, adopted 01/18/11. Per Resolution #91-11 adopted 12/20/11. Per Resolution #91-11 adopted 12/20/11. Per Resolution #91-11 adopted 12/20/11. |
| TOOL ALLOWANCE | \$400/year | | Mechanics only. Per Memorandum of Understanding (SEIU-TC) Per Resolution #91-11 adopted 12/20/11. |
| EDUCATIONAL REIMBURSEMENT | 0% | 100% | Per Budget Appropriation. Reimbursement made to employee for approved tuition, books, etc., per provisions of Administrative Procedures and Policy No. 15-5 for qualifying courses. |

**CITY OF CHICO
FY2012-13 ANNUAL BUDGET
SUMMARY OF IMPACTS OF STATE LEGISLATION**

EXHIBIT C

| Description | 1990-1996 | 1996-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2006-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | -- Projected -- | | Total | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|-------------------|
| | | | | | | | | | | | | | 2010-11 | 2011-12 | | 2012-13 |
| GENERAL FUND: | | | | | | | | | | | | | | | | |
| Fines and Forfeitures | 492,000 | 369,000 | | | | | | | | | | | | | | 861,000 |
| Cigarette Tax | 338,000 | 465,000 | 97,000 | 97,000 | 97,000 | 97,000 | 97,000 | 97,000 | 97,000 | 97,000 | 97,000 | 97,000 | 97,000 | 97,000 | 97,000 | 2,084,000 |
| ERAF ¹⁾ Shift | 1,018,518 | 3,385,974 | 862,900 | 821,884 | 1,013,304 | 1,115,390 | 1,876,138 | 1,991,627 | 1,343,481 | 1,483,710 | 1,564,140 | 1,559,618 | 1,505,506 | 1,505,435 | 1,505,435 | 22,867,000 |
| ERAF ¹⁾ Shift - Prop. Tax - Per Capita Reduction | 389,505 | | | | | | | | | | | | | | | 389,505 |
| Motor Vehicle License Fees | (88,560) | | | | | 1,163,084 | (1,163,084) | | | | | | | | | 1,861,400 |
| Transportation Planning & Development | (82,000) | | | | | | | | | | | | | | | (82,000) |
| Sales Tax (Proposition 172) | (148,283) | (481,695) | (118,365) | (111,764) | (117,591) | (129,230) | (141,862) | (153,612) | (156,739) | (153,963) | (136,252) | (126,398) | (135,148) | (129,400) | (134,600) | (2,374,800) |
| Trailer Coach in Lieu Fees | 7,800 | | | | | | | | | | | | | | | 7,800 |
| Property Tax Administration Fees (SB 2557) | 256,054 | 287,761 | 77,878 | 78,897 | 81,767 | 93,179 | 62,738 | 63,917 | 239,412 | 249,714 | 276,096 | 256,876 | 272,053 | 289,706 | 289,700 | 2,865,900 |
| Booking Fees (SB 2557) | 115,238 | 218,032 | 1,342 | (29,210) | 11,160 | 66,854 | (571) | 50,998 | 5,153 | - | - | - | - | - | - | 498,000 |
| Local Government Fiscal Relief | - | (135,581) | (181,204) | | | | | | | | | | | | | (316,785) |
| Total General Fund | 2,308,272 | 4,128,491 | 739,551 | 665,907 | 1,085,640 | 2,406,307 | 730,359 | 2,049,930 | 1,628,307 | 1,676,460 | 1,800,973 | 1,787,096 | 2,193,411 | 2,512,741 | 2,507,635 | 28,411,800 |
| REDEVELOPMENT AGENCY⁽¹⁾: | | | | | | | | | | | | | | | | |
| ERAF ¹⁾ Shift | 949,792 | | | | 312,757 | 532,427 | 928,917 | 993,110 | | | | | | | | 3,717,000 |
| Property Tax Administration Fee | 587,122 | 1,012,856 | 275,592 | 282,630 | 295,705 | 340,432 | 437,631 | 478,061 | 424,323 | 487,384 | 544,523 | 533,794 | 540,969 | 279,630 | n/a | 6,621,000 |
| SERAF ¹⁾ Tax Increment Shift (ABX4-26) | - | - | | | | | | | | | | 9,248,048 | 1,904,010 | | n/a | 11,152,000 |
| Residual Tax Increment Payment (AB1484) | | | | | | | | | | | | | | | 961,208 | 961,208 |
| Total Redevelopment Agency (RDA) | 1,536,914 | 1,012,856 | 275,592 | 282,630 | 608,462 | 872,859 | 1,366,548 | 1,471,171 | 424,323 | 487,384 | 544,523 | 9,781,842 | 2,444,979 | 279,630 | 961,208 | 22,361,308 |
| TOTAL IMPACTS (General Fund & RDA) | 3,845,186 | 5,141,347 | 1,015,143 | 1,239,537 | 1,694,102 | 3,279,166 | 2,096,907 | 3,521,101 | 1,952,630 | 2,163,844 | 2,345,497 | 11,568,938 | 4,638,390 | 2,792,371 | 3,468,843 | 60,783,308 |

⁽¹⁾ Effective February 1, 2012, the Redevelopment Agency was dissolved pursuant to Assembly Bill No. 1428.

* Definitions:
ERAF - Education Revenue Augmentation Fund (Shift per Health and Safety Code § 33681.7)
SERAF - Supplemental Education Revenue Augmentation Fund

APPENDIX B

City of Chico Budget Session

Condition: In five years, the City has deficit spent or reduced their cash basis by \$20.5 million. This represents a deficit spend of about \$4.1 million annually.

Exhibit 1 Cash Balances

| Fund | Fund # | Actual 6/30/07 | Actual 6/30/12 | Comment |
|----------------------------|--------|---------------------|--------------------|--|
| General Fund | 001 | \$5,170,346 | (\$245,592) | |
| Emergency Reserve Fund | 003 | 5,568,153 | 5,586,104 | |
| Transportation Fund | 212 | 1,428,079 | 47,499 | |
| Gas Tax Fund | 307 | 1,744,844 | 3,636 | |
| Capital Projects Fund | 400 | - | (1,019,740) | Balance could double depending on ability to fully allocate all O/H |
| Airport Fund | 856 | (183,650) | (774,458) | |
| Private Development Fund | 862 | (3,427,785) | (9,004,194) | |
| Subdivision Fund | 863 | 677,127 | (742,692) | Balance estimated at <\$1.1M> at 6/30/13 |
| General Liability | 900 | 2,000,000 | 991,847 | |
| Workers Comp Ins Reserve | 901 | 4,977,739 | 3,723,079 | Actuary determined target of \$4.98 million |
| Equipment Replacement Fund | 932 | 3,186,773 | 2,693,210 | Balance estimated at <\$1.2M> at 6/30/14 if budgeted (CIP schedule) replacements occur |
| Facility Maintenance Fund | 933 | 789,426 | 200,648 | Balance estimated at <\$400k> at 6/30/14 if budgeted (CIP schedule) replacements occur |
| Totals | | \$21,931,052 | \$1,459,347 | |

** "Cash" – Net working capital (short-term assets less short-term liabilities)

Action Plan: Establish a 10-year plan to restore deficit balances and begin funding the plan.

Alternative: Continue increasing the deficit until cash runs out.

As a result: The City has risked fiscal solvency by degrading cash available to transact daily business.

Since the timing of revenue receipts and cash disbursements varies, it is critical to have sufficient cash to pay bills and sustain any abnormal expenditures (for example, capital expenditures that take 90+ days for reimbursement) and any negative impacts to revenue.

Exhibit 2 Cash flow Balance Estimates

| Month | Cash Balance | Inflows | Outflows | Balance |
|---------------|--------------|------------|-------------|--------------|
| March 2013 | \$17,875,000 | | | \$17,875,000 |
| April | 17,875,000 | 5,000,000 | (7,000,000) | 15,875,000 |
| May | 15,875,000 | 12,320,000 | (6,400,000) | 21,795,000 |
| June | 21,795,000 | 5,450,000 | (5,300,000) | 21,945,000 |
| July | 21,945,000 | 5,880,000 | (6,900,000) | 20,925,000 |
| August | 20,925,000 | 5,550,000 | (7,700,000) | 18,775,000 |
| September | 18,775,000 | 4,500,000 | (6,400,000) | 16,875,000 |
| October | 16,875,000 | 5,175,000 | (9,400,000) | 12,650,000 |
| November | 12,650,000 | 5,500,000 | (6,750,000) | 11,400,000 |
| December 2013 | 11,400,000 | 3,400,000 | (8,500,000) | 6,300,000** |

** Estimates and subject to change

**December 2013 – about \$5 million of cash balance represents restricted bond proceeds.

Action Plan: Long-term: Establish a 10-year plan to restore deficit balances and begin funding the plan. Restored deficit balances represents cash in the bank available for City use.

Short-term: Obtain a Tax Revenue Anticipation Note or Line of Credit to buffer cash needs

Alternative: Continue increasing the deficit until cash runs out. Utilized legally restricted money to pay ongoing operational cost (illegal).

What are we projecting?

The City is looking at about 4.2 million increases in deficits due to operations for FY2013-14.

**Exhibit 3 FY2013-14 Preliminary Budget
Revenue vs. Expenditures by Fund before Transfers**

| Fund | Revenue | Expenses | Net |
|--------------------------------------|---------------------|-----------------------|----------------------|
| 001 & 002 General/Parks Fund | \$41,559,993 | (\$46,333,843) | (\$4,773,850) |
| 050 Donations | \$20,000 | (\$16,401) | \$3,599 |
| 210 PEG Fund | \$108,000 | (\$490,279) | (\$382,279) |
| 212 Remediation | \$2,933,839 | (\$3,199,929) | (\$266,090) |
| 213 Abandon Vehicle Abatement | \$60,900 | (\$13,554) | \$47,346 |
| 217 Asset Forfeiture | \$35,000 | (\$67,350) | (\$32,350) |
| 303 Passenger Facility Charges | \$67,000 | (\$468,937) | (\$401,937) |
| 305 Bikeway Improvement | \$80,000 | (\$13,919) | \$66,081 |
| 307 Gas Tax | \$3,408,546 | (\$1,659,575) | \$1,748,971 |
| 308 Street Facility Improvement | \$600,000 | (\$354,199) | \$245,801 |
| 309 Storm Drain Facility | \$20,000 | (\$381,539) | (\$361,539) |
| 312 Remediation | \$0 | (\$202,500) | (\$202,500) |
| 320, 321, 322, 323, 850 Sewer Funds | \$14,282,627 | (\$19,170,363) | (\$4,887,736) |
| 330 Community Park | \$275,000 | (\$20,260) | \$254,740 |
| 332 Bidwell Park land Acquisition | \$25,250 | \$0 | \$25,250 |
| 333 Linear parks/Greenways | \$35,000 | (\$42,800) | (\$7,800) |
| 335 Street Maintenance Equipment | \$25,000 | (\$1,951) | \$23,049 |
| 336 Administrative Bldg | \$40,400 | \$0 | \$40,400 |
| 337 Fire Protection Bldg & Equip | \$110,000 | (\$4,776) | \$105,224 |
| 338 Police Protection Bldg & Equip | \$202,000 | (\$5,419) | \$196,581 |
| 341-348 Zones A-I Neighborhood Parks | \$75,554 | (\$29,741) | \$45,813 |
| 392 Affordable Housing | \$278,848 | (\$204,946) | \$73,902 |
| 853 Parking Revenue | \$983,900 | (\$1,154,976) | (\$171,076) |
| 856 Airport | \$631,425 | (\$560,460) | \$70,965 |
| 862 Private Development | \$1,674,000 | (\$1,856,998) | (\$182,998) |
| 863 Subdivisions | \$130,000 | (\$498,388) | (\$368,388) |
| TOTALS | \$67,662,282 | (\$76,753,103) | (\$9,090,821) |
| TOTALS w/o Sewer Funds | \$53,379,655 | (\$57,582,740) | (\$4,203,085) |

Action Plan: Short-term and Medium-term: Realign expenses to match revenues.

How Did We Get Here?

There are a number of factors contributing to our situation.

- **Poor Fiscal Planning (Expenditures Exceed Revenues)**

As projected in Exhibit 3 for 2013-14, we anticipate the current City operations and capital activity to overspend by over \$4 million.

General Fund: The General Fund operations are consistently in excess of the revenue sources available to cover their costs.

- **Cost Allocation Plan**

The City has been passing more cost from the General Fund to other funds than allowable thereby inflating the General Fund resources available in each year (about \$2.3 million/annually). As a result, the City has obligated or spent money that should not have been available.

- **Fees and Charges Do Not Cover their Costs**

City fees and charges are significantly below what the true cost of service provided by the City. As a result, the General and other Funds “subsidize” these activities when they should be paid by those who benefit.

- **City did not respond quickly to the changing economic environment**

City revenue was impacted by the economic slump and dissolution of the RDA. While we made adjustments, the City’s focus on minimizing service level impacts and dwindling revenue sources compounded the problem over years. Today, we are dealing with the cumulative effects of this problem.

Appendix C

CALPERS ACTUARIAL VALUATION - June 30, 2011
 SAFETY PLAN OF THE CITY OF CHICO
 CalPERS ID 6818749730

Purpose of the Report

This report presents the results of the June 30, 2011 actuarial valuation of the SAFETY PLAN OF THE CITY OF CHICO of the California Public Employees' Retirement System (CalPERS). The valuation was prepared by the Plan Actuary in order to:

- set forth the actuarial assets and accrued liabilities of this plan as of June 30, 2011;
- determine the required employer contribution rate for this plan for the fiscal year July 1, 2013 through June 30, 2014;
- provide actuarial information as of June 30, 2011 to the CalPERS Board of Administration and other interested parties; and
- provide pension information as of June 30, 2011 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27 for a Single Employer Defined Benefit Pension Plan.

The use of this report for any other purposes may be inappropriate. In particular, this report does not contain information applicable to alternative benefit costs. The employer should contact their actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Required Employer Contribution

| | Fiscal Year 2012/2013 | Fiscal Year 2013/2014 |
|--|--------------------------|--------------------------|
| Required Employer Contributions | | |
| 1. Contribution in Projected Dollars | | |
| a) Total Normal Cost | \$ 4,864,164 | \$ 5,028,231 |
| b) Employee Contribution ¹ | 1,532,288 | 1,556,085 |
| c) Employer Normal Cost [(1a) - (1b)] | 3,331,876 | 3,472,146 |
| d) Unfunded Contribution | 1,947,083 | 1,941,255 |
| e) Total Employer Contribution [(1c) + (1d)] | \$ 5,278,959 | \$ 5,413,401 |
| f) Employee Cost Sharing | | 0 |
| g) Net Employer Contribution [(1e) - (1f)] | | 5,413,401 |
| Annual Lump Sum Prepayment Option ² [(1g) / 1.075 ^{.5}] | \$ 5,085,570 | \$ 5,221,148 |
| 2. Contribution as a Percentage of Payroll | | |
| a) Total Normal Cost | 28.570% | 29.082% |
| b) Employee Contribution ¹ | 9.000% | 9.000% |
| c) Employer Normal Cost [(2a) - (2b)] | 19.570% | 20.082% |
| d) Unfunded Rate | 11.436% | 11.228% |
| e) Total Employer Rate [(2c) + (2d)] | 31.006% | 31.310% |
| f) Employee Cost Sharing | | 0.000% |
| g) Net Employer Contribution Rate [(2e) - (2f)] | | 31.310% |

¹This is the percentage specified in the Public Employees Retirement Law, net of any reduction from the use of a modified formula. Employee cost sharing is shown separately and is therefore not included in this line item.

²Payment must be received by CalPERS before the first payroll reported to CalPERS of the new fiscal year and after June 30.

Funded Status

| | June 30, 2010 | June 30, 2011 |
|---|----------------|----------------|
| 1. Present Value of Projected Benefits | \$ 174,597,829 | \$ 185,636,160 |
| 2. Entry Age Normal Accrued Liability | 137,083,425 | 147,065,317 |
| 3. Actuarial Value of Assets (AVA) | 106,876,967 | 114,849,939 |
| 4. Unfunded Liability (AVA Basis) [(2) - (3)] | \$ 30,206,458 | \$ 32,215,378 |
| 5. Funded Ratio (AVA Basis) [(3) / (2)] | 78.0% | 78.1% |
| 6. Market Value of Assets (MVA) | \$ 84,566,533 | \$ 103,386,809 |
| 7. Unfunded Liability (MVA Basis) [(2) - (6)] | \$ 52,516,892 | \$ 43,678,508 |
| 8. Funded Ratio (MVA Basis) [(6) / (2)] | 61.7% | 70.3% |
| Superfunded Status | No | No |

Cost

Actuarial Cost Estimates in General

What will this pension plan cost? Unfortunately, there is no simple answer. There are two major reasons for the complexity of the answer. First, all actuarial calculations, including the ones in this report, are based on a number of assumptions about the future. These assumptions can be divided into two categories.

- Demographic assumptions include the percentage of employees that will terminate, die, become disabled, and retire in each future year.
- Economic assumptions include future salary increases for each active employee, and the assumption with the greatest impact, future asset returns at CalPERS for each year into the future until the last dollar is paid to current members of your plan.

While CalPERS has set these assumptions to reflect our best estimate of the real future of your plan, it must be understood that these assumptions are very long term predictors and will surely not be realized in any one year. For example, while the asset earnings at CalPERS have averaged more than the assumed return of 7.5% for the past twenty year period ending June 30, 2012, returns for each fiscal year ranged from -24% to +21.7%

Second, the very nature of actuarial funding produces the answer to the question of plan cost as the sum of two separate pieces.

- The Normal Cost (i.e., the future annual premiums in the absence of surplus or unfunded liability) expressed as a percentage of total active payroll.
- The Past Service Cost or Accrued Liability (i.e., the current value of the benefit for all credited past service of current members) which is expressed as a lump sum dollar amount.

The cost is the sum of a percent of future pay and a lump sum dollar amount (the sum of an apple and an orange if you will). To communicate the total cost, either the Normal Cost (i.e., future percent of payroll) must be converted to a lump sum dollar amount (in which case the total cost is the present value of benefits), or the Past Service Cost (i.e., the lump sum) must be converted to a percent of payroll (in which case the total cost is expressed as the employer's rate, part of which is permanent and part temporary). Converting the Past Service Cost lump sum to a percent of payroll requires a specific amortization period, and the employer rate will vary depending on the amortization period chosen.

Purpose of the Report

This report presents the results of the June 30, 2011 actuarial valuation of the MISCELLANEOUS PLAN OF THE CITY OF CHICO of the California Public Employees' Retirement System (CalPERS). The valuation was prepared by the Plan Actuary in order to:

- set forth the actuarial assets and accrued liabilities of this plan as of June 30, 2011;
- determine the required employer contribution rate for this plan for the fiscal year July 1, 2013 through June 30, 2014;
- provide actuarial information as of June 30, 2011 to the CalPERS Board of Administration and other interested parties; and
- provide pension information as of June 30, 2011 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27 for a Single Employer Defined Benefit Pension Plan.

The use of this report for any other purposes may be inappropriate. In particular, this report does not contain information applicable to alternative benefit costs. The employer should contact their actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Required Employer Contribution

| | Fiscal Year 2012/2013 | Fiscal Year 2013/2014 |
|--|--------------------------|--------------------------|
| Required Employer Contributions | | |
| 1. Contribution in Projected Dollars | | |
| a) Total Normal Cost | \$ 3,729,383 | \$ 3,405,122 |
| b) Employee Contribution ¹ | 1,504,390 | 1,357,366 |
| c) Employer Normal Cost [(1a) - (1b)] | 2,224,993 | 2,047,756 |
| d) Unfunded Contribution | 2,256,332 | 2,406,764 |
| e) Total Employer Contribution [(1c) + (1d)] | \$ 4,481,325 | \$ 4,454,520 |
| f) Employee Cost Sharing | | 0 |
| g) Net Employer Contribution [(1e) - (1f)] | | 4,454,520 |
| Annual Lump Sum Prepayment Option ² [(1g) / 1.075 ^{.5}] | \$ 4,317,157 | \$ 4,296,321 |
| 2. Contribution as a Percentage of Payroll | | |
| a) Total Normal Cost | 19.832% | 20.069% |
| b) Employee Contribution ¹ | 8.000% | 8.000% |
| c) Employer Normal Cost [(2a) - (2b)] | 11.832% | 12.069% |
| d) Unfunded Rate | 11.999% | 14.185% |
| e) Total Employer Rate [(2c) + (2d)] | 23.831% | 26.254% |
| f) Employee Cost Sharing | | 0.000% |
| g) Net Employer Contribution Rate [(2e) - (2f)] | | 26.254% |

¹This is the percentage specified in the Public Employees Retirement Law, net of any reduction from the use of a modified formula. Employee cost sharing is shown separately and is therefore not included in this line item.

²Payment must be received by CalPERS before the first payroll reported to CalPERS of the new fiscal year and after June 30.

Funded Status

| | June 30, 2010 | June 30, 2011 |
|---|----------------|----------------|
| 1. Present Value of Projected Benefits | \$ 156,064,244 | \$ 163,025,926 |
| 2. Entry Age Normal Accrued Liability | 131,660,734 | 140,380,989 |
| 3. Actuarial Value of Assets (AVA) | 98,082,197 | 103,493,220 |
| 4. Unfunded Liability (AVA Basis) [(2) - (3)] | \$ 33,578,537 | \$ 36,887,769 |
| 5. Funded Ratio (AVA Basis) [(3) / (2)] | 74.5% | 73.7% |
| 6. Market Value of Assets (MVA) | \$ 77,577,007 | \$ 93,027,024 |
| 7. Unfunded Liability (MVA Basis) [(2) - (6)] | \$ 54,083,727 | \$ 47,353,965 |
| 8. Funded Ratio (MVA Basis) [(6) / (2)] | 58.9% | 66.3% |
| Superfunded Status | No | No |

Cost

Actuarial Cost Estimates in General

What will this pension plan cost? Unfortunately, there is no simple answer. There are two major reasons for the complexity of the answer. First, all actuarial calculations, including the ones in this report, are based on a number of assumptions about the future. These assumptions can be divided into two categories.

- Demographic assumptions include the percentage of employees that will terminate, die, become disabled, and retire in each future year.
- Economic assumptions include future salary increases for each active employee, and the assumption with the greatest impact, future asset returns at CalPERS for each year into the future until the last dollar is paid to current members of your plan.

While CalPERS has set these assumptions to reflect our best estimate of the real future of your plan, it must be understood that these assumptions are very long term predictors and will surely not be realized in any one year. For example, while the asset earnings at CalPERS have averaged more than the assumed return of 7.5% for the past twenty year period ending June 30, 2012, returns for each fiscal year ranged from -24% to +21.7%

Second, the very nature of actuarial funding produces the answer to the question of plan cost as the sum of two separate pieces.

- The Normal Cost (i.e., the future annual premiums in the absence of surplus or unfunded liability) expressed as a percentage of total active payroll.
- The Past Service Cost or Accrued Liability (i.e., the current value of the benefit for all credited past service of current members) which is expressed as a lump sum dollar amount.

The cost is the sum of a percent of future pay and a lump sum dollar amount (the sum of an apple and an orange if you will). To communicate the total cost, either the Normal Cost (i.e., future percent of payroll) must be converted to a lump sum dollar amount (in which case the total cost is the present value of benefits), or the Past Service Cost (i.e., the lump sum) must be converted to a percent of payroll (in which case the total cost is expressed as the employer's rate, part of which is permanent and part temporary). Converting the Past Service Cost lump sum to a percent of payroll requires a specific amortization period, and the employer rate will vary depending on the amortization period chosen.

2012-2013 BUTTE COUNTY GRAND JURY REPORT

WATER: BUTTE COUNTY'S VITAL RESOURCE

SUMMARY

Nothing is more important to life than water. In Butte County we are fortunate to have not only a high quality, but also a high quantity, of water. Most of California is not this fortunate and many parts of the state are looking to the Northern Sacramento Valley for a water supply.

Water is an especially important topic this year, as the state is proposing to build two large tunnels in the Delta to deliver Northern California water to Southern California. California State University, Chico (CSUC) and Butte College chose *Unquenchable: America's Water Crisis and What To Do About It* for their academic year 2012-13 Book in Common program. These were two of the reasons the Grand Jury felt this was a key time to do a study on Butte County water. Since water is such a diverse issue, the Grand Jury had to decide which areas were the most important to investigate.

The Grand Jury decided to interview some of the water districts in Butte County and learn how water is managed and what type of stewardship our water is receiving. When the Grand Jury decided to investigate the subject of water in Butte County, we knew it was a tremendous task which would require enormous amounts of time and energy to fully grasp the subject. Frequently there is an article in our local papers on this subject. Our hope is that the citizens of this area educate themselves on this topic, insist that our elected representatives keep us informed and encourage the news media to continue to investigate and report all pertinent information. Butte County citizens must remain diligent or risk losing our groundwater and surface water rights.

GLOSSARY

- Area of Origin - Existing water right priority system
- Acre-feet - The volume of water that would cover one acre to a depth of one foot;
325,900 gallons
- BUCRA - Butte County Rice Growers Association
- Cal Water - California Water Service Company
- Conjunctive Use - The deliberate use of groundwater and surface water

- CFS - Cubic feet per second (cfs), a measurement of the flow of water
- DTSC - Department of Toxic Substance Control
- DWR - California Department of Water Resources
- EPA - Environmental Protection Agency
- Ground Water Rights - Landowner water rights on landowner's parcel
- LTA - Lower Tuscan Aquifer; extensive underground water storage located in Butte, Glenn, Tehama, Sutter and Colusa Counties
- NSVIRWMP - Northern Sacramento Valley Integrated Regional Water Management Plan
- OFD - Oroville Field Division
- OWID - Oroville Wyandotte Irrigation District
- PG&E - Pacific Gas and Electric Company
- PID - Paradise Irrigation District
- Plumes - A toxic area within an aquifer
- Riparian Water Rights - A right of landownership that is adjacent to a body of water
- SFPP - South Feather Power Project
- SFWPA - South Feather Water Power Agency
- SWP - State Water Project; Lake Oroville Complex, Clifton Court, California Aqueduct, San Luis Reservoir, Quail Lake, Pyramid Lake, Castaic Lake, Silverwood Lake, Lake Perris, Lake Arrowhead and the powerplants and pumpingplants required to move the water south.

- SWB - State Water Bank, a program to store water in the aquifer during declared years of drought
- Table A Water - The maximum amounts of allocated Lake Oroville water dictated by the state contracts
- TWSD - Thermalito Water and Sewer District
- VOC - Volatile Organic Compound
- Watershed - A region or area bounded peripherally by a divide and draining ultimately to a particular watercourse or body of water
- WCWD - Western Canal Water District

APPROACH

The 2012-13 Grand Jury performed the following activities:

- Interviewed management of water districts, water experts and county officials
- Attended numerous water conferences
- Researched many documents pertaining to water issues

DISCUSSION

Water, the greatest natural resource in Butte County, provides for life, recreation, agriculture and jobs. From the surface water of rivers and lakes to the groundwater beneath us, faucets deliver water to our homes and businesses.

Butte County's surface water comes from snow melt and runoff into Lake Oroville, Lake Almanor, Concow Reservoir, Paradise Lake, Magalia Reservoir, Ponderosa Reservoir, Little Grass Valley Reservoir, Sly Creek Reservoir, Lost Creek Reservoir, Miners Ranch Reservoir and the Feather River. Surface water is governed by established water rights. Groundwater in the valley is primarily recharged with rain runoff and pumped out from different depths throughout the county for use. The Lower Tuscan Aquifer is the major groundwater source used for domestic water. Groundwater is not regulated nor metered by the state. Groundwater well permits are issued by the county.

Butte County is a geographically diverse county, and covers 1,675 square miles and ranges from 60 to 7,000 feet in elevation. It is home to 220,000 people who require 1.4 million acre-feet per year of water for residential, commercial and agricultural use. There are numerous water districts that distribute the water as well as a wide range of agencies and boards which control its flow and use. Butte County obtains both its aquifer and surface water from the Feather River basin, using only a small amount of water from the Sacramento River.

The Grand Jury wanted to find out more about how the water is distributed and had concerns about the transfer of water from the county to other parts of the state. The Grand Jury wanted to know about the plans that water districts have for drought and other possible conditions that can affect the quality and quantity of Butte County water. To provide answers to these questions, the Grand Jury has prepared the following water district summaries. (See included map.)

Lake Oroville Water

Lake Oroville, the second-largest reservoir in California, provides water to 25 million Californians, plus recreation, agriculture, enhanced fish and wildlife, hydroelectric generation and flood control.

Lake Oroville has the storage capacity of 3.5 million acre-feet of water and a shoreline of approximately 167 miles. The reservoir was formed by the construction of the Oroville Dam downstream of the confluence of the North, Middle and South Forks of the Feather River. The dam is the largest earthen-filled dam in the country at 770 feet high and over a mile wide. It is the keystone facility of the California State Water Project (SWP), Oroville Field Division (OFD).

Oroville Field Division is comprised of Lake Oroville, Hyatt Powerplant, Thermalito Diversion Dam and Powerplant, the Feather River Fish Hatchery, Thermalito Power Canal, Thermalito Forebay, Thermalito Afterbay and the Lake Oroville Visitors Center. OFD also maintains Frenchman Lake, Antelope Lake and Lake Davis on the Upper Feather River. OFD is a 900-megawatt hydroelectric generation complex.

After decades of studies exploring solutions for California water needs and addressing the major flooding events in Northern and Central California, construction began on Lake Oroville Dam in 1957 with an emergency appropriation of \$25 million. The flooding of 1955-56 recorded 64 deaths (most in Butte and Sutter Counties) and over \$200 million in property damages. In 1961, the construction of the rest of the State Water Project began. In 1964, again there was potentially devastating flooding on the Feather River, but the partially-completed Oroville Dam provided flood control and prevented flooding. Construction of the dam was completed in 1967 and electric power generation began in 1968.

The water from the three branches of the Feather River flows into Lake Oroville. Adjacent to the dam, the Hyatt Inlet Structure allows for temperature control of the water

flowing out of the lake through the Hyatt Powerplant, which was constructed in the bedrock under the dam. Shutters are placed in the structure for temperature control for fish and agriculture.

The water flows from the Hyatt Powerplant into the Feather River until it reaches the Thermalito Diversion Dam. There is a minimum flow of 600 cfs that continues in the river through the city of Oroville. The remaining water is diverted through the Thermalito Power Canal into the Thermalito Forebay. Thermalito Water and Sewer District and Cal Water Oroville have turnout structures on the Thermalito Power Canal to supply the water treatment plants for their districts.

The Thermalito Powerplant is located at the southwest corner of the Thermalito Forebay. This plant has been shut down since November 2012 due to a fire. The water from the Thermalito Forebay is now bypassed around the Thermalito Powerplant into the Thermalito Afterbay. The Thermalito Afterbay provides controlled flow releases through the river outlet into the Feather River to eventually flow into the Sacramento Delta. The Thermalito Afterbay was designed as a warming basin for agricultural water to be delivered through two turnout structures for the Western and Richvale Canals.

The long-term water supply contracts between DWR and 29 public agencies and water districts are the basis for the SWP construction and on-going operations. The state provides SWP financing, capital construction, improvements and all operations and maintenance of SWP facilities and agencies. Districts have contractually agreed to repay all associated costs. All contractors pay the same rate per acre-foot for the cost of constructing and operating facilities which store and convey the water supply. In addition, each contractor pays a transportation charge which covers the cost required to deliver the water to its service area. The contractors furthest from the Delta pay higher transportation charges than those near the Delta. Full payments are made each year for fixed SWP costs regardless of how much water the contractors are allowed to take.

The SWP contracts also set the maximum amount of water a contractor may request each year from the SWP. The maximum amounts listed in the contract are known as Table A. Table A Water represents a portion or all of the annual water requested by the SWP contractors and approved for delivery by DWR, based on hydrologic conditions, current reservoir storage and combined requests from the SWP water contractors. DWR announced in March 2013 that the state contractors will receive 35% of their Table A water.

The County of Butte is an SWP contractor and has an allotment of 27,500 acre-feet. Of that total, Del Oro Water Company and Cal Water Oroville are using approximately 2,700 acre-feet. Butte County has short-term lease agreements with the City of Palmdale Water District and the Westside Water District for a portion of that allotment. The revenue from the Table A water nets approximately \$1.2 million to Butte County's general fund.

California Water Service Company

California Water Service Company (Cal Water) is the largest investor-owned American water utility west of the Mississippi River and the third largest in the country. Formed in 1926, the San Jose-based company serves more than 472,000 customers through 28 operations centers throughout California. In Butte County, Cal Water has two districts, Chico and Oroville.

Cal Water's Chico District was formed in 1926 with the purchase of several water companies serving Chico at that time. In 1962, Hamilton City joined the Chico Cal Water system. Today Cal Water provides quality well water to 100,323 people in the Chico and Hamilton City area through a complex system. Chico uses 100% ground water distributed through 372 miles of pipeline from 68 wells. Eight storage tanks and eight booster pumps combine to supply water to Chico and Hamilton City. Cal Water's state-required Meter Conversion Program is on target with the city of Chico at 65% completed. Chico's average metered monthly residential bill is \$34.14.

In 1927, Cal Water began serving the City of Oroville. Currently, 53 miles of pipeline, two storage tanks, four wells, 13 booster pumps and a water treatment plant are needed to serve 10,000 customers. Eighty-three percent of the City of Oroville's water comes from the West Branch of the Feather River and 17% is well water. The City of Oroville is 100% metered. In Oroville, Cal Water's average residential bill is \$52.22. Cal Water, Oroville must treat the surface water which results in additional costs.

The source of Cal Water's groundwater in Butte County is the Lower Tuscan Aquifer. Cal Water's quality assurance program includes vigilant monitoring throughout its systems and testing at its state-of-the-art laboratory.

Del Oro Water Company

Del Oro Water Company was established in 1963 to meet the water needs of residents in Magalia. It is privately owned and currently serves over 20,000 consumers in Butte County, through more than 5,000 water connections in the communities of Paradise Pines, Stirling City, Lime Saddle and Magalia.

Del Oro has water rights to 365 acre-feet annually from Lake Almanor via the Hendricks Canal, which empties into Butte Creek. Del Oro has 667 acre-feet annually of Butte County Table A Water that is pumped out of Lake Oroville into the Lime Saddle area. In addition, Del Oro has five wells in Paradise Pines, two in Magalia and three in the Lime Saddle area. The company has five large water storage tanks, intake pumps to transfer water and two treatment plants. The company has emergency water sources for each of the communities it serves through extensive agreements with the Paradise Irrigation District.

Paradise Irrigation District

The Paradise Irrigation District (PID) was formed in 1916 and is governed by a

Board of Directors, elected by the residents of Paradise. The boundaries of the district are the same as the town of Paradise. The PID owns and operates two reservoirs: Paradise Lake and Magalia Reservoir. These reservoirs rely on rainfall to fill them each year. The total combined storage capacity is 12,293 acre-feet. The water is derived from a 12 square mile watershed area. The PID maintains a water treatment facility which is presently sufficient for 100% of the maximum daily demand. There are 10,500 electronic meters, serving a population of approximately 27,000, and 170 miles of pipeline which the district installs and maintains. The PID has 40 employees.

Key issues identified by the district are:

- A drought will severely decrease the amount of water entering the reservoirs, which only have the capacity for a one-year supply. This would place the PID's customers in a dire position.
- There are over 60 miles of steel pipe remaining to be replaced to reduce pipe leakage in the distribution system.
- Storage capacity in the reservoirs needs to be increased.
- Conserving water is a prime message the PID wants to convey to its consumers.
- Other sources of water, for example pumping from Lake Oroville, can be investigated, as well as the potential use of the Miocene Canal.
- PID has system connections with Del Oro Water Company.

The PID manager and board members are aware of the present and long-term potential water problems and are actively searching for solutions.

South Feather Water and Power Agency

The South Feather Water & Power Agency (SFWPA) provides treated surface water to 6,650 customers. The agency provides untreated agricultural water to 557 customers. All domestic customers are metered. A few irrigation customers also have meters, but most customers have the measured water delivered from open canals.

SFWPA was formed in 1919 and is governed by a five-member board elected by landowners within the water agency boundaries. They maintain 141 miles of pipeline, 110 miles of open ditches and canals, two water treatment plants and a solar plant. They also operate the South Feather Power Project (SFPP).

The original name for SFWPA was Oroville Wyandotte Irrigation District (OWID) and was created in November 1919 with 16,800 acres of land. The district was formed by assuming the old water rights from the South Feather Land and Water Company and

the Palermo Land and Water Company. In July 1944, OWID initiated plans to sell water for domestic use.

Currently, SFWPA maintains a service area of more than 31,000 acres. SFWPA operates a hydroelectric power project (SFPP), which includes four power plants on the South Fork of the Feather River. The water sources for SFWPA are the following reservoirs: Sly Creek, Lost Creek, Ponderosa, Little Grass Valley, and Miners Ranch. They have a combined storage capacity of 16,577 acre-feet and can generate up to 120 megawatts. The power generated is sold exclusively to PG&E. This revenue is used to offset the operating cost and to lower the water rates to customers, the lowest rate in Butte County. The monthly average bill is \$23.42.

SFWPA is currently expanding its water treatment plants. SFWPA's water supply is adequate to meet its projected future use. No future water supply projects or programs are planned.

Thermalito Water and Sewer District

Thermalito Water District was established in 1927 when it was purchased from PG&E. In 1977, the district added sewer service yet did not change its name to Thermalito Water and Sewer District (TWSD) until 2005. The service area is the community of Thermalito and the City of Oroville. The district is governed by a five-member board of directors, which is elected by voters within the district limits.

TWSD serves a population of 10,000 with 2,700 connections. The customer base includes residential, commercial and agricultural users. All water delivered goes through the district's water treatment plant. All customers are metered and charged at one rate. The average residential billing is about \$45 a month.

The TWSD primary water source is Lake Concow with a capacity of 8,200 acre-feet. The water for delivery to customers is a blend of surface and ground water. The blend is 12.1% to 23% ground water in the winter and 12.4% to 34.1% ground water in the summer. The surface water is drawn from the Thermalito Power Canal. The measured canal water used in one year is replaced from Lake Concow during the following year. The TWSD currently has four operating wells with the provision that any developer who builds more than 15 units must provide an additional well site. The district currently has two storage tanks of 1 million and 2.1 million gallon capacity located near Table Mountain. A third storage tank is planned near the Oroville Airport, which will be supplied by well water.

TWSD feels that its infrastructure and Lake Concow water rights put the district in a good position to survive a drought or a temporary shutdown. TWSD has mutual assistance agreements with Cal Water and South Feather Water and Power District.

Richvale Irrigation District

Richvale Irrigation District is a private corporation that maintains offices in the Butte County Rice Growers Association (BUCRA) facility in Richvale. It has no connection to BUCRA and is owned by landowners. The Richvale Irrigation District's water rights pre-date 1914 and are part of a four-district coalition with Biggs/West Gridley, Butte and Sutter. The district was formed in 1930 with the buyout of the Sutter Butte District. There are 350 Richvale Irrigation owner-members who own 34,000 acres of farmland, mainly rice, and elect a three-member Board of Directors. Each Richvale landowner is entitled to one vote for each acre of land owned. The district owns and maintains 71 miles of open canals and has no pipelines, with an allocation of 149,000 acre-feet of water a year from Lake Oroville.

The sole source of water is the Thermalito Afterbay. The district also has water rights from Cherokee Creek. Although the district maintains no wells, many of the owners have wells and pump water when necessary. When owners use well water, they pay the district for use of the canals to distribute the water. Richvale Irrigation District does not sell any water outside of the district and has no plans to do so.

Western Canal Water District

The Western Canal Water District (WCWD) was formed by a vote of the landowners in December 1984 as a non-profit California water district. The district purchased the Western Canal water system from PG&E, which had acquired it from the Great Western Power Company, which had developed the hydroelectric power facilities on the Feather River around 1911. The acquisition included pre-1914 water rights on the Feather River for use by the district. These consist of 150,000 acre-feet of natural flow of the river and 145,000 acre-feet of water stored in the North Fork Feather River Project. The district also has adjudicated rights to a small amount of Butte Creek water.

The district's original diversion was located at the Western Canal Company's dam on the Feather River. The Lake Oroville Complex changed the geography of the area and the supply is now provided by two outlet structures on the Thermalito Afterbay, with a capacity of 1,250 cfs. WCWD is one of the 29 state water contractors that receive water from Lake Oroville.

The district currently encompasses a land area of approximately 67,500 acres, of which 58,167 acres are irrigable. The primary crop is rice, with small amounts of pasture and orchard crops. They serve two wildlife refuges, the Upper Butte Basin Wildlife Area and the Llano Seco Unit. Duck hunting and the leasing of land for a microwave tower are additional revenue sources.

WCWD is the second-largest irrigated agricultural water district in the Sacramento Valley. Two-thirds of the district is in Butte County and the remaining land is in Glenn County. WCWD delivers untreated water to over 120 rate payers at \$4 per acre-feet. The district has 10 employees and an annual operations budget of \$1.3 million.

Each year, on average, WCWD and the Joint Water Districts (Richvale Irrigation District, Biggs/West Gridley Water District, and Butte Water District) import 610,000 acre-feet of Feather River water into Butte Basin. This inflow of surface water provides a significant positive effect on keeping high groundwater levels within the basin. Conjunctive use has been practiced during several drought years to assist the State Water Bank. WCWD has developed a Groundwater Management Plan, which provides for conjunctive use in a responsible and safe manner.

The Tuscan Aquifer

The Tuscan Aquifer is an extensive water-bearing formation located in parts of Butte, Glenn, Tehama, Sutter and Colusa Counties, comprising approximately 4,900 square miles. The aquifer's boundaries range from Red Bluff in the north, to the Sutter Buttes in the south, east to the foothills and west into Glenn County.

The California Department of Water Resources (DWR) estimates the Tuscan Aquifer holds approximately 30 million acre-feet, or about nine times the capacity of Lake Oroville. The Tuscan Aquifer is a complex geologic formation. Recent studies indicate the geologic makeup of the Tuscan Aquifer changes over its geographical area. The northern portion of the aquifer is composed primarily of materials called "lahars," a type of mudflow having a mix of rocky debris and water that flows down from a volcano. Some lahar materials are like concrete in their consistency and are likely to limit the ability of water to move through it. In the southern portion of the aquifer, furthest from the volcanic source of the material, the lahar has been changed and reworked by streams, resulting in deposits of sands and gravels. Understanding how the Tuscan Aquifer recharges is an important factor in understanding aquifer dynamics (changes in storage and how water moves into and through the system).

Prior to 2012, it was thought that significant recharge of the Lower Tuscan Aquifer (LTA) occurs from creeks that pass over outcrops of the Lower Tuscan Formation. However, results of Butte County's LTA Project, which included completion of dual ring infiltrometer tests, stream gauging, temperature gradient and water chemistry analysis (i.e., isotope and chemical constituents) indicate that the stretch of these creeks crossing over the outcrops provides little recharge. Data suggest that water recharged to the LTA comes from rainfall over broad areas in the low foothills and valley at or below 2,500 feet elevation. Therefore, light rainfall years limit the amount of recharge to the aquifer. The data from the LTA Project indicate that previously held theories of the Tuscan Aquifer's characteristics may not be valid or at least need to be refined. The complexity of the Tuscan Aquifer requires additional research to continue to expand our understanding of storage and recharge processes.

Butte County will complete its report on the LTA from the Tuscan Aquifer Project by June 2013. Butte County needs to know more about how the Tuscan Aquifer recharges, its relationship to surface water, interconnectedness with different aquifer

layers and how additional groundwater demand may affect the basin. Groundwater level data show that in some portions of the LTA, the groundwater elevation has dropped 13 or more feet over the last 20 years in Butte County. The Tuscan Aquifer is one of Butte County's vital resources and needs to be protected from out-of-county interests.

Butte County Toxic Aquifer Plumes

Toxic plumes are areas of measurable quantities of volatile organic compounds (VOC). These contaminants move from their surface source into the aquifer and spread in a widening area, often in the shape of a feather. There are eight toxic plumes in Butte County, all in the Chico area (see included map). The northernmost plume is near the Chico airport and the southernmost is near Hegan Lane and the Midway. Nitrates were the first contaminants detected in the groundwater in 1979. Controlling and treating the plumes is the responsibility of the California Department of Toxic Substance Control (DTSC).

The most serious plume problem, the Number Four Central Plume, starts near Mangrove and Vallombrosa avenues. It runs down to Highway 32, past the California State University, Chico campus. The DTSC has been monitoring and working with this plume since 1986. There are five "pump-and-treat" wells near Chico Junior High School that are used to treat this water. The DTSC has removed in excess of 1,300 pounds of perchloroethylene (PCE) from the aquifer.

Some of the plumes, including the Number Four Central Plume, were the result of dry cleaners that improperly disposed of hazardous materials, including PCE, trichloroethylene (TCE), dichloroethylene (DCE) and pentachlorophenol (PCP), all of which are carcinogenic. PCEs and TCEs are heavier than water and have been found 300-400 feet deep in the aquifer.

Conjunctive Use

Conjunctive use is the combined use of groundwater and surface water to manage water supply reliability. Some water districts practice conjunctive use in their normal operations by blending surface and groundwater in their water treatment plants. This reduces costs.

In November 1996, Butte County voters approved the Groundwater Conservation Ordinance (Chapter 33 of the Butte County Code) which provided groundwater conservation through local regulation of water transfers that move water outside of the county and have a groundwater component. A permit is now required both for the exportation of groundwater outside the county and for groundwater pumping as a substitute for surface water exported outside the county. No permits have been requested since the ordinance was enacted.

Butte County Department of Water and Resource Conservation

“To manage and conserve water and other resources for the citizens of Butte County” is the mission statement of the Butte County Department of Water and Resource Conservation. The department, consisting of four employees, is an effective entity in monitoring, researching, managing, providing community education and coordinating with all water agencies. The department’s staff and its public resources have given invaluable assistance and information, both basic and technical, to the Grand Jury.

In 1996, in order to implement Chapter 33, Butte County established the Water Division in the Butte County Department of Agriculture. In 1999, the division became the Department of Water and Resource Conservation with expanded responsibilities and focus:

- The department continued the protection and management of Butte County’s water resources by implementing, under Chapter 33, a permit process for:
 - 1) the transfer of surface water outside of the county to be replaced by well water
 - 2) the sale of groundwater outside of the county

No permit has been requested to this date. They also implemented, in 2005, the Butte County Groundwater Management Plan. In conjunction with the Board of Supervisors, a Water Resource Element, and other policy goals to sustain groundwater and other natural resources, was included as part of the Butte County General Plan 2030.

- Butte County Board of Supervisors and the department support existing Area of Origin water rights, the water right priority system and the authority to make water management decisions locally to meet the county’s current and future needs.
- The department considers that monitoring and conserving water resources must be based on factual, scientific information. It tracks groundwater conditions by monitoring over 100 wells four times a year. Water from key wells is analyzed to detect saline intrusion or other chemistry changes.
- The department is involved in continuing scientific investigations that are necessary to improve the understanding of our complex water resources and to assure sustainability. The department supports local water supply projects through participation and research. Much of this work has been funded with more than \$9 million received in grants. The department is completing the research project on the Lower Tuscan Aquifer funded by a research grant under Proposition 58.

- As an element of the Basic Management Objectives Program, the department provides an evaluation of groundwater conditions in specific areas. The Technical Advisory Committee reviews the groundwater data and provides recommendations for improvements on an annual basis.
- The department is charged with the management of the Butte County Table A allocation. The goal is to fully utilize the Table A allocation to meet Butte County's needs and attain fiscal sustainability. This includes a study with Cal Water on the feasibility of making Table A Water available to Chico and Durham.
- The department makes accessible data and information on Butte County's water resources through its website (www.bcwater@buttecounty.net) and its monthly *Water Solutions* newsletter.
- The department actively supports regional coordination of water resources and advocates for the county's water resource interests.
- The department was an organizing member and is active in the leadership of the Northern Sacramento Valley Integrated Regional Water Management Plan (NSVIRWMP). The NSVIRWMP is made up of six counties: Butte, Tehama, Glenn, Colusa, Sutter and Shasta. The plan coordinates water use and works toward common goals and objectives, including protecting the county's Area of Origin water rights.

In January 2013, the Butte County Board of Supervisors funded the Water Inventory Analysis project. The purpose is to get updated information to enable improved budgeting of water resources, taking into account changing conditions due to drought and climate change.

Like the water that the department protects, the Butte County Department of Water and Resource Conservation is a valuable resource for this county. Many of their projects and plans for protection and conservation of local water control have been models for the rest of California.

CONCLUSION

The Grand Jury was interested in learning about the management and stewardship of Butte County water. Our conclusion is that the Butte County water districts, agencies and county departments that we reviewed are doing an efficient job managing water distribution. There are future potential problems in water supply that need to be brought to the attention of the county's residents. Lack of storage capacity, the decline of the Tuscan Aquifer elevation and increased demand from out-of-county interests may jeopardize our water resources.

Protecting our historical Area of Origin water rights is critical to preserve our quality of life in Butte County. Counties in the north state need to maintain close communication and cooperation to protect our water rights. Our elected officials need to keep the citizens apprised of any impending legislation that would jeopardize Butte County water. The print media and various conservation groups are to be commended for bringing water issues to the public's attention. The public needs to become informed on water developments and be willing to express themselves publicly to protect our Area of Origin water rights.

FINDINGS

- F1 The water resources of Butte County continue to be the focus of an ever increasing demand statewide.
- F2 The water districts in Butte County each service the needs of their area with the resources they have available.
- F3 Butte County currently has the option of using or leasing its Table A water which currently provides a revenue source to the county general fund.
- F4 City of Chico is 100% reliant on the Tuscan Aquifer for its water.
- F5 In Butte County, the Lower Tuscan Aquifer groundwater elevation has dropped 13 feet or more over the last 20 years.
- F6 A report on the Lower Tuscan Aquifer is scheduled to be completed in June 2013 by the Butte County Department of Water and Resource Conservation.
- F7 Del Oro Water Company and Paradise Irrigation District have mutual assistance agreements for emergency water distribution to their customers.
- F8 Paradise Irrigation District faces future demand and distribution challenges due to limited storage capacity.
- F9 Thermalito Water and Sewer District has mutual assistance agreements with Cal Water, Oroville and South Feather Water and Power Agency.
- F10 There are eight remaining toxic plumes in Chico that are still being monitored and mitigated.
- F11 The Department of Toxic Substance Control and Cal Water have been thorough and vigilant in locating, controlling and cleaning the contaminated plumes in Chico.

- F12 The Butte County Department of Water and Resource Conservation has not received any required permit requests for groundwater pumping as a substitute for surface water exported and sold outside the county.
- F13 The Butte County Department of Water and Resource Conservation has provided superior leadership in the county and the region on critical water issues.
- F14 The Butte County Department of Water and Resource Conservation study of the Tuscan Aquifer may yield a future strategy to halt the decline of the aquifer.
- F15 The Butte County Department of Water and Resource Conservation has been critical in supporting this Grand Jury investigation.

RECOMMENDATIONS

- R1 The Paradise Irrigation District needs to continue to protect and increase its water storage.
- R2 The Butte County Department of Water and Resource Conservation needs to work closely with DWR to protect county Area of Origin water rights.
- R3 The Butte County Department of Water and Resource Conservation needs to explore strategies to fully utilize the Table A Water allocations for the benefit of Butte County.
- R4 The Butte County Department of Water and Resource Conservation should continue to study the Tuscan Aquifer and keep the public informed of the findings.

REQUEST FOR RESPONSES

Pursuant to Penal Code sections 933 and 933.05 the Grand Jury requests responses to the recommendations as follows:

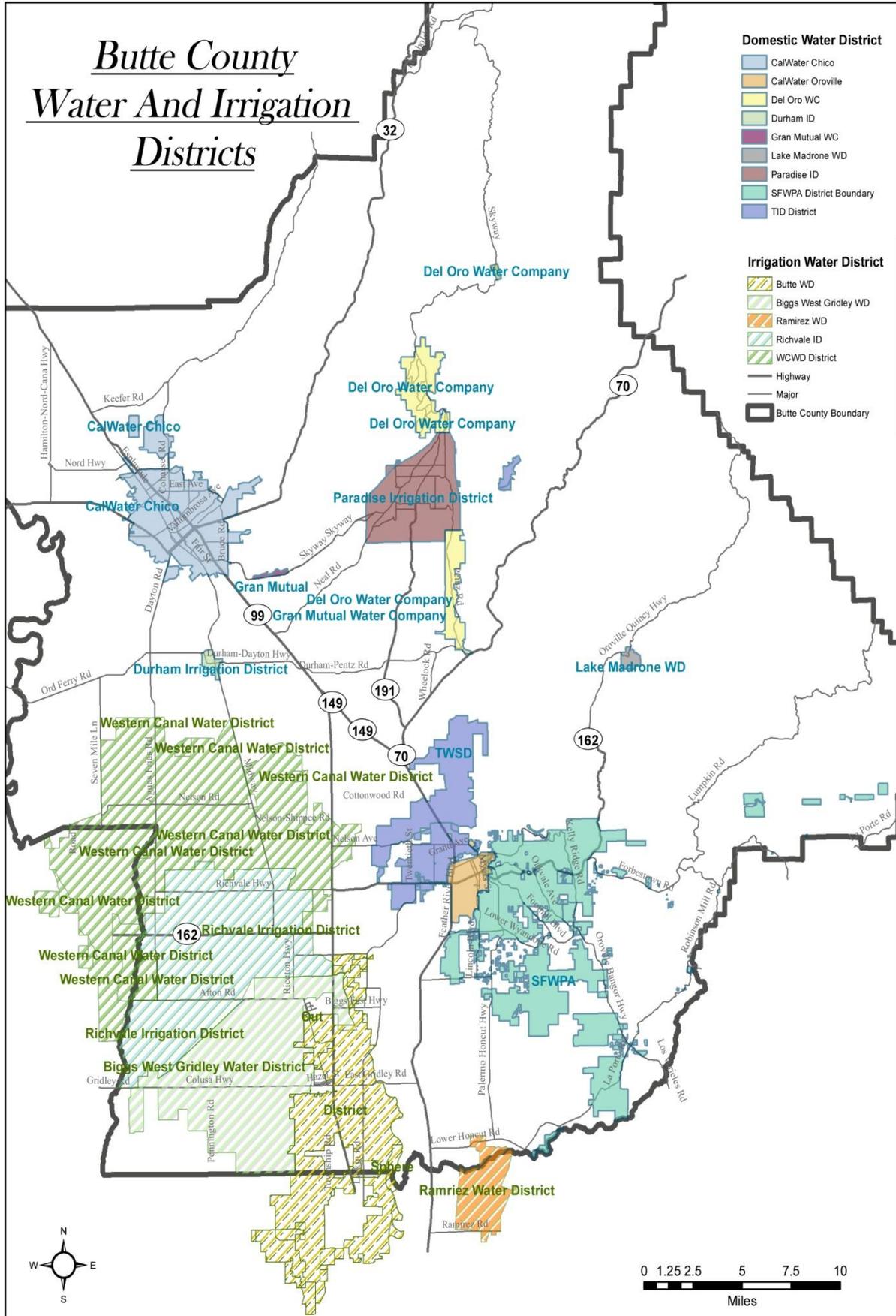
- Paradise Irrigation District Board of Directors
 - A response to Findings F7 and F8 and Recommendation R1

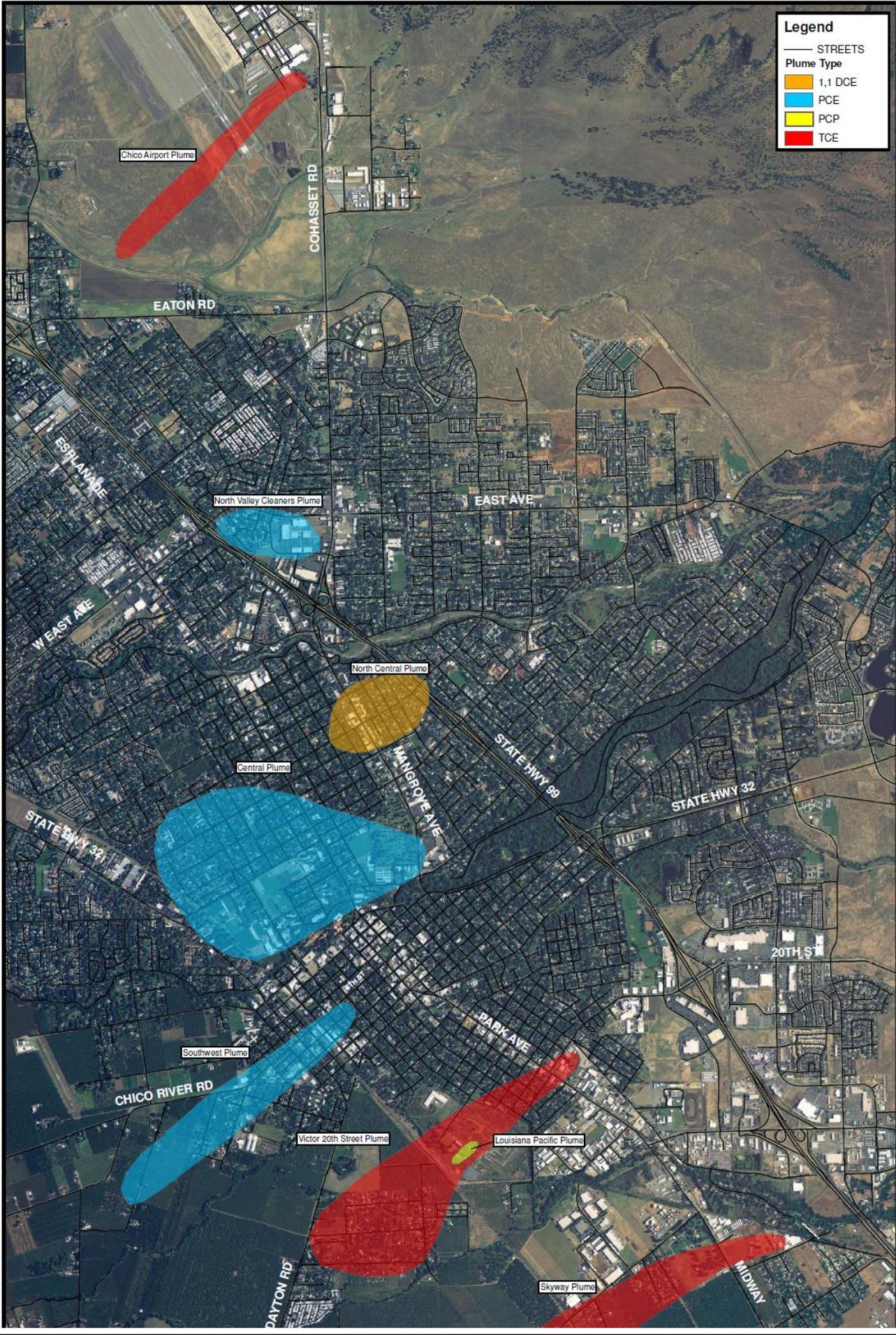
- Butte County Board of Supervisors
 - A response to Finding F3 and Recommendations R2 through R4

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 Section 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.

Butte County Water And Irrigation Districts





Legend

— STREETS

Plume Type

- 1,1 DCE
- PCE
- PCP
- TCE

Chico Airport Plume

COHASSET RD

EATON RD

ESPLANADE
W EAST AVE

North Valley Cleaners Plume

EAST AVE

North Central Plume

Central Plume

MANGROVE AVE

STATE HWY 99

STATE HWY 32

STATE HWY 39

20TH ST

Southwest Plume

CHICO RIVER RD

PARK AVE

Victor 20th Street Plume

Louisiana Pacific Plume

Skyway Plume

DAYTON RD

MIDWAY