

CA PC section 911:

"Accountability breeds response-ability."  
- Stephen Covey

"The safety of the people shall be the highest law." - Marcus Tullius Cicero



**Stillwater Business Park**

**Shasta County Service Areas**

**City of Redding Code Enforcement**

**Shasta County Joint Audit Committee**

**Responses to the 2015/16 Shasta County Grand Jury**

**Shasta County Animal Regulation Unit**

**Shasta Lake Fire Protection District**

**GPS Ankle Bracelet Monitoring**

**Unfunded Pension Liabilities**

"No crime is immune to better enforcement efforts."  
- William Bratton

"Animals are such agreeable friends - they ask no questions, they pass no criticisms."  
- George Eliot

"When the well's dry, we know the worth of water."  
- Benjamin Franklin

# FOCUS ON THE FACTS

**Shasta County Grand Jury 2016-2017**

The grand jury is entitled to free access, at all reasonable times, to the public prisons, and to the examination, without charge, of all public records within

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# Shasta County

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## GRAND JURY

June 26, 2017

The Honorable Gary Gibson  
Presiding Judge of the Superior Court  
Shasta County Courthouse  
1500 Court Street  
Redding, CA 96001

Dear Judge Gibson:

The 2016-2017 Shasta County Grand Jury hereby respectfully submits to you our Consolidated Final Report.

The Grand Jury has two main goals – to serve as a watchdog for county citizens, and to inform the general public of county, city, and local district matters. We serve both purposes by producing this report. This report is the culmination of hundreds of hours of hard work put in by the Grand Jurors. It is our hope that by producing this report, we highlight matters of interest and spark discussions among both the public and local officials in order to better serve our community.

Our work this year was made possible in great part due to: Melissa Fowler-Bradley, John Zeis, and other Superior Court staff; David Yorton, Senior Deputy County Counsel; Matthew McOmber, Deputy County Counsel; William Bateman, Deputy District Attorney; Ayla Tucker, County Administrative Services; Michael Stock and other County Information Technology staff; and the Shasta County Grand Jurors Association.

We would like to extend our gratitude to the Honorable Judge Gregory Gaul, for his support and sage advice at the beginning of our term. We wish you the very best in your upcoming endeavors.

The Grand Jury would also like to thank you, Judge Gibson, for dedicating your efforts to the Grand Jury, for meeting with us, and for providing solid guidance. We are grateful for your direction while navigating the unique legal issues with which we grappled during our term.

I want to recognize Susan Bakke, Foreperson pro tem, for her unwavering dedication and assistance to the Grand Jury. I also commend all the Grand Jurors for their persistence, hard work, and ability to maintain a sense of humor during this long year. It has been an honor serving with you.

Sincerely,

*Rebecca J. Willburn*

Rebecca Willburn, Foreperson  
2016-2017 Shasta County Grand Jury

## 2016-2017 Shasta County Grand Jury Members

Rebeccah Willburn – Foreperson  
 Alice Bell  
 Janette Brockmann  
 Gail Buick  
 Richard Camillieri  
 Jeffrey Haynes  
 Jeanne Jelke  
 Laron Kunkler

Susan Bakke – Foreperson pro tem  
 William Masten  
 Ann (Annelise) Pierce  
 Christopher (Curt) Rhyne  
 Chaland Scrivner  
 Michael Stewart  
 M. James Warnemuende  
 Leonard (Lee) Wikstrom

## 2016-2017 Summary of Full Grand Jury Activities

Activity	Total
Agencies, Departments, and Facilities Visited	27
Autopsies Attended	5
Complaints Received*	21
Government Board Meetings Attended	6
Joint Audit Committee Meetings Attended	0
Meetings of the Full Grand Jury	40

\*Not all complaints received fall within the purview of the Grand Jury

## 2016-2017 Sites and Facilities Visited

- Redding Fire Department:
  - Station 1
  - Station 5
  - Ride-alongs
- Redding Permitting Center
- Redding Police Department:
  - Internal Affairs Review
  - K-9 Demonstration
  - Ride-alongs
  - Use-of-force Training
- Stillwater Business Park
- Sugar Pine Conservation Camp
- Haven Humane Society
- Shasta County Housing Authority Site Inspections
- Shasta County Elections Office
- Shasta County Polling Sites
- Shasta County Probation Department:
  - Community Corrections Center
  - Day Reporting Center
  - Juvenile Rehabilitation Facility
  - Winter Transition Graduation
- Shasta County Sheriff's Office:
  - Alternative Custody Annex
  - Coroner's Office
  - Jail
- CSA Water Treatment Plants:
  - Castella
  - Crag View
  - French Gulch
  - Jones Valley
  - Keswick
  - Sugarloaf

## 2016-2017 Shasta County Grand Jury Committees

- **Audit Finance**
- **City Government**
- **Continuity and Editorial**
- **County Government**
- **Criminal Justice**
- **Information Technology**
- **Local Districts and Agencies**
- **Ad hoc**

<b>Summary of Committee Activities</b>				
<b>Committee</b>	<b>Meetings</b>	<b>Investigations*</b>	<b>Interviews</b>	<b>Reports</b>
Audit Finance	38	2	25	2
City Government	59	4	28	2
Continuity and Editorial	67	2	16	2
County Government	40	3	17	1
Criminal Justice	41	4	22	1
Information Technology	14	0	0	0
Local Districts and Agencies	35	2	15	1
Ad hoc	19	1	14	0
<b>TOTAL</b>	<b>313</b>	<b>18</b>	<b>137</b>	<b>9</b>

\*Not all investigations result in a report

## Focusing on the Shasta County Grand Jury

### **What is the Grand Jury?**

The Grand Jury is an independent body comprised of 19 Shasta County citizens that functions as an arm of the judicial branch of government operating under the guidance of the Presiding Judge of the Shasta County Superior Court. In this capacity, the Grand Jury inquires into and investigates the operations of local government agencies and officials, ensuring that their activities are authorized by law and services are efficiently provided. Members of the Grand Jury are selected through an application and interview process by the Superior Court.

### **Why does the Grand Jury matter?**

The Grand Jury acts as a watchdog for the county. It helps local government to be more accountable and efficient. Empowered by the judicial system, it is a fact-finding body that develops meaningful solutions to a wide range of government problems which in turn facilitates positive change in the county. The Grand Jury examines statutory aspects of the city governments, county government, special districts, the local agency formation commission, school districts, housing authorities, joint powers agencies, and non-profit agencies established by or operated on behalf of a public agency. The Grand Jury determines whether monies of local government agencies are handled properly and that all accounts are properly audited – in general, assuring honest, efficient government in the best interest of the county residents.

### **By what authority does the Grand Jury act?**

The California State Constitution requires the Superior Court in each county to impanel at least one Grand Jury each year. Grand juries are governed and guided by California Penal Code Section 925, et seq. The code authorizes the Grand Jury to investigate and report on the operations of any local governmental agency within the county. On rare occasions, the Grand Jury may even review criminal cases.

All communications with the Grand Jury are confidential. Because the Grand Jury is exempt from the state's open meeting law (the Brown Act), actions are taken by a vote of the Grand Jury in accordance with their own rules and procedures. The ability to internally police itself allows the Grand Jury to operate completely independent of external pressures.

When there is a perception of a conflict of interest involving a member of the Grand Jury, that member has been required to recuse from any aspect of the investigation involving such a conflict and from voting on the acceptance or rejection of that report. Four (4) 2016-2017 Grand Jurors were recused from certain investigations. These jurors were excluded from all parts of the investigations, including interviews, deliberations, and the making and acceptance of the report.



### **Would you like to serve on the Grand Jury?**

Citizens over the age of 18 in Shasta County are given an opportunity to serve on the Grand Jury. For specific information regarding juror qualifications and applications to serve on the Grand Jury, either contact or visit the following address:

Shasta County Superior Court  
1500 Court Street, Room 205  
Redding, CA 96001 or online at [www.shastacountygrandjury.org](http://www.shastacountygrandjury.org)

### **How do you file a Citizen Complaint with the Grand Jury?**

The grand jury reviews all complaints and investigates when appropriate. All complaints are treated confidentially. The complainant may be asked to appear as a witness. A citizen complaint form may be obtained online at [www.shastacountygrandjury.org](http://www.shastacountygrandjury.org) or by contacting:

Shasta County Grand Jury  
P.O. Box 992086  
Redding, Ca. 96099-2086  
(530) 225-5098 or by emailing [grandjury@co.shasta.ca.us](mailto:grandjury@co.shasta.ca.us)

### **How are Grand Jury reports written and published?**

The content and subject matter of the Grand Jury reports are the result of a diligent effort by the members of the Grand Jury. The reports are prepared by members of the Grand Jury and reviewed by County Counsel, or the District Attorney, and the Presiding Judge of the Superior Court. The reports are then made available online at [www.shastacountygrandjury.org](http://www.shastacountygrandjury.org) and at the Shasta County Clerk's Office. A Consolidated Final Report is printed by the Record Searchlight at the end of each term.

Throughout the course of the 2016-2017 term, the Grand Jury met, discussed policies and procedures, and reviewed possible subjects for inquiry and/or investigation. Committees were formed to perform specific investigations. Subjects for investigation were initiated by citizen complaints or by members of the Grand Jury. Upon completion of the individual investigations, reports were prepared and edited by the Grand Jury and then forwarded on to County Counsel or the District Attorney for legal review. After legal review, the reports were forwarded to the Presiding Judge for final review and approval to release to the public.

The 2016-2017 Grand Jury released individual reports prior to the end of its one-year term. At the end of its term, all investigative reports, including those previously released, are compiled into one report referred to as the Consolidated Final Report of the Grand Jury, and released to the public.

### **Who responds to the Findings and Recommendations of Grand Jury reports?**

Typically, each report includes both Findings and Recommendations. The Findings consist of conclusions, relevant to the specific entity investigated, which are of concern to the Grand Jury. The Recommendations are proposals by the Grand Jury which will help to remedy problems or

inefficiencies within the agency or organization. California Penal Code Section 933 requires responses to the final report be submitted to the Superior Court in a timely manner. Required responses are to be submitted within 90 days for elected officials and governing bodies, and within 60 days for non-elected officials. It is anticipated that the various agencies and governments will respond in a manner that is in the best interest of the residents of the county.

**The 2016-2017 Grand Jury recommends that all governing bodies place their responses to all Grand Jury reports on their Regular Calendars for public discussion, not on their Consent Calendars.**

Reports issued by the Grand Jury do not identify individuals interviewed. Penal Code Section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Grand Jury.
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## 2016-2017 Investigative Reports

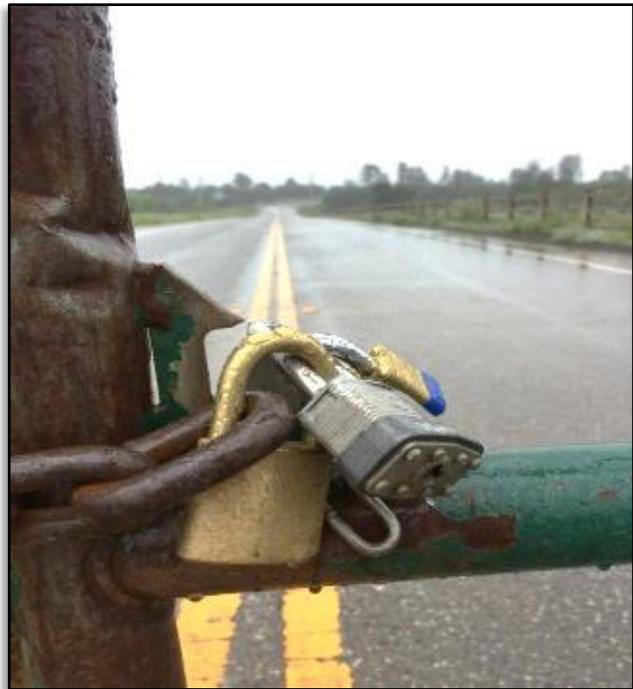
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# Stillwater Business Park

## Still Spending; Still Waiting

### SUMMARY

The City of Redding and Redding Electric Utility have, together, spent close to \$41 million to fund the land and infrastructure development at Stillwater Business Park. The City of Redding continues to spend almost \$1 million a year from the General Fund on the project. Stillwater Business Park is located near the Redding Municipal Airport and consists of industrial-ready parcels currently for sale by the City of Redding. City of Redding administrators frequently cite the cost of the project at \$23 million, which was the cost to buy and develop the property. However, the cost rises to \$41 million when debt repayments and electrical and infrastructure by Redding Electric Utility are included. Future scheduled interest and principal repayments to service long-term bond debt over the next 20 years by both the City of Redding and Redding Electric Utility will increase the total known cost to \$59 million if the bond debts are not paid off prior to maturity.



Marketing has been a collaborative effort by the Economic Development Corporation, the City of Redding, and three different marketing firms. These combined efforts over seven years have yielded about 14 serious leads and a single lot sale totaling less than \$1 million. If all the parcels could

be sold for the current appraised value, it appears the City of Redding would still lose at least \$27 million. This number does not include Redding Electric Utility debt repayment which may be paid by future on-site electrical sales from Stillwater Business Park. City of Redding documents state the true value of the project would be measured not by real estate sales revenues, but by future economic development connected to industry at the site. To date, no new jobs, products, or services have been developed at Stillwater Business Park.

The 2016/17 Shasta County Grand Jury determined that neither the City of Redding administrators nor the Redding City Council has appointed anyone to oversee the Stillwater project. The Grand Jury recommends the Redding City Council appoint an existing staff person as manager of the project and direct staff to conduct an evaluation of the future viability of the Stillwater Business Park project.

## **BACKGROUND**

In 1998, an ad hoc committee convened to study the concept of a large industrial business park in Shasta County. The Shasta Economic Development Corporation (EDC), a non-profit organization funded by local governments and private businesses in Shasta County, emerged as a partner to the City of Redding (“the City”) in the business park project. The City has a long history of support for the EDC to identify, market, and attempt to recruit new business to the Shasta County area as well as assisting with business expansion and retention.

Over the next several years the City commissioned a “Purpose and Need” paper for the California Environmental Quality Act (CEQA) to gain environmental approval for an industrial park. As part of this document, the EDC identified a need for the City "to provide a large business park a minimum of 250-acres or larger, so infrastructure is economically feasible and development costs do not exceed the value of the land". While industrial and commercial parcels in the one-to-five-acre range were available in the City, there were no parcels with developed infrastructure that could accommodate large employers requiring up to 100 acres.

In 2006, after the lengthy process of gaining CEQA approval, construction of Stillwater Business Park (“Stillwater”) began and was completed in 2010. Stillwater is located on City land, adjacent to the Redding Municipal Airport.

Stillwater is 680.97 acres, with 321 acres available for development. Remaining acreage is set aside as open space and for potential infrastructure improvements. The land was purchased in three separate transactions: two with private landholders and the third by purchase and annexation of property held by the airport district for possible future airport development. The combined purchase price for all land transactions was \$2,415,143.

There are 16 parcels within Stillwater that range in size from 3.3 to 91.85 acres. Lots 1-6 are planned for general industrial and service uses. Lots 7–16 are planned for heavy industrial, general industrial, and service uses.

The Grand Jury’s investigation was prompted by local media reports about interest in parcels at Stillwater that did not materialize into sales. The Grand Jury later expanded the investigation to determine how much money has actually been spent on Stillwater.

## **METHODOLOGY**

The Grand Jury interviewed:

- City of Redding City Council members
- City of Redding Administrative personnel
- City of Redding Financial Department personnel
- Redding Electric Utility personnel
- Shasta County Auditor-Controller’s Office personnel
- Current and former Economic Development Corporation personnel

The Grand Jury reviewed:

- Exclusive sales listing agreements with Cushman & Wakefield (May 2006 – January 2014), Voit Realty Services (January 2014 – July 2016), and Colliers International (July 2016 – Current)
- Colliers International: Marketing Materials Pricing Schedule Exhibit B
- Colliers International: Stillwater Business Park marketing brochure and video
- Planned Development Summary by MSM Marketing, Sharrah, Dunlap, Sawyer, and Economic Development Corporation, July 2007
- City of Redding Stillwater Business Park Development Plan, July 9, 2007
- Stillwater Business Park Marketing Plan and Budget, September 2007
- City of Redding City Council Resolution 94-26 Economic Development Incentive Program, February 1, 1994
- Redding City Council Special Meeting minutes: Stillwater Business Park, June 26, 2006
- Redding City Council minutes: Joint Meeting of the City Council and Redding Capital Services Corporation, October 18, 2005
- City of Redding: California Environmental Quality Act: Purpose and Needs, April 7, 2006
- Reports to City of Redding City Council:
  - Resolution Appropriating Funds for the Stillwater Business Park Project, April 30, 2007
  - Redding Municipal Airport Land Release Authorization for Stillwater Business Park, March 19, 2008
  - For approving a non-binding letter of intent with Southern Aluminum Finishing, November 23, 2010
  - To approve a purchase and sales agreement with Southern Aluminum Finishing, December 17, 2010
  - To approve a purchase and sales agreement with Clarity Entertainment, January 3, 2012
  - Economic Development Incentive Agreement with Lassen Canyon Nursery, May 3, 2016
  - General Fund Lease Revenue Bond Proceeds, April 30, 2017
- City of Redding Debt Amortization Schedule, Revenue Bonds, Version 0, June 30, 2007
- City of Redding Accounting: Allocation of sale funds, Lassen Canyon Nursery, December 15, 2016
- City of Redding Document: “Serious Leads for Stillwater Business Park 2008-2016”
- City of Redding Biennial Budgets, FY 2012/13 through FY 2016/17

- City of Redding Comprehensive Annual Financial Report, FYE June 30, 2015
- City of Redding Comprehensive Annual Financial Report, FYE June 30, 2016
- City of Redding Purchase Agreement with Lassen Canyon Nursery, August 5, 2015
- City of Redding Stillwater Business Park Expenditures Exhibit A, June 30, 2016
- City of Redding Stillwater Business Park Expenditures Exhibit A, February 7, 2017
- City of Redding Stillwater Business Park Revenue Sources Exhibit C, December 12, 2016
- City of Redding Stillwater Business Park Revenue Sources Exhibit G, February 3, 2017
- City of Redding Stillwater Business Park General Fund Monies Expended Exhibit J, February 22, 2017
- City of Redding Stillwater Business Park Expenditures by Year Exhibits D, E, and E2, FY 2013/14 through FY 2016/17 (through January 30, 2017)
- City of Redding Stillwater Business Park Debt Service Payment Exhibits F, F1-a, F1-b, FY 2015/16
- City of Redding – Redding Joint Powers Financing Authority: Electric Systems Revenue Bonds 2015 Series A Final Numbers
- Redding Electric Utility: Expenditures, Stillwater Business Park, March 3, 2017
- Redding Electric Utility Financing: Correspondence regarding Certificate of Participation Bond interest and principal, Stillwater Business Park, March 8, 2017
- Redding Electric Utility Financing: Funding Source and Amounts, Stillwater Business Park, July 2, 2017
- 2007/08 Shasta County Grand Jury Report: “Stillwater Business Park – All the Eggs in One Basket”
- 2007/08 Shasta County Grand Jury Report: “City of Redding Finances – Too Many Hats, Not Enough Heads”
- City of Redding Redevelopment website, [www.cityofredding.org/departments/redevelopment](http://www.cityofredding.org/departments/redevelopment)
- US Bank Tax Allocation Project Fund 2006
- US Bank Tax Allocation Acquisition Fund 2007
- Redding Redevelopment Agency Comprehensive Annual Financial Report, FYE June 30, 2007
- SHASTEK Redevelopment Project Implementation Plans, 2006-2011 and 2011-2016
- Record Searchlight articles regarding Stillwater Business Park

Grand Jury members toured Stillwater Business Park

## DISCUSSION

### City Funding Sources for Stillwater

In 2005, the Redding City Council (“the City Council”) appropriated \$2 million from the General Reserve Fund as a short-term loan to begin development of Stillwater. Since Stillwater required further significant investments, a variety of additional funding sources were needed to pay for the project.

In 2006, a SHASTECH Redding Redevelopment Agency (RRA) Bond of \$9 million was used to fund Stillwater’s development. Redevelopment agencies were used to fund development of areas designated as blight. They have since been disbanded by the State legislature.

Funding for the project moved forward when the City Council issued the 30-year 2007 Series A Lease Revenue Bond (“Lease Revenue Bond” or “LRB”). A lease revenue bond is a municipal bond that is usually supported by revenue from a specific project (in this case, Stillwater) and does not require a vote by the public. Bond proceeds allocated to Stillwater totaled \$11,275,000. The City Council approved the Lease Revenue Bond after a public hearing. The bond was issued at an interest rate of 4.49 percent. Some of the proceeds were used to reimburse the General Fund for the \$2 million short-term loan and to pay bond costs, leaving the City with \$7,056,053 available in bond proceeds.

The City also sought out additional funding sources, including grants. Table A shows these funding sources and amounts, along with additional General Fund monies used for Stillwater, as of March 2017.

<b>Table A – City of Redding Funding Sources</b>	
<b>Source</b>	<b>Amount</b>
Capital Improvement Funds	\$ 80,000
Water Department Project Funds	722,177
U. S. EPA P-97928101-5 grant	1,626,700
Housing and Urban Development grants	1,786,627
Waste Water Department Project Funds	3,711,538
City of Redding Lease Revenue Bond (LRB)	7,056,053
SHASTECH Redding Redevelopment Agency (RRA) Bond	9,058,240
Debt Service Payments from General Fund for LRB issue:	
Principal	4,323,456
Interest	2,135,000
<b>Total</b>	<b>\$30,499,791</b>

### City Expenditures

In the process of developing Stillwater, the City acquired property and paid for environmental permitting and mitigation as well as administrative costs. Other monies were spent to make the site “shovel ready” by installing water and sewer lines and building the road and bridge.

In addition to these one-time expenses, the City also has recurring expenses for Stillwater. These include economic development (such as marketing and consulting), staffing costs, and required

ongoing environmental monitoring. At least three high-level City administrators have charged a portion of their salaries to Stillwater, totaling \$173,500 since FY 2013/14.

City administrators involved with Stillwater cited the total cost incurred to date at \$23 million. Other strategic stakeholders in the project, including the EDC and the City Council, were unsure how much the City has spent on Stillwater.

The Grand Jury’s investigation of spending on Stillwater clearly documents a large additional expense which is not included in the City’s accounting of costs for Stillwater: interest and principal payments on the Lease Revenue Bond debt. As of January 2017, this amount totaled \$6,458,456 and was paid from the City’s General Fund.

This cost is not cited by City finance documents because the interest and principal on Stillwater bonds are not categorized as costs to the project, but are instead categorized as a debt service cost (the cost of using the money long-term). The lack of interest and principal payments cited in the total expenses for Stillwater does not represent inaccurate or misleading accounting by the City. Figures cited without the inclusion of interest and principal payments may be accurate, given the methods by which governments account for their funds.

However, the Grand Jury also wishes to illuminate to the public the actual cost to citizens of funding Stillwater. These actual costs do include the interest and principal payments on the long-term debt, debt which would not have been incurred without a decision by the City Council to build Stillwater, and which will require large payments from the City’s General Fund over the next 20 years. This debt was incurred without a citizen vote by utilizing the Lease Revenue Bond method of debt. As of March 2017, the remaining principal on the bond debt was \$8,855,000; interest, which will be required if the bond is held to maturity (2037), is \$4,809,689. The total for future debt repayments is \$13,664,689. For this reason, the interest and principal payments already paid to date are included in Table B.

<b>Table B – City of Redding Expenditures for Stillwater Business Park</b>	
<b>One-Time Expenditures</b>	<b>Amount</b>
Enhancements for Lot 7	\$ 55,000
Claims & Litigation	246,700
Construction, Engineering & Field Engineering	370,721
Project Development	2,234,546
Environmental Permitting/Mitigation	2,711,856
Property Acquisition/Right of Way Settlements	2,750,559
Construction Contract & Contingency	14,232,292
<b>On-Going/Recurring Expenditures</b>	
Economic Development – Consulting	27,136
Economic Development – Marketing	346,839
Economic Development – Administration	400,763
Maintenance Costs (mostly environmental monitoring)	579,252
City of Redding Lease Revenue Bond:	
Principal	4,323,456
Interest	2,135,000
<b>Total</b>	<b>\$30,414,120</b>

The City also makes interest and principal payments on the SHASTECH RRA bond debt. Since this money is fully reimbursed by the State of California under Redevelopment Agency law, this cost was not included by the Grand Jury.

See Table B for details of the City’s Expenditures for Stillwater as of March 2017.

**Redding Electric Utility Funding and Expenditures**

The City’s accounting for Stillwater also does not include any of Redding Electrical Utility’s (REU) funding or spending for the project. REU is a community-owned electric agency, identified by the City’s website as a City department and overseen by the City Council.

The City Council serves as Directors of the Redding Capital Services Corporation, described by City administrators as a not-for-profit corporation that assists the City with the acquisition, construction, and financing of certain public improvements (mostly REU capital projects). On October 18, 2005, the City Council, as the Redding Capital Services Corporation Directors, voted to approve Resolution Number 2005-144. This allocated a \$3.2 million portion of \$38 million in Certificate of Participation proceeds for Stillwater. A certificate of participation (COP) is a lease financing agreement in the form of securities that can be marketed to investors. It can be issued by a vote of the supervising body without requiring a vote of the residents of the City. This money was allocated to upgrade existing electrical distribution and transmission lines and build new infrastructure needed to accommodate planned expansion within Stillwater. REU also utilized Capital System Improvement Funds, money funded by ratepayer revenues, to develop infrastructure at Stillwater. Since repayment of both bond and Capital System funding sources are derived from customers’ retail rates, they are both funded by utility customers.

These REU funds were used to make Stillwater “shovel ready” by pre-building needed electrical capacity for anticipated large scale manufacturing needs. This was done by building both on-site and off-site electrical infrastructure. The off-site improvements, although not currently utilized by Stillwater, do improve the City’s overall electrical infrastructure. REU staff state expenditures to date represent the minimum electrical capacity needed to prepare for industrial parcel sales. REU infrastructure developments at Stillwater totaled nearly \$9 million, paid for by current REU customers.

The original COP did not require principal payments, only interest payments. REU estimates they had paid over \$1.5 million on interest only on this COP. This COP was refinanced in

<b>Table C – REU Funding Sources for Stillwater Business Park</b>	
<b>Source</b>	<b>Amount</b>
Certificate of Participation	\$ 3,176,962
Capital System Improvements (retail rates)	5,592,869
Interest/Principal to Service Long-Term COP Debt*	1,651,835
<b>Total</b>	<b>\$10,421,666</b>

\*REU’s reported approximate interest amounts

2015 to include both interest and principal and will be retired in 2035. The interest and principal repayments since 2015 equal \$151,835 and, added to the previous interest paid, the total is \$1,651,835. This funding has been used for electrical infrastructure for Stillwater. All REU funding sources are detailed in Table C.

As with the City, governmental accounting for interest and principal payments are not considered as a cost of the project, but as an expense for using the Certificate of Participation proceeds.

The Grand Jury notes that electric utility infrastructure expenses are typically borne by the electric utility rather than the developer. These development costs are repaid to the electric utility by customer rates over time. This is financially viable because rates paid by new customers repay the infrastructure costs originally borne by the electric utility. However, in the case of Stillwater, no such development has occurred. As a result, REU customers are currently paying off the cost of infrastructure development at Stillwater. These funds are unlikely to have been expended without the existence of Stillwater and represent a real cost to REU customers. The City’s failure to account for this spending in documentation does not represent inaccurate or misleading accounting. The Grand Jury accounts for it here to represent the full costs of the project.

Table D itemizes both one-time expenditures and ongoing expenditures that have been incurred by REU as of March 2017.

<b>Table D – REU Expenditures for Infrastructure for Stillwater Business Park</b>	
<b>One-Time Expenditures</b>	<b>Amount</b>
Stillwater Business Park Distribution	\$ 618,146
East Redding Substation	633,687
Airport Road Substation	1,901,815
Stillwater Transmission Line	5,616,186
<b>On-Going/Recurrent Expenditures</b>	<b>Amount</b>
REU – interest on bonds paid to date	1,651,835
<b>Total</b>	<b>\$ 10,421,669</b>

REU will incur future expenses to retire the COP at a cost of \$1.7 million for interest and \$3.2 million for principal, totaling \$4.9 million. These costs will also be paid by customer retail sales.

### True Cost of Stillwater Business Park

City administrators informed the Grand Jury that the true cost of Stillwater is \$23 million. However, that total fails to include both bond interest payments and REU expenditures.

<b>Table E – Totals (both City of Redding and REU)</b>	
<b>Totals</b>	<b>Amount</b>
Funding (Tables A + C)	\$40,921,457
Expenditures (Tables B + D)	\$40,835,789

The true cost of Stillwater to date is over \$40 million.

Table E combines all funding sources and expenditures as of March 2017.

Table E shows a difference of \$85,568, which closely matches City documents showing a residual balance of \$85,672 allocated to Stillwater as of February 2017.

### Future Expenditures

Stillwater is an asset financed primarily by long-term bond debt. Repayment of the principal of these debts, as well as the interest, continues as an ongoing expense that is paid from the City’s General Fund. According to City documents, future City General Fund and REU expenditures to repay interest on two bond interest payments will total approximately \$12 million. This would bring the true known cost of Stillwater to approximately \$52 million by 2037, when the debt is retired. One parcel has been sold. If more parcels are sold, additional infrastructure development will be needed, adding to the total expenditures. These infrastructure improvements will

be substantial as they include additional ingress and egress road access, traffic impact improvements, and electrical substations, among others.

### **Return on Investment**

In 2015, the City sold the first Stillwater parcel (Lot 7) to Lassen Canyon Nursery for the net price of \$752,238. The number of jobs anticipated by this expansion is approximately 20 new positions. These monies were deposited into the City's Capital Improvement Fund, which can be used for any City costs with City Council approval. Of this amount, \$55,000 was allocated for enhancements to the parcel, including high speed Internet connectivity and street lights. An additional \$25,000 was allocated for marketing Stillwater for a total of \$80,000. These costs are shown as "Capital Improvement Funds" in Table A. The City Council did not allocate this income for debt repayment on the Lease Revenue Bond.

The interest earned on bond deposits was \$48,000, which remained as funding for infrastructure development for the project. Additionally, pasture land at Stillwater has been leased for cattle grazing from 2011 to 2017, yielding a total income of \$25,663.

Total sales revenue income from Stillwater so far has been less than \$1 million. If all parcels sold for their current listing prices, the gross income would be just under \$14 million.

### **Marketing**

The success of Stillwater's mission is dependent on lot sales and new business development. City and EDC personnel state the lots have not sold due to Stillwater being completed at the height of the recent recession. Some have also suggested the original need for large parcels for industrial use may no longer be viable in California.

The marketing of Stillwater is a shared responsibility between the EDC, Colliers International (the current listing real estate broker), and the City's Development Services Department. Since Stillwater's inception, a focus of the EDC has been the marketing of Stillwater. The City annually enters into a contract with the EDC for marketing purposes. The FY 2016/17 contract was for \$71,000. Of this funding, EDC has allocated \$25,000 to in-house marketing efforts for Stillwater.

Colliers International is the third real estate broker the City has utilized to market sales of Stillwater. Cushman & Wakefield and Voit Real Estate Services were agents prior to Colliers. The current brokerage contract was signed in September 2016 after a selection committee reviewed three submission of interest applications. A significant change in this brokerage contract is that the City is providing \$25,000 in up-front funding to the broker for specific marketing efforts. In prior contracts, brokerage marketing costs were an assumed up-front cost of the broker to be reimbursed through commission sales.

Colliers International provides the EDC with written and voice updates on key milestones in their marketing plan, such as developing marketing materials and disseminating information to brokers. As of April 2017, the EDC indicated that Colliers International has not provided them with any business leads for inclusion within Stillwater.

Interested parties may initially contact the City, the EDC, or Colliers International to express interest in a Stillwater lot. Prospective clients are “vetted” by either Colliers International or the EDC. The only objective criteria used to “vet” prospective clients is a formal document titled the “Stillwater Business Park” which outline design guidelines. These guidelines specify aesthetic considerations for new construction such as building materials and structure. The document is used to “ensure a high quality industrial and professional office development while providing the flexibility necessary to allow a wide range of industrial uses.” Prospective buyers would work with Colliers International to develop a sales proposal and enter into negotiations with the City, with assistance as needed by the EDC.

The City’s Development Services Department works jointly with the EDC and Colliers International in the negotiation process and can offer a list of business incentives that may be available, including: reduction in listed sales prices, job credit deferrals and fee waivers, state tax credits, and electric rate discounts. Acceptance of such incentives would require prevailing wages for construction of the facilities. City and EDC personnel state this increased cost may outweigh the financial value of the incentives for many businesses.

The City’s Development Services Department and EDC indicate that from January 2008 through April 2017, there have been about 14 serious leads for Stillwater, including: Southwest Paper; Moore's Flour Mill; Southern Aluminum Finishing; Pepsi; Clarity Entertainment; Google; Diesel Emission Services; Lassen Canyon Nursery; Emerald Kingdom; D&S Family, LLC; and four other prospects covered under confidential/non-disclosure agreements. The City developed sales and purchase agreements with Southern Aluminum Finishing and Clarity Entertainment. Neither sale was completed. Southern Aluminum Finishing acquired fully developed property elsewhere in Shasta County, and Clarity Entertainment lacked the finances to complete the sale. The City spent over \$35,000 for improvements for Clarity Entertainment prior to their withdrawal.

### **Reevaluation of the Stillwater Business Park Project**

City administrators agree investments in Stillwater were intended to create at least 2,500 higher-wage industrial jobs. A 20-year time frame for the investment to be paid off was quoted by some City and EDC staff involved in Stillwater's conceptual development. The financial investment in Stillwater was to be repaid, not by real estate sales, but by an increase in the City's tax base and construction and impact fees. Stillwater site employees would also spend income on new and existing community goods and services, increasing tax revenues.

Despite the importance and expense of this project, the Grand Jury determined that no individual staff member has general oversight of Stillwater, although one staff member manages marketing. The Grand Jury received at least five different responses from key interviewees when asked, “Who manages Stillwater Business Park?”

In 2006, the Assistant City Manager reported at a City Council special meeting that “the total project at build out will total \$68 million”. One City Council member at the same meeting observed the City “has not developed a plan should the project fail for how the City plans to recover the money spent.”

At the City Council’s Budget Priority Setting meeting in February 2017, staff included a report stating, “Unless industrial land prices rise significantly in the very near future and the City is able to sell lots quickly, it is unlikely that the City will be made whole on the development costs at Stillwater.” The Grand Jury notes that at current appraised prices, lot sales for all the remaining lots would total just under \$14 million. To make the City “whole” on Stillwater development costs, industrial land prices would need to rise by about 271%, or nearly three times their current value, and sales revenues would need to be used to repay the bond debt so that future interest payments are not accrued. REU’s spending is not included in this figure because REU’s costs would theoretically be repaid over time by an increase in electrical use, if industries developed on sold parcels.

The 2007/08 Shasta County Grand Jury issued a report that asked the City to seek a public opinion vote before entering into projects of this magnitude. The report stated the City estimated a cost of \$11 million for Stillwater; the final cost for Stillwater would likely be around \$70 million with full tenant occupancy. The City Council disagreed with the Grand Jury’s recommendation for a public opinion vote, as follows: “Topics such as the Business Park take many hours, weeks, and years to fully understand and study. It is for this reason that the City Council respectfully suggests that the elected body is best suited for making necessary decisions for such large and complex issues.”

Funding sources of \$40,835,789 (see Table E) so far have established Stillwater as a highly improved asset with an appraised market value of \$14 million. This highly improved asset has generated only one sale at its appraised price. As currently marketed, lots are unlikely to be sold below their appraised prices due to prevailing wage requirements. The City owes annual debt repayments for this asset on both principal and interest for two separate bonds until maturity in 2037, or full payment. The City will continue to pay over \$1 million annually until buyers for all parcels are found or the asset is otherwise liquidated. If the asset, in its entirety, is able to be sold for the almost \$14 million appraised price, the net income could be used to repay the almost \$13.6 million of remaining City bond debt and fund any required additional infrastructure at an unknown but significant expense. As long as the City continues to own the asset, all future expenditures, including on-going debt payment of both principal and interest, will require additional payment from the General Fund, REU customers, or new sources. No significant revenue is generated from the ownership of this asset, and it does not benefit the overall function of the City. Stillwater does, however, continue to drain financial resources through staffing charges, environmental monitoring, and debt repayment.

## **FINDINGS**

- F1. The \$23 million cited cost for Stillwater Business Park does not accurately represent the true cost to citizens, because it does not include all expenses associated with the Park which currently total \$40,835,789. Additional infrastructure development costs at Stillwater Business Park will likely be incurred by the City, depending upon future occupancy.

- F2. City residents, via the General Fund, have contributed \$6,458,454 so far in interest and principal repayment on the 2007 Series A Lease Revenue Bond. An additional \$13,664,689 will be contributed over the next twenty years unless the property is sold and parcel proceeds are used to pay off debt. These payments represent an ongoing drain on the City's General Fund without providing any service to residents other than debt repayment.
- F3. REU customers, via utility bills, have contributed \$10,269,831 to fund infrastructure development for Stillwater Business Park and will pay more than \$4.9 million in future debt repayment. Since no electrical revenue has been generated from Stillwater Business Park, REU customers pay these expenses with little or no benefit.
- F4. Ten years of planning and developing and seven years of marketing have failed to create any new jobs or industry at Stillwater Business Park. Nevertheless, the City has never comprehensively re-evaluated the viability of Stillwater Business Park to determine whether additional funds should continue to be invested.
- F5. The Redding City Council does not, by policy or practice, direct all funds from lot sales back to Stillwater Business Park or the Stillwater Lease Revenue Bond debt, even though retiring the debt early would lead to significant cost savings to citizens.
- F6. The Redding City Council has no comprehensive, objective method, other than design elements, by which to guide its decisions on sales at Stillwater Business Park, contributing to lost time and money for both the City and potential buyers during sales negotiations.
- F7. There is no single City staff member tasked with oversight of the administration, finances, marketing, and evaluations of Stillwater Business Park, which may contribute to the lack of awareness of the cost and strategic evaluation of the future viability of Stillwater Business Park.
- F8. Redding City Council Members, City administrators, and other staff are not aware of the true cost of Stillwater Business Park, leaving them unable to make informed decisions about the project.

## **RECOMMENDATIONS**

The Grand Jury recommends:

- R1. By December 31, 2017, the Redding City Council contract for an external audit of all funding and expenditures related to Stillwater Business Park. This audit can be paid for by existing funds allocated to Stillwater Business Park.
- R2. By September 30, 2017, the Redding City Council request Colliers International and the EDC to jointly determine the continued market demand for existing Stillwater Business Park parcels and present their findings to the City Council by November 30, 2017.
- R3. By September 30, 2017, the Redding City Council direct staff to identify alternative uses of the Stillwater Business Park property and report their findings to the City Council by November 30, 2017.

- R4. By December 31, 2017, the Redding City Council establish a formal procedure for comprehensively evaluating the viability of the Stillwater Business Park project.
- R5. By September 30, 2017, the Redding City Council establish a policy directing funds received from any future parcel sales be utilized only for Stillwater Business Park debt repayment or infrastructure.
- R6. By September 30, 2017, the Redding City Council establish a formal, documented procedure for comprehensively evaluating potential Stillwater Business Park sales using criteria such as financial viability, estimated wage rates, and number of jobs to be created.
- R7. By September 30, 2017, the Redding City Council appoint an existing City staff member to manage the Stillwater Business Park Project. This person would be responsible for routine evaluation of Stillwater, including supervising marketing coordination, sales negotiations, and fiscal accountability. Further, this City staff member will report on a quarterly basis to the City Council on these Stillwater Business Park evaluations.

## **REQUIRED RESPONSES**

Pursuant to Penal Code section 933.05, the following response is required:

From the following governing body (within 90 days):

- Redding City Council: **F1, F2, F3, F4, F5, F6, F7, F8 and R1, R2, R3, R4, R5, R6, R7**

From the following elected governmental officers (within 60 days):

**NONE**

## **INVITED RESPONSES**

The Grand Jury invites the following responses:

From the following governmental officials (requested within 60 days):

- City of Redding City Manager: **F1, F2, F3, F4, F5, F6, F7, F8 and R1, R2, R3, R4, R5, R6, R7**
- Redding Electric Utility Director: **F3**

**Released May 23, 2017**

## **Shasta County Service Areas**

### **Elk Trail Water Improvement Project**

***“When the well’s dry, we know the worth of water.” -Benjamin Franklin***

#### **SUMMARY**

Prompted by a citizen complaint, the 2016/17 Shasta County Grand Jury investigated the relationship between the Shasta County Water Agency and Shasta County Department of Public Works. The Grand Jury examined the roles both entities play with regard to Shasta County Service Areas. The investigation included the accounting practices of the Shasta County Water Agency, the County Service Areas, and Public Works.

The Grand Jury found there is currently no dedicated water systems engineer; instead, three Department of Public Works engineers share the responsibility of overseeing water issues for the Shasta County Water Agency. The Grand Jury also discovered County Service Area customers were charged for a fine levied against their County Service Area due to a Public Works personnel error. The Grand Jury concluded both the Water Agency and County Service Area residents would benefit from a dedicated water systems engineer overseeing water contracts, purchases, and improvement projects; addressing water loss issues in the County Services Areas would also be facilitated.

Of special note was how Shasta County handled long-standing water issues in the Elk Trail subdivision. It appears conflicting information provided by Public Works staff to Elk Trail residents caused those residents to expend over \$10,000 securing a long-term water source they would never use. In addition, the Grand Jury found that as of March 2017, the Water Agency has charged County Service Area #6 – Jones Valley residents \$13,900 for a water transfer that has not occurred and should not cost the residents anything.

Finally, it was discovered County Service Area #6 – Jones Valley was also charged almost \$5,000 by Public Works for employee time spent on this Grand Jury investigation. The Grand Jury questions if these charges comply with California Proposition 218. Further, the Grand Jury questions whether a violation of a signed confidentiality agreement may have occurred when a Public Works project title identifying a Grand Jury investigation was created, and again when documentation with this title was distributed to the public.

#### **BACKGROUND**

The 2016/17 Shasta County Grand Jury received a citizen complaint that included concerns about the lack of a dedicated manager for water-related activities in the Shasta County Water Agency, a lack of action by Shasta County Department of Public Works to address water losses in the County Service Areas, and delays in the Elk Trail Water Improvement Project.

The United States Bureau of Reclamation (the USBR) created the Central Valley Project (CVP) in 1933 to manage water in California's Central Valley. Entities are allotted certain water amounts agreed upon through long-term contracts. Annual allotments are announced around March of each year.

The Shasta County Water Agency was established in 1957 by State law. The Water Agency's primary purpose is "to develop water resources for the beneficial use of the people of Shasta County." The Water Agency is responsible for the annual purchasing and administration of 5,000 acre-feet of CVP water in the County. Of this amount, 1,022 acre-feet is allocated to the County Service Areas (CSAs). This water is secured through a long-term contract between the Water Agency and the USBR. Although the Water Agency employs no staff, staff time is purchased from the Shasta County Department of Public Works ("Public Works"); the Public Works Director acts as the Water Agency Chief Engineer. The Water Agency Board of Directors is the Shasta County Board of Supervisors.

CSAs were established by State law in 1953. A CSA is an unincorporated area of a county whose residents have voted to pay an assessment in exchange for receiving a service from the county. Services may include law enforcement, fire protection, street lighting, water supply, or sewer. The county board of supervisors serves as the governing board of a CSA. There are currently 11 "active" CSAs in Shasta County: six water CSAs, two water/wastewater CSAs, one sewer CSA, one street lighting CSA, and one fire protection CSA.

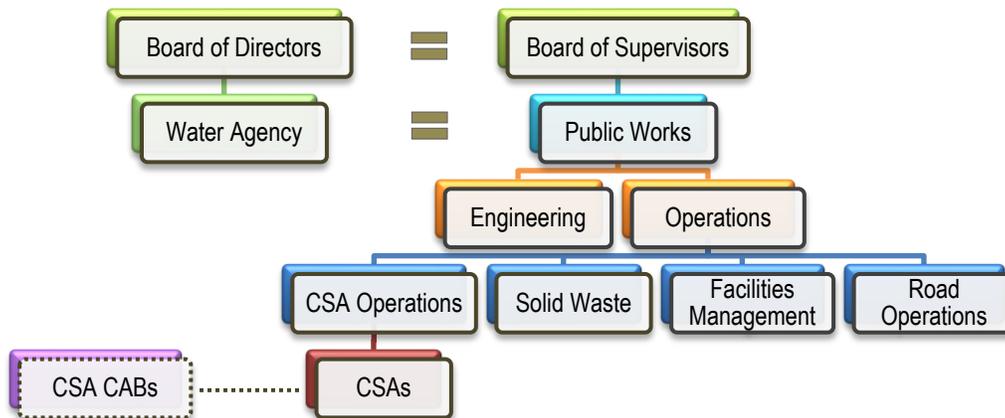
Public Works employees oversee CSA water quality testing, management, and maintenance. State drinking water regulations are enforced by the State Water Resources Control Board ("the Control Board") Division of Drinking Water ("the Division"). The Control Board has the authority to issue citations to water systems that violate drinking water regulations. In Shasta County, citations are issued to the individual CSAs through Public Works.

The County maintains at least one individual "enterprise fund" on behalf of each CSA. An enterprise fund is a fund that provides goods or services to the public for a fee that makes the entity self-supporting. There are rules and regulations that determine what expenses can be charged to each account, based on the source of the monies and how they are collected.

In 1981, the Board of Supervisors established Community Advisory Boards (CABs), which are comprised of CSA property owners who provide insight and recommendations to the Board of Supervisors on behalf of the CSA. While they hold no power, CABs were created to encourage a good working relationship between the County and the CSAs. CABs are typically comprised of seven CSA property owners appointed by the Board of Supervisors based on the results of informal elections held in the CSAs. Only four CABs remain: Keswick, French Gulch, Jones Valley, and Sugarloaf.

A Water Agency / Public Works Organizational Chart is included.

## Water Agency / Public Works Organizational Chart



## METHODOLOGY

The Grand Jury interviewed:

- Shasta County Board of Supervisors member
- Shasta County Department of Public Works personnel
- Shasta County Auditor-Controller's Office personnel
- Anderson-Cottonwood Irrigation District (ACID) Board of Directors member
- Former ACID Management personnel
- State Water Resources Control Board personnel
- Pace Engineering, Inc. personnel
- Rural Communities Assistance Corporation personnel
- Elk Trail Water Association member
- Basic Laboratories, Inc. personnel

The Grand Jury reviewed:

- United States Department of Interior – Bureau of Reclamation Long Term Renewal Contract with Shasta County Water Agency, Contract No. 14-06-200-3367A-LTR1
- Shasta County Department of Public Works organizational chart, January 2014
- Shasta County Department of Public Works timecard audit trail balances, July 2015 to April 2017
- Shasta County budgets from FY 2014/15 to 2016/17 for:
  - Public Works – Shasta County Water Agency
  - Public Works – CSA Administration Fund – 00060
  - Public Works – County Service Areas Division
- Shasta County Board of Supervisors Resolution #81-238, November 3, 1981
- Various Shasta County Board of Supervisors agendas, 2007 to 2017

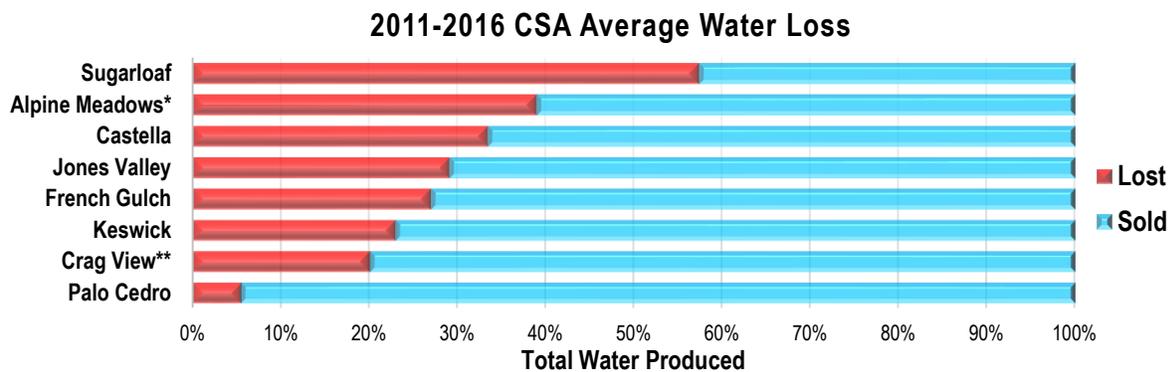
- Various Shasta County Water Agency staff reports, 2008 to 2016
- Shasta County Water Agency Board of Directors Resolution No: 2008-01, Resolution of Intent to Transfer Water from County Service Area #25 – Keswick Water to County Service Area #6 – Jones Valley Water, March 11, 2008
- Shasta County Water Agency Monthly Consumption Tracking Reports, from January 2011 to October 2016
- Shasta County Water Agency Monthly Consumption Summaries, from 2011 to 2015
- Shasta County Service Area annual water allotments, from 2006 to 2016
- ACID Central Valley Project water fee schedule, 2016
- ACID and Elk Trail Water Association Intent to Transfer Agreement, February 28, 2007
- Elk Trail Water Association Letter of Termination to ACID, March 29, 2008
- ACID Board of Directors meeting agenda packets regarding Elk Trail Water Association water transfer, from October 12, 2006, through April 25, 2008
- PACE Civil Common, Inc., Preliminary Engineering Report – Elk Trail Area, Job. No. 199.63, December 2007
- PACE Civil Common, Inc., Elk Trail Water Feasibility Study Presentation, May 22, 2007
- Rural Community Assistance Corporation Elk Trail Water Association Income Survey, April 2008
- Shasta County Elk Trail Water System – AD No. 2010-12 – Charge Detail Report
- Funding agreement between Shasta County and CDPH – SRF11CX106: Project Number 4510004-001, Elk Trail Water Improvement Project Construction, June 30, 2011
- Documents and communications related to SRF11CX106: Project Number 4510004-001, Elk Trail Water Improvement Project
- Annual assessment schedule for Elk Trail Assessment District, FY 2016/17
- Jones Valley Community Advisory Board minutes, January 2007 to December 2016
- Shasta Local Agency Formation Commission (LAFCO) Final Municipal Service Review and Sphere of Influence Update for County Service Area #6 – Jones Valley, November 5, 2009
- Shasta LAFCO agenda packets, November 5, 2009, and December 10, 2009
- Shasta LAFCO meeting minutes, December 18, 2014
- Environmental Protection Agency “Water Audits and Water Loss Control for Public Water Systems”, July 2013
- California Safe Drinking Water Act (California Code of Regulations sections 60001-65808)
- California County Service Area Law (California Government Code section 25210.1)
- California Proposition 218

- Shasta County Code Chapter 13.12 – County Service Areas
- California Department of Public Health Memorandum, “State Adoption of Revised Waterworks Standards”, April 22, 2008
- State Water Resources Control Board Citation 01-02-16C-020
- Record Searchlight, KRRCR News Channel 7, and East Valley Times articles
- U.S. Department of Labor Statistics Consumer Price Index (“CPI”) Inflation Calculator
- State Water Resources Control Board website, [www.swrcb.ca.gov](http://www.swrcb.ca.gov)
- Shasta County Department of Public Works CSA website, [www.co.shasta.ca.us/index/pw\\_index/operations/csas.aspx](http://www.co.shasta.ca.us/index/pw_index/operations/csas.aspx)

## DISCUSSION

### Water Losses in CSAs

An issue raised in the citizen complaint was water loss in CSA #6 – Jones Valley (“Jones Valley”). CABs and private citizens have expressed concerns regarding water losses in their CSAs for numerous years. According to Public Works, water loss is the difference between the production and sales of water. Production is the amount of water pumped from the source. Sales are based on the amount of water measured at residential meters. According to the Environmental Protection Agency (EPA), the national average water loss in systems is 16%. Over the past six years, reported water losses in all the Shasta County CSAs show a range of 5% to 57%, with all but one CSA reporting losses well above the national average. The 2011-2016 CSA Average Water Loss Chart shows these water losses by percentage of total water produced (sales plus loss).



\*No data before 2015 was available for Alpine Meadows (see Appendix)

\*\*No 2012 data was available for Crag View (see Appendix)

Causes for water loss include aging or faulty meters, fire hydrant flushing, theft, and distribution system leaks. System breaks may also occur, such as the August 30, 2016, Keswick line break.

Public Works attributes the majority of water losses to faulty customer meters or from losses in the distribution system. As meters age, they record less water flowing through them. When new meters are installed, Public Works staff expect the amount of recorded water use to increase. Consequently, customers would pay more. In addition, unless grant funding is available,

residents have to pay for new meters and their installation costs. Even grant applications have a cost associated with them, which is paid by the CSAs.

Leak detection studies can be performed to pinpoint water loss sites. In May 2016, Public Works was informed they would receive a \$300,000 grant to perform a leak detection study in Jones Valley. The Jones Valley CAB supported the grant application. As of February 2017, Public Works had received authorization from the State to use the funding. PACE Engineering, Inc., was awarded the contract for the study. On May 16, 2017, the Board of Supervisors voted to put the study on hold. The reason given was because Jones Valley does not have sufficient funds to address any water loss sources discovered by the study. The 2016/17 approved budget for the Jones Valley Administration Fund – 0377 shows \$1.968 million is expected to remain at the end of the current fiscal year.

Additionally, water loss in a CSA is reflected in higher water bills, because extra water must be purchased to provide an adequate supply to CSA customers and compensate for the lost water. Repairing system leaks could, over the long term, lower the cost of water to customers, because less water would need to be purchased by the Water Agency for the CSAs. In this case, other costs associated with the pumping and treatment of the water would also decrease.

Without grants, however, any repairs to stem water losses would be charged to the CSAs. A study would have to be done to locate the source of leaks in the distribution system. Public Works personnel indicated no engineers in Public Works are currently dedicated to facilitating grant applications or leak detection studies to address these water loss issues in the CSAs. Such work may even be contracted out, based on the complexity of the issue.

### **Shasta County Water Agency**

The Water Agency, a County-wide special district, maintains one fund through the County Treasury. This fund is dedicated to “the wholesale purchase and sale of water from the Bureau of Reclamation to various water purveyors in Shasta County” and “current and pending water-related issues” in the State.

The Water Agency gets its funds primarily from property taxes and water sales to the CSAs and other water districts; it pays out monies to the USBR and other water sources for water purchases. Additionally, these monies are sometimes used to fund treatment facility or other waterworks improvement projects for the CSAs. The Water Agency typically advances two percent of proposed assessment district projects, and property owners pay for costs.

The Water Agency does not employ any staff. Instead, the Water Agency purchases staff time from Public Works. In FY 2016/17, the Water Agency budgeted \$95,000 for Public Works staff time. Currently, four Public Works employees, three of whom are engineers, divide their time between Public Works and the Water Agency; one engineer’s salary is mostly paid by the Water Agency. This engineer, who is responsible for Water Agency compliance reporting and grant administration, is also a County Development Services engineer. None of these Public Works staff are dedicated to only handling water issues.

At the July 21, 2015, Board of Supervisors meeting, the Public Works Director confirmed that Public Works' engineers are "not water system engineers, solely", and that outside consultant services are required to advise on water distribution technologies.

### **CSA Budgets**

Public Works' mission is, "To provide safe, reliable, and cost-effective facilities and services to the residents of Shasta County." Public Works is organized into two divisions and four subdivisions. Each subdivision has its own dedicated fund in the County Treasury. The CSA Operations subdivision is responsible for managing and maintaining the County's CSAs. The CSA Operations' account, titled the CSA Administration Fund – 00060, is described by the County as follows:

This budget reflects the fiscal activity of the 'umbrella' organization, which provides operational and administrative support to eleven active County Service Areas (CSA), four Street Lighting Districts and 88 subsidiary Permanent Road Divisions. More than 3,500 County residents currently benefit from the services provided by CSAs. The CSA Administration Fund is financed entirely by the charges to the individual CSAs. Responsibility for management of this unit, and provision of CSA services, is within the Department of Public Works. Personnel directly assigned to CSA Administration include one clerical position, five field technicians, and five extra-help technicians.

The CSA Administration Fund – 00060 is a zero-sum account, meaning the annual revenues and expenditures must equal each other at the end of every fiscal year. This fund is a "pool" from which CSAs may purchase resources and services. Public Works administrative staff stated they were unaware Permanent Road Divisions were charged administrative fees; they reported these fees would not be "co-mingled" as identified above. Further, descriptions of the CSA Administration Fund – 00060, Special District funds, and Public Works' website show discrepancies in the number of "active" CSAs, Permanent Road Divisions, and Street Lighting Districts administered by the County. The Grand Jury could not determine which special districts are charged fees through the CSA Administration Fund – 00060, nor the amounts of these fees.

None of the CSAs employ independent staff. Public Works CSA Operations provides clerical and field technician employees, and charges the CSAs' enterprise funds for the employees' hours. As of January 2017, there were five full-time employees and two extra-help technicians in CSA Operations. Water treatment facility operation, distribution system maintenance, repairs, meter reading, and billing are examples of services purchased by CSAs from the CSA Administration Fund "pool". The costs associated with delivering water to a CSA customer are charged against the appropriate CSA enterprise fund. Other Public Works employees, including the Development Services engineer, also charge the CSAs' enterprise funds for services.

The CSAs' enterprise funds are also charged for fines attached to State-issued citations. In 2015, CSA #3 – Castella ("Castella") received a citation and \$1,000 fine from the Division for a drinking water violation. On September 28, 2015, Public Works staff turned off a piece of monitoring equipment and its alarm for an extended amount of time, during which a violation occurred. Public Works failed to notify either the Division or Castella customers of the incident within 24 hours, as mandated. The Division only became aware of the violation "by reviewing

the monthly report.” The monthly report also failed to include a written explanation of the cause of the violation. Citations are sent to Public Works as the CSAs’ administrating entity, but any fines associated with the citations are charged to the CSAs’ individual enterprise funds. The Grand Jury is of the opinion that payment of such citations should not be borne by individual CSA enterprise funds.

### **Elk Trail Residents Search for Water**

The Elk Trail East and West subdivisions were developed in the 1970’s along the southeast portion of Shasta Lake. Residents relied on privately owned wells. Some of these wells produced low yields. Some residents began purchasing and hauling their own water; they also began pushing the idea of connecting to an existing water district.

In July 2004, the Board of Supervisors considered approving a land consolidation with a Jones Valley resident for future development. Some area residents voiced concerns to the Board of Supervisors that the proposed subdivision would impact their well-water production. The Board of Supervisors unanimously approved the consolidation of the proposed subdivision. Elk Trail residents continued to haul water.

Two large fires in the area exacerbated the water availability issues. The October 1999 Jones Fire burned approximately 26,000 acres, destroyed 174 homes, and displaced 2,500 Jones Valley residents. The August 2004 Bear Fire scorched another 11,000 acres and destroyed 88 homes; some of these homes had been repaired or rebuilt after the Jones Fire. Some residents mobilized as the Elk Trail Water Association (ETWA) in early 2006 and began communicating with Jones Valley CSA for annexation and inclusion in its water distribution system.

ETWA was informed by Public Works it would have to secure 120 acre-feet of water annually to complete this annexation. ETWA approached Anderson-Cottonwood Irrigation District (ACID) for water; on October 12, 2006, the ACID Board of Directors approved a promissory agreement to hold 120 acre-feet of water until March 2009 for ETWA. Upon completion of the water distribution system, the agreement would transition from a promissory hold to a transfer agreement, set to expire in 2045. Water transferred under this agreement was to be dedicated to Elk Trail residents. Due to California water law, actually transferring the water would have to be completed through a separate agreement with the Water Agency.

In January 2007, the Water Agency Board of Directors allotted \$50,000 of Water Agency funding to commission PACE Civil Engineering, Inc. (“PACE”), to produce a Water Supply Feasibility Study, also known as a Preliminary Engineering Report, for an Elk Trail Water Improvement Project (“ETWIP”).

In February 2007, the ETWA gained a 501(c)(3) nonprofit status. At the direction of the Water Agency, ETWA returned to the ACID Board of Directors for an amendment to the approved agreement, increasing the annual available amount of water from 120 to 140 acre-feet. An ACID staff report stated, “The Water Agency has prevailed upon the ETWA to provide 0.7 acre feet of water per household or developed parcel instead of the originally-calculated 0.6 acre feet per household.” The ACID Board of Directors approved the requested amendment. The final

promissory agreement between ACID and ETWA was signed on February 28, 2007. An agreement between ACID and the Water Agency was drafted and sent to the Water Agency for review. On March 19, 2007, ETWA issued a check for \$10,900 for the first year of the promissory agreement. This money was collected by ETWA from Elk Trail residents.

On May 22, 2007, PACE held a public forum at the Jones Valley Fire Hall on the proposed ETWIP. In this presentation, three options for annexing Elk Trail into Jones Valley were offered:

- Option 4A – Elk Trail West only
- Option 4B – Elk Trail West and East
- Option 4C – Elk Trail West and western half of East

In all three options, up to seven parcels on Green Mountain Trail (located in Elk Trail West) were identified as requiring booster pumping to reach State-required minimum water pressure standards. Option 4B was ultimately selected by the residents for the project.

In September 2007, a well-water quality study prepared by Lawrence & Associates was presented to the Board of Supervisors; the Water Agency paid \$20,000 for the study. The results confirmed Elk Trail residents' concerns and classified the wells as having poor quality and yield. ETWA reported to the Board of Supervisors that 30% of Elk Trail residents were still hauling water. Also in September, a straw (unofficial) poll showed over 75% of Elk Trail property owners supported annexation into Jones Valley. As of September 25, 2007, approximately \$100,000 of Water Agency funding had been spent towards the ETWIP, of which \$30,000 was for “[the Water Agency Chief Engineer’s] time”.

In December 2007, PACE completed the Preliminary Engineering Report, which suggested four options for Elk Trail East and West residents:

- Find a new ground water source
- Purchase water from the Bella Vista Water District
- Do nothing
- Annex into the existing Jones Valley water distribution system

Only annexation into Jones Valley was considered to be a “viable” option. The Preliminary Engineering Report included potential funding sources for a water distribution project. The Report also stated a minimum amount of 140 acre-feet of water would be required for annexation into Jones Valley. The Report acknowledged the existing agreement between the Elk Trail Water Association (ETWA) and Anderson-Cottonwood Irrigation District (ACID) as follows, “It is expected this water acquisition will be accomplished through a long-term transfer of CVP water from Anderson-Cottonwood Irrigation District”.

### **Elk Trail Water Improvement Project**

The Elk Trail Water Improvement Project (ETWIP) demonstrates the great costs, both in time and funding, involved with designing and constructing a complex water distribution system.

On October 28, 2008, staff reported to the Board of Supervisors that the Water Agency had applied for federal and state grants and loans. If all monies were received, property tax assessments would be approximately \$120 per month per parcel. Once the grant proposals were submitted, Water Agency staff could then apply to the Shasta Local Area Formation Commission (LAFCO) for Elk Trail's annexation into Jones Valley. The Water Agency had reportedly expended over \$200,000 on the ETWIP, two percent of the estimated cost of the project. Construction of the ETWIP could be completed by 2011.

Public Works and ETWA worked to identify potential funding sources for the ETWIP. Elk Trail residents identified the EPA as a potential grant funding source. On January 30, 2009, Public Works submitted a construction funding application (both loan and grant) to the California Department of Public Health (CDPH) State Revolving Fund. In August 2009, grant opportunities were expected to cover up to 60% of this cost, leaving the Elk Trail residents with a \$4 million balance. This would be covered by a property tax assessment levied on each parcel in the Elk Trail area. A second straw poll showed 79.7% still supported the annexation. On November 5, 2009, LAFCO approved the County's annexation request.

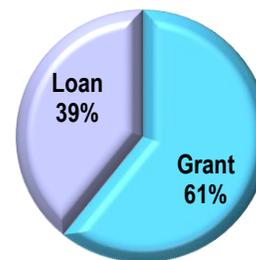
In February 2010, PACE was awarded the bid to design and prepare the ETWIP plans and specifications. The EPA awarded a construction grant to the County in July 2010. A major funding setback for the project occurred in August 2010 when the County was notified by the State Revolving Fund that the State's budget impasse halted any funding agreements for the ETWIP. It wasn't until ten months later that the County finally received its funding agreement from the State Revolving Fund, allowing the project to move forward. The County put out a request for bid on the project, which was estimated to cost \$8 million and take under two years to complete. TICO, Construction, Inc., was awarded the bid and began construction on November 16, 2011.

On February 5, 2013, the ETWIP was "nearly" complete, but there was still an issue with seven parcels in Elk Trail West. Due to the terrain and small number of affected parcels, individual booster pumps for these parcels were recommended. Adding a "community" booster pump station was considered to be cost prohibitive for the project. The State raised the required minimum water pressure to 40 pounds per square inch (psi) from 20 psi. The County offered parcel owners \$2,500 each to cover the cost of individual booster pumps. If even one of the parcel owners declined the compensation, a community booster pump would have to be installed, and the project's completion date would be pushed back. Such a community booster pump was estimated to cost \$100,000 to be paid by all the Elk Trail residents.

Due to one or more of the property owners declining the \$2,500 offered by the County, the community booster pump station was constructed using remaining loan funding. The County officially filed the Notice of Completion with the State in October 2013. The ETWIP was inspected and certified by the State as being "complete" in December 2013.

From the date of the Preliminary Engineering Report to the final Notice of Completion, the Elk Trail Water Improvement Project took six years to complete. Of the \$9.673 million spent on the project, 61% was covered by grant funding (see Appendix). Only the CDPH loan cost is paid by Elk Trail residents, through a special benefit tax assessment added to their yearly property taxes. The property tax assessment to cover the loan is \$48 per month, much below the \$120 per month originally projected by Public Works. This was due to the efforts of both Elk Trail residents and Public Works staff.

ETWIP Funding Sources



### Water Transfer between CSAs

Prior to 2005, CSA #25 – Keswick (“Keswick”) was a Community Services District that held the rights to 500 acre-feet of CVP water. The Water Agency acquired that contracted water when Keswick became a CSA in 1992. When the United States Bureau of Reclamation (USBR) renewed its long-term contracts for CVP water in 2005, the Keswick contract was merged with the Water Agency’s contract, creating a 1,022 acre-foot “common pool” for all CSAs.

On February 15, 2007, Public Works personnel sent a letter to a concerned Elk Trail resident addressing the potential water sources for Elk Trail. This is the first documented mention of another water source besides ACID: Keswick. “Keswick CSA could potentially enter into a permanent water transfer, thus providing greater water security beyond the 37-year horizon. However, Keswick doesn’t have 140 acre-feet of surplus available to transfer.” [emphasis added] The letter identified ACID as the best option for water, as follows, “This is a good deal, as good a deal as any presently available on the open market...If Elk Trail East and West go forward, then outside water will be required. ACID is the most viable source at the moment.”

The Keswick water was not mentioned in the December 2007 Preliminary Engineering Report. The Report listed the ACID water transfer as the likely source of water for Elk Trail. On January 11, 2008, the Water Agency moved forward with the ACID transfer by sending a revised draft water transfer agreement to ACID.

On February 26, 2008, Water Agency staff presented the “CSA #6 – Jones Valley Water Right” report to the Water Agency Board of Directors, which proposed Keswick water as the most viable water source for Elk Trail. This transfer was projected to be substantially less expensive than ACID’s water over the lives of both agreements. The “CSA #6 – Jones Valley Water Right” staff report stated all Water Agency water is available for use anywhere in the County, as follows:

So Keswick CSA’s 500 acre-feet and Jones Valley CSA’s 190 acre-feet are both in a “common pool” (along with another 332 acre-feet assigned elsewhere). The USBR has said that all SCWA water can be used anywhere within the SCWA service area, which is the entire County. No USBR approvals are needed. No surcharges apply. County staff also negotiated one of the lowest unit costs in the CVP, and no “Take-or-pay” provision. We pay only for what we actually use. We cut a good deal. [emphasis added]

Public Works was directed to ask the Jones Valley CAB to vote on the transfer before approval by the Water Agency Board of Directors. The March 2, 2008, Jones Valley CAB meeting minutes reflect that Public Works staff presented the following information:

- Keswick was willing to “sell” Jones Valley 100 acre-feet of water per year.
- There would be “no impact to Jones Valley CSA 6 financially.”
- “The County will provide a gratuity to Keswick in the amount of \$30 acre foot per year.”

The Jones Valley CAB initially voted 2-3 to recommend to the Board of Supervisors to accept Keswick’s offer. After the motion failed, the minutes stated Public Works staff informed the CAB that the Board of Supervisors would not enter into an agreement with ACID. Furthermore, the ETWIP “would be tabled” if Jones Valley did not support Keswick’s proposal. The Jones Valley CAB voted on the motion again, this time approving 4-1 to recommend the Board of Supervisors accept Keswick’s offer.

On March 11, 2008, the Water Agency declined to continue the agreement with ACID. At the same meeting, the Water Agency Board of Directors also adopted Resolution No: 2008-01, a resolution of intent to transfer up to 100 acre-feet of water from Keswick to Jones Valley each year. Reserving the water would cost \$1,000 per year and be paid by the Water Agency through December 31, 2012. If Jones Valley chose to enter into a long-term transfer agreement for the water by that date, payment responsibility would then shift to Jones Valley CSA. Keswick would start receiving \$3,000 (adjusted for inflation based on FY 2008/09) annually and also include any costs incurred by Keswick from the USBR for the transfers. The Grand Jury could find no record of a long-term transfer agreement as described by this resolution. Additionally, no other resolutions or agreements between CSAs for water transfers were found.

The statements recorded in the March 2, 2008, Jones Valley CAB minutes regarding the Keswick transfer are contrary to the Water Agency “CSA #6 – Jones Valley Water Right” staff report and associated Resolution, as follows:

- The amount of water required for Elk Trail
- Whether the purchase would financially impact Jones Valley CSA
- How much the County would pay Keswick per acre-foot

Because the Water Agency declined to continue negotiating with ACID, ETWA cancelled its promissory agreement with ACID on March 29, 2008. The ACID Board of Directors passed a resolution officially terminating the contract with ETWA on April 25, 2008.

Between FY 2008/09 and FY 2011/12, the Water Agency paid Keswick a total of \$4,000. In FY 2012/13, Jones Valley then began paying Keswick from its enterprise fund Jones Valley Water Fund – 0377. As of March 3, 2017, Public Works reports “no water has actually been transferred pursuant to the above Resolution.” Therefore, as of March 3, 2017, Jones Valley CSA has compensated Keswick CSA \$13,090.11 for water Jones Valley has never received, as shown in the Resources Transferred Table.

<b>Resources Transferred under SCWA Resolution No. 2008-01</b>			
<b>Fiscal Year</b>	<b>Source of Funds</b>	<b>Amount Paid to Keswick</b>	<b>Water Transferred</b>
2008/09	Shasta County Water Agency	\$ 1000	None
2009/10	Shasta County Water Agency*	3104	None
2010/11	Shasta County Water Agency	1000	None
2010/11	Shasta County Water Agency*	(2104)	None
2011/12	Shasta County Water Agency	1000	None
<b>SCWA Totals</b>		<b>\$ 4000</b>	<b>None</b>
2012/13	Jones Valley CSA	\$ 3240	None
2013/14	Jones Valley CSA	3292	None
2014/15	Jones Valley CSA	3256	None
2015/16	Jones Valley CSA	3302	None
<b>CSA 6 Totals</b>		<b>\$13,090</b>	<b>None</b>

\*An overpayment was made by SCWA in 2009/10 and reimbursed in 2010/11.

Upon expiration of the Resolution in 2030, Jones Valley will have paid Keswick an additional \$39,000 before adjusting for inflation.

Public Works personnel confirmed Keswick does not own the water and stated the Water Agency is the sole owner and purveyor of the CVP water for the CSAs. They further stated there cannot be contracts between the CSAs because it would essentially be the County entering into a contract with itself.

### **Rural Community Assistance Corporation**

Public Works typically conducts Median Household Income (MHI) surveys using United States Census Bureau data. The data collected from the Census Bureau disqualified Elk Trail from many grants and loans available through government programs for low-income and/or very low-income areas.

ETWA felt the County's MHI did not "reflect adequately the ETWA service area customers' household income level." The Rural Community Assistance Corporation (RCAC) was contacted. The private nonprofit organization assists communities with grant-writing and surveys for improvement projects. The RCAC began an MHI survey of only Elk Trail residents in January 2008; it was completed in April 2008. The survey's results were below Public Works' reported MHI, which opened the ETWIP up for more grants and loans.

At a summer 2008 public meeting in Jones Valley, a verbal exchange ensued between RCAC and Public Works staff. Public Works staff were presenting information on ETWIP funding and were corrected by RCAC staff. Both parties described their interaction as being adversarial during and after the meeting. The relationship between Public Works and RCAC deteriorated after this dispute. RCAC has only been contacted once by the County since that time, regarding possible interim financing for a project (which fell through). RCAC has not assisted with any improvement project in Shasta County since that time.

The Board of Supervisors on July 21, 2015, directed Public Works staff to complete State grant applications for Jones Valley CSA and French Gulch CSA. Each CSA's division fund balance

monies were to fund the application efforts. The Board of Supervisors also directed Public Works staff to contact RCAC for assistance. When questioned, Public Works staff admitted the RCAC was never contacted.

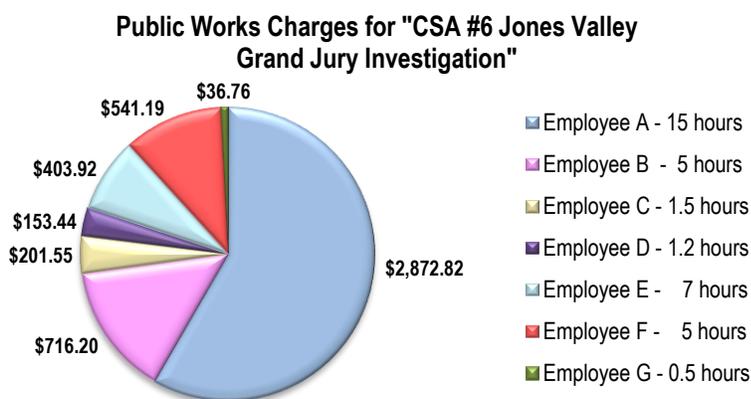
### Jones Valley Community Advisory Board

In August 2014, Jones Valley residents requested the Board of Supervisors replace one of their CSA CAB members. The CAB, which seats eight, requires five members for a quorum. Of those eight seats, only five were filled. One member was consistently unable to attend the meetings, making it difficult to obtain a quorum. Another Jones Valley resident volunteered to replace the absent member. The residents were advised by County Counsel that they could amend their by-laws to change their meeting dates and times to better accommodate the fifth member. The informal CAB elections were to be held at the end of the year, so the Board of Supervisors denied their request. New CAB members were appointed at the January 6, 2015, Board of Supervisors meeting.

Public Works staff would regularly attend these meetings to provide updates, timecard audit trail balance sheets, and to answer any questions the CSA residents may have. For their attendance, Public Works staff charge the CSAs. Public Works staff were originally attending CAB meetings on a monthly basis. In January 2015, at the recommendation of the Public Works Director, the Board of Supervisors directed staff to begin attending CAB meetings on a quarterly basis “or as mutually agreed between the Public Works Director and the CAB” instead of monthly. None of the CABs were informed that this recommendation would be made to the Board of Supervisors and only learned of it after it was approved. Jones Valley CAB members have requested monthly interaction with Public Works staff at their CAB meetings.

### Grand Jury Investigation Charges

In March 2017, the Grand Jury learned a CSA was being charged for Public Works employee time spent on this Grand Jury investigation, which was about how Public Works administers the CSAs and the Water Agency. A new project number was created in Public Works’ Cost Accounting Management System, titled 111029 Project No: “CSA #6 Jones Valley Grand



Jury Investigation”. This title was on timecard audit trails presented to the Jones Valley CAB March 1, 2017. As part of the CAB meetings, Public Works employees prepare and distribute timecard audit trails that itemize employee time spent on CSA projects.

From November 29, 2016, to March 29, 2017, Jones Valley has been charged a total of \$4,925.88 under this project title. These charges are listed by employee in the Public Works Charges for “CSA #6 Jones Valley Grand Jury Investigation” Chart.

It was subsequently discovered that Public Works has previously charged CSAs for staff time spent on Grand Jury investigations. Employee time spent on Grand Jury investigations was charged under the CSAs' "Administrative Services" project titles, not under dedicated project numbers as with Jones Valley. The same accounting practice is used to charge employee time to the Water Agency. It was also discovered both Jones Valley and the Water Agency were charged under "Administrative Services" for time spent on the 2015/16 Shasta County Grand Jury report "Water Matters". These past charges were neither specified nor disclosed to the CSA residents that they were for a Grand Jury investigation. Without dedicated project titles, the charges relating specifically to Grand Jury investigations could not be calculated. An analysis by the County would be required to determine how much each CSA has been charged.

The Grand Jury acknowledges Public Works has challenges due to the Department being mostly State-funded by the "Road Fund". The State mandates that Public Works account for all staff time funded by the "Road Fund". The State would not allow its funding to be utilized for CSA services. However, General Fund monies are available to Public Works with approval of the County Administrative Office and, ultimately, the Board of Supervisors.

Pursuant to California Penal Code section 921, "The grand jury is entitled to free access, at all reasonable times, to the public prisons, and to the examination, without charge, of all public records within the county." Public Works charged the CSAs for employee time related to fulfilling Grand Jury public record requests and attending interviews.

California Proposition 218 section 6.2(b) outlines the requirements for fees charged by local government entities (see Appendix). A service must be "actually used by, or immediately available to, the owner of the property". Additionally, "No fee or charge may be imposed for general governmental services". When questioned about what "service" was provided to Jones Valley CSA residents relating to these charges, Public Works personnel stated the service was gathering documents for the Grand Jury.

Finally, Shasta County Code 13.12.120 – County Service Areas Administrative Costs, states:

All costs incurred by the county for furnishing and administering the services provided in a county service area or zone thereof shall be a charge against the service area or zone and are deemed to be part of the cost of rendering the affected service.

CSA enterprise funds are for water services. A Grand Jury investigation is not a "service" provided to any specific group of residents; investigations and their subsequent reports are to improve governmental functions for the general benefit of all County residents. The Shasta County Grand Jury is funded by all Shasta County taxpayers through the County General Fund. CSA parcel owners are part of this taxpayer base. If additional resources such as a court interpreter or recorder are required by the Grand Jury, those costs are covered by the County General Fund. The Grand Jury could find no resource or service provided to the Grand Jury that is not paid out of the County General Fund.

These charges to the CSAs by Public Works are precedent-setting. The Grand Jury found no evidence that any other public entity in the State has charged a group of private citizens for resources spent on a Grand Jury investigation. This practice may have a chilling effect on citizen

complaints to grand juries. CSA and other Shasta County special district residents might not file complaints knowing they will have to pay for the investigations.

The practice of charging district residents will likely have the same chilling effect on what investigations grand juries decide to undertake. Grand juries may be dissuaded from investigating small districts if these investigations may result in costs to district residents. In effect, these charges may influence which entities future grand juries investigate, thus interfering with grand jury proceedings.

The discovery of the charges to the CSAs for this investigation presented an ethical dilemma to the Grand Jury. To continue the investigation risked additional charges to Shasta County CSA residents. To drop the investigation would result in the charges going unreported, and would allow Public Works to continue this practice unbeknownst to the other CSA residents. In July 2015, Public Works staff identified multiple CSAs as being “disadvantaged” communities, one of which was Jones Valley. Only Jones Valley was notified of any charges, through the project title “CSA #6 Jones Valley Grand Jury Investigation”. Because of the gravity of these charges, the Grand Jury ultimately decided to continue pursuing the investigation.

Additionally, at least one member of the Board of Supervisors, along with County and Public Works administrative staff, were made aware of the charges under “CSA #6 Jones Valley Grand Jury Investigation” before the Grand Jury was notified. The Grand Jury has found no record of any discussion or action taken by the Board of Supervisors to address these charges.

### **Grand Jury Admonishments**

While charging the CSA residents for a Grand Jury investigation is of great concern, confidentiality may also have been violated. A high-ranking Public Works engineer who was interviewed created a project title publicly identifying the Grand Jury’s investigation – “111029 Project No: CSA #6 Jones Valley Grand Jury Investigation”. This project title was then approved by a high-ranking Public Works administrative staff member. California Penal Code sections 924-924.6 establish that Grand Jury investigations and their subjects are confidential by nature. In 2003, the California State Attorney General provided an Opinion advising a Grand Jury may admonish witnesses who appear before a Grand Jury sitting in their civil “watchdog” capacity. A confidentiality agreement admonishing interviewees is signed by all Shasta County Grand Jury interviewees, including each person interviewed regarding this and every investigation, states:

You are hereby admonished not to reveal to any person, except as directed by the court, which questions were asked, or what responses were given, or any other matters concerning the nature, or subject of the grand jury’s investigation which you learned during your appearance before the grand jury, unless and until such time as a transcript (if any), or a final report, of this grand jury proceeding is made public, or until authorized by this grand jury or the court, to disclose such matters. A violation of this admonition is punishable as contempt of court.

The project title named Jones Valley CSA as the subject of a Grand Jury investigation. This may be a violation of the above confidentiality agreement. A further violation may have occurred when timecard audit trails with this project title were distributed to the public at a Jones Valley

CAB meeting on March 1, 2017. The engineer who created this project title knew or should have known that documents with this title would be distributed to the public.

## **FINDINGS**

### **Water Losses in CSAs**

- F1. Water loss in seven of the eight water CSAs is above the national average and should be prioritized by Public Works staff.
- F2. The CSA customers ultimately pay for lost water, either through increased water purchases or through repairs to correct the water loss.
- F3. Identifying the causes of and/or addressing water loss will cost CSA customers unless grant funding can be obtained.
- F4. Without a dedicated water systems engineer, Public Works is less able to address CSA water loss issues and secure funding for solutions to these issues.

### **Shasta County Water Agency**

- F5. At least three Public Works engineers are being paid by the Water Agency for duties that could be managed by a single dedicated engineer.
- F6. The Water Agency and Public Works lack dedicated management to oversee water issues in the County.

### **CSA Budgets**

- F7. It is not clear which special districts are charged administrative fees through the CSA Administration Fund – 00060, or how much these districts are charged.
- F8. CSA customers pay fines levied against their CSA due to Public Works personnel errors.

### **Elk Trail Water Improvement Project**

- F9. The Elk Trail Water Improvement Project demonstrates the great costs involved with designing and constructing a complex water distribution system.
- F10. The efforts of both Public Works staff and Elk Trail residents to secure grant funding for the Elk Trail Water Improvement Project resulted in a lower property tax assessment than originally projected.

### **Water Transfer between CSAs**

- F11. Public Works staff gave Elk Trail residents conflicting information about what water sources were available, how much water was required, and from what entities the County was willing to purchase water. This resulted in the residents unnecessarily paying \$10,900 to ACID to reserve water they would never receive.

- F12. The Water Agency Board of Directors adopted Shasta County Water Agency Resolution No: 2008-01, Resolution of Intent to Transfer Water from County Service Area #25 – Keswick Water to County Service Area #6 – Jones Valley Water, resulting in Jones Valley CSA incorrectly compensating Keswick CSA \$13,090.11 to date.
- F13. This incorrect compensation will continue until Water Agency Resolution No: 2008-01 is rescinded or expires, whichever comes first, potentially costing Jones Valley CSA an additional \$39,000.
- F14. Because all CVP water purchased by the Water Agency goes into a “common pool”, Jones Valley CSA did not and cannot enter into a long-term water transfer agreement with Keswick CSA.

#### **Rural Community Assistance Corporation**

- F15. Public Works fails to take advantage of all available assistance resources due to a mutually adversarial relationship existing between Public Works staff and the Rural Communities Assistance Corporation. This results in a loss of potential aid to the entire County for future improvement projects.

#### **Jones Valley Community Advisory Board**

- F16. Jones Valley CSA CAB’s requests for monthly interaction with Public Works staff have gone unheeded by the Board of Supervisors.

#### **Grand Jury Investigation Charges**

- F17. The Grand Jury found no legal authority by which Public Works may charge a CSA for staff time spent on a Grand Jury investigation.
- F18. It appears Jones Valley CSA was improperly charged for Public Works staff time spent on a Grand Jury investigation under “CSA #6 Jones Valley Grand Jury Investigation” for an investigation about Public Works’ administration of all the water CSAs and the Water Agency.
- F19. Without the County conducting an analysis, CSA residents cannot know how much they have been charged for any Grand Jury investigations.
- F20. The Grand Jury questions if Public Works charging CSA residents for staff time spent on a Grand Jury investigation is in compliance with Proposition 218.
- F21. The Grand Jury questions if Public Works charging CSA residents for staff time spent on a Grand Jury investigation is in compliance with Shasta County Code 13.12.120.
- F22. Charging small County district residents for resources spent on Grand Jury investigations will likely have a chilling effect on both the public and future grand juries throughout the State.

## **Grand Jury Admonishments**

F23. The Grand Jury questions if a high-ranking Public Works engineer may have violated a signed confidentiality agreement.

## **RECOMMENDATIONS**

The Grand Jury recommends:

- R1. By September 30, 2017, the Board of Supervisors and Water Agency Board of Directors jointly direct staff to assess and report back on what measures the County could take to stem water losses in all the CSAs. The report should also be forwarded to the CSA CABs.
- R2. By September 30, 2017, the Board of Supervisors and Water Agency Board of Directors jointly direct staff to assess and report back the financial impact on CSA customers of current or future measures the County can take to stem water losses in the CSAs. The report should also be forwarded to the CSA CABs.
- R3. By December 31, 2017, the Board of Supervisors and the Water Agency Board of Directors jointly direct staff to appoint a single Public Works engineer solely dedicated to managing all water issues in the County.
- R4. By December 31, 2017, the Board of Supervisors direct staff to conduct an audit to determine which special districts pay administrative fees through the CSA Administration Fund – 00060, and the amounts of these fees.
- R5. By September 30, 2017, the Board of Supervisors enact a policy stating CSA customers do not pay fines levied against their CSA due to Public Works personnel errors.
- R6. By September 30, 2017, the Board of Supervisors direct Public Works staff to provide clear and concise information to County residents regarding any water sources to fulfill future needs.
- R7. By September 30, 2017, the Water Agency Board of Directors rescind Shasta County Water Agency Resolution No: 2008-01, Resolution of Intent to Transfer Water from County Service Area #25 – Keswick Water to County Service Area #6 – Jones Valley Water.
- R8. By September 30, 2017, the Water Agency Board of Directors direct staff to immediately reimburse Jones Valley Water Fund – 0377 all monies paid to Keswick CSA under Shasta County Water Agency Resolution No: 2008-01, Resolution of Intent to Transfer Water from County Service Area #25 – Keswick Water to County Service Area #6 – Jones Valley Water.
- R9. By September 30, 2017, the Board of Supervisors direct Public Works staff to open the lines of communication with the Rural Communities Assistance Corporation and report back to the Board of Supervisors on the Corporation’s response.

- R10. By September 30, 2017, the Board of Supervisors direct Public Works staff to work with the Jones Valley CSA CAB to establish a mutually agreed upon CAB meeting schedule.
- R11. By September 30, 2017, the Board of Supervisors direct staff to determine and report back what specific legal authority exists to allow Public Works to charge CSAs for time spent on a Grand Jury investigation.
- R12. By September 30, 2017, the Board of Supervisors direct staff to provide a public report outlining legal justification for the charges under Project Number 111029 “CSA #6 Jones Valley Grand Jury Investigation” by December 31, 2017, or to refund Jones Valley CSA any and all charges under this project title.
- R13. By September 30, 2017, the Board of Supervisors direct staff to conduct an investigation to determine how much each CSA has been charged for Public Works staff time spent on any Grand Jury investigation. By December 31, 2017, staff publicly report on their findings and the legal justification for the charges, or refund the amounts charged.
- R14. By September 30, 2017, the Board of Supervisors direct Public Works staff to ensure and report back that they are in compliance with California Proposition 218.
- R15. By September 30, 2017, the Board of Supervisors direct Public Works staff to ensure and report back that they are in compliance with Shasta County Code 13.12.120.
- R16. By September 30, 2017, the Board of Supervisors direct County Administrative staff to either publicly report the legal justification for charging the CSAs, or create and present a policy ensuring CSAs are not charged for Public Works staff time spent on any Grand Jury investigations.
- R17. By September 30, 2017, the Board of Supervisors direct Public Works staff to comply with Grand Jury confidentiality agreements.

## **REQUIRED RESPONSES**

Pursuant to Penal Code section 933.05, the following responses are required:

From the following governing bodies (within 90 days):

- Shasta County Board of Supervisors: **F1, F2, F3, F4, F5, F6, F7, F8, F9, F11, F14, F15, F16, F17, F18, F19, F20, F21, F22, F23 and R1, R2, R3, R4, R5, R6, R9, R10, R11, R12, R13, R14, R15, R16, R17**
- Shasta County Water Agency Board of Directors: **F1, F2, F3, F5, F6, F9, F10, F12, F13, F14 and R1, R2, R3, R7, R8**

From the following elected governmental officers (within 60 days):

**NONE**

## INVITED RESPONSES

The Grand Jury invites the following responses:

From the following governmental officials (requested within 60 days):

- Shasta County Executive Officer: **F1, F2, F3, F4, F5, F6, F7, F8, F9, F10, F11, F12, F13, F14, F15, F16, F17, F18, F19, F20, F21, F22, F23 and R1, R2, R3, R4, R5, R6, R7, R8, R9, R10, R11, R12, R13, R14, R15, R16, R17**
- Shasta County Department of Public Works Director: **F1, F2, F3, F4, F5, F6, F7, F8, F9, F10, F11, F12, F13, F14, F15, F16, F17, F18, F19, F20, F21, F22, F23 and R1, R2, R3, R4, R5, R6, R7, R8, R9, R10, R11, R12, R13, R14, R15, R16, R17**

## APPENDIX

Shasta County Department of Public Works reported water loss summaries for Alpine Meadows CSA and Crag View CSA from 2011 through October 2016 (averages rounded to the nearest gallon, percentages based off calculated average water loss in gallons):

<b>Alpine Meadows CSA Yearly Water Loss Reports</b>					
<b>Year</b>	<b>Connections (as of October)</b>	<b>Gallons Produced</b>	<b>Gallons Sold</b>	<b>Water Loss (in gallons)</b>	<b>Water Loss (by percentage)</b>
2011	57	2,241,690 (meter broken)	3,597,857	Not available (meter broken)	Not available (meter broken)
2012	56	Data not available	4,143,225	Not available (no data taken)	Not available (no data taken)
2013	56	201,200 (meter broken)	79,371,185	Not available (meter broken)	Not available (meter broken)
2014	56	1,618,565 (meter broken)	3,849,433	Not available (meter broken)	Not available (meter broken)
2015	56	6,683,007	3,944,178	2,738,829	40.98
2016	56	4,964,028	3,156,979	1,807,049	36.40
<b>2-year average</b>	<b>56</b>	<b>5,823,518</b>	<b>3,550,579</b>	<b>2,272,939</b>	<b>39.03%</b>

<b>Crag View CSA Yearly Water Loss Reports</b>					
<b>Year</b>	<b>Connections (as of October)</b>	<b>Gallons Produced</b>	<b>Gallons Sold</b>	<b>Water Loss (in gallons)</b>	<b>Water Loss (by percentage)</b>
2011	72	13,759,800	10,494,560	3,265,240	23.73
2012	72	10,783,738 (plant offline)	12,132,477 (plant offline)	Not available (plant offline)	Not available (plant offline)
2013	73	20,107,370	15,471,730	4,635,640	23.05
2014	73	18,532,343	16,829,395	1,702,948	09.19
2015	72	14,203,598	10,096,495	4,107,103	28.92
2016	74	10,987,990	9,047,173	1,940,817	17.66
<b>5-year average</b>	<b>73</b>	<b>15,518,221</b>	<b>12,387,871</b>	<b>3,130,350</b>	<b>20.17%</b>

All ETWIP funding sources and amounts, rounded to the nearest dollar:

<b>ETWIP Funding Sources and Amounts</b>				
<b>Source</b>	<b>Type</b>	<b>Purpose</b>	<b>Amount Received</b>	<b>Amount Used</b>
CDPH	Loan	Planning and Design	\$ 100,000	\$ 100,000
CDPH	Grant	Planning and Design	400,000	360,565
EPA	Grant	Construction	848,000	848,000
USDA-RD	Grant	Construction	2,000,000	2,000,000
CDPH	Grant	Construction	3,000,000	3,000,000
CDPH	Loan	Construction	3,928,000	3,365,133
<b>Totals:</b>			<b>\$10,276,000</b>	<b>\$ 9,673,698</b>

California Proposition 218 section 6.2(b): Requirements for Existing, New or Increased Fees and Charges:

A fee or charge shall not be extended, imposed, or increased by any agency unless it meets all of the following requirements:

(1) Revenues derived from the fee or charge shall not exceed the funds required to provide the property related service.

(2) Revenues derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.

(3) The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel.

(4) No fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Fees or charges based on potential or future use of a service are not permitted. Standby charges, whether characterized as charges or assessments, shall be classified as assessments and shall not be imposed without compliance with Section 4.

(5) No fee or charge may be imposed for general governmental services including, but not limited to, police, fire, ambulance or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Reliance by an agency on any parcel map, including, but not limited to, an assessor's parcel map, may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership for purposes of this article. In any legal action contesting the validity of a fee or charge, the burden shall be on the agency to demonstrate compliance with this article.

# **Unfunded Pension Liabilities: Shasta County and the Cities of Redding, Anderson, and Shasta Lake Pay Now or Pay More Later**

## **SUMMARY**

Unfunded pension and other post-employment benefit liabilities have become a major problem nationwide for public agencies such as cities, counties, and states. Some agencies, such as the Cities of Stockton and Vallejo, have had to declare bankruptcy due in part to these large unfunded liabilities. The 2016/17 Shasta County Grand Jury investigated the unfunded liabilities of four local agencies: Shasta County and the Cities of Redding, Anderson, and Shasta Lake. Examination and comparison of these local agencies with each other and with other California agencies was helpful in determining how serious these unfunded liabilities are for the agencies' financial stability, and the degree to which they threaten public services funded by taxpayers. This examination also assisted in identifying successful strategies to reduce the impact on future services to the public.

Shasta County's local agencies must closely monitor their situation and look for ways to reduce their unfunded liabilities without having to drastically cut the vital services they provide to the community. Although this is a serious concern, the Grand Jury found that all four agencies are attempting to be proactive and mitigate future budgetary difficulties.

## **BACKGROUND**

The California Public Employees' Retirement System (CalPERS) is the nation's largest public pension fund, and manages the investments and medical benefits for most of the public agencies in California. CalPERS was established in 1932; by 2014, it had surpassed \$300 billion in total fund market value. According to the CalPERS website, the CalPERS pension fund serves more than 1.7 million members in the CalPERS retirement system and administers health benefits for nearly 1.4 million members and their families.

The "unfunded liability" is the amount of the accrued liability that is not currently covered by the plan's assets and is the sole responsibility of the employer. The recessions, one in 2001-2002 and another in 2008-2009, greatly contributed to increased unfunded liabilities because of large stock market losses and because many public agencies made unrealistic retirement promises. Prior to 2000, most public agency pension plans in the State were 100% funded; now, less than 10% of them are fully funded.

Another concern is that, in past years, a large percentage of bond and fixed income investments (with a smaller percentage of stocks) provided good and safe returns. Due to lower interest rates, CalPERS must now invest a larger part of its funds in stocks, real estate, and overseas investments to improve returns, which subjects its funds to much higher risks.

In an effort to address these issues, California implemented a different retirement plan for new employees. The California Public Employees' Pension Reform Act (*PEPRA*), which took effect in January 2013, changes the way CalPERS retirement and health benefits are applied to new members and places limits on future pension compensation for those members. As more employees are hired into the lower plans, future costs will be lower and unfunded ratios will improve.

## **METHODOLOGY**

The Grand Jury interviewed:

- Shasta County Board of Supervisors member
- Shasta County Administrative Office personnel
- Shasta County Auditor-Controller's Office personnel
- City of Redding City Council member
- City of Redding City Management personnel
- City of Redding Finance Department personnel
- City of Anderson City Council member
- City of Anderson City Management personnel
- City of Anderson Finance Department personnel
- City of Shasta Lake City Council member
- City of Shasta Lake City Management personnel

The Grand Jury reviewed:

- CalPERS actuarial valuation reports for all four agencies, FY 2014/15
- CalPERS Comprehensive Annual Financial Report, FYE June 30, 2016
- CalPERS PERSpective Winter 2017 newsletter
- Unfunded liabilities for Shasta County, from FY 2005/06 to 2015/16
- Unfunded liabilities for the City of Redding, from FY 2005/06 to 2015/16
- Unfunded liabilities for the City of Anderson, from FY 2005/06 to 2015/16
- Unfunded liabilities for the City of Shasta Lake, from 2013/14 to 2014/15
- Shasta County Comprehensive Annual Financial Report, FYE June 30, 2016
- City of Redding Comprehensive Annual Financial Report, FYE June 30, 2016
- City of Anderson Comprehensive Annual Financial Report, FYE June 30, 2016
- City of Shasta Lake Comprehensive Annual Financial Report, FYE June 30, 2016
- City of Redding City Council special meeting agenda packet, February 22, 2017
- 2015/16 Orange County Grand Jury Report – “Orange County’s \$4.5 Billion Unfunded Pension Liability & Retirement Plans”

- Reason Foundation Pension Integrity Project Analysis of the City of Redding
- Stanford Institute for Economic Policy Research website, [www.pensiontracker.org](http://www.pensiontracker.org)
- Reason Foundation Pension Integrity Project website, [www.reason.org](http://www.reason.org)
- Website, [www.pensionsunami.com](http://www.pensionsunami.com)

## DISCUSSION

The four local public agencies' retirement or pension plans for their employees are called "Defined Benefit Plans", which are designed to provide retired employees with a specified amount of monthly retirement income for the rest of their lives. These plans are typically based on a formula: the employee's salary, times the number of years worked, times a percentage factor. Limitations on each pension are determined by each bargaining unit's contract.

These plans are designed to be pre-funded from both employer and employee contributions. When an employee retires, the employer should have reserved enough money in the CalPERS plan to pay for all the promised retirement benefits. Currently, most plans in California have some unfunded liability. The unfunded liabilities of four local agencies were studied: Shasta County, and the Cities of Redding, Anderson, and Shasta Lake. According to the CalPERS actuarial valuations, as of June 30, 2015, City of Redding's pension plan is only about 70% funded; City of Anderson's plan is about 76% funded; City of Shasta Lake's plan is about 81% funded; Shasta County's plan is about 78% funded. 18 years ago, these plans were all 100% funded.

CalPERS plans are categorized by employee role: the Safety Plan is for law enforcement and fire employees; the Miscellaneous Plan is for all other employees. All four agencies have Miscellaneous Plans. The City of Shasta Lake is the only one of the four agencies that does not have a Safety Plan.

In addition to the unfunded pension liabilities, some of the four agencies studied have other types of unfunded liabilities. City of Redding has an unfunded Public Agency Services Retirement Enhancement (PARS) plan that was used to increase retirement benefits for non-safety employees. This PARS plan is being phased out. Both City of Redding and Shasta County also have unfunded liabilities in other post-employment benefits (OPEB) plans which pay for retired employees' health benefits.

CalPERS annually releases an actuarial valuation report to each contributing agency. These reports include amortization schedules, which project the agencies' future annual payments towards paying off their current unfunded liabilities. Agencies are, by default, on 30-year amortization schedules; 20-year and 15-year alternative schedules are also available options. While 30-year schedules have lower annual payments, the 20- and 15-year schedules result in a lower overall payment. For example, if the City of Redding went from its current 30-year to a 20-year amortization schedule, the total savings are projected to be \$29,577,073. To go to a shorter amortization schedule, an agency just makes the annual contribution identified in the preferred schedule.

The CalPERS actuarial reports also identify both the monthly payment amounts and annual prepayment amount the agencies must make. Each agency chooses how often to pay their annual CalPERS contribution. If an agency takes the annual prepayment option instead of the monthly payments, the agency can save on interest. For example, Shasta County opts for the annual prepayment and saves approximately \$700,000 per year on interest.

Total CalPERS contribution rates are partially based on CalPERS investment results. According to the CalPERS PERSpective Winter 2017 newsletter, the investment returns have been much lower over the past few years which may, in turn, require higher contribution rates by employers and, in some cases, employees. If CalPERS investment returns remain low, or if there is another major downturn in the stock market or the economy, agencies must increase their contributions to CalPERS, risking further reductions in services to the local community. According to the CalPERS actuarial reports, contributions from all four agencies are projected to almost double over the next five years. This will likely consume an increasing percentage of their budgets and reduce funds available for other services, including police protection and fire safety.

With the 2016 CalPERS investment rate of return at 0.6%, and the 2015 return at 2.4%, the CalPERS current assumed 7.5% investment rate of return is not realistic. CalPERS is slowly lowering the rate to 7.0% over the next three years, but that rate is still much higher than their average 5.1% return of the past 10 years as reported in the most recent CalPERS Comprehensive Annual Financial Report. Lowering the investment rate of return will automatically require increased contributions from all agencies.

In addition, since 2001, four large corrections in the stock market have resulted in major losses to CalPERS investments, as shown in the CalPERS Investment Losses Table.

CalPERS Investment Losses				
Year	2001	2002	2008	2009
<b>CalPERS Actual Returns</b>	-7.2%	-6.1%	-5.1%	-24.0%

Another large economic correction could be catastrophic to the agencies. During the CalPERS loss of 24% in 2009, Shasta County’s Miscellaneous Plan dropped from 96.7% funded to only 66.4% funded, and Redding’s Miscellaneous Plan dropped from 87.5% funded to only 60.3% funded. While the outlook for the four local agencies has not reached a critical point yet, they are likely to be affected by CalPERS’ poor investment results.

In addition, contributions will become increasingly difficult to pay because all four agencies now have more retired employees receiving pensions than they have active employees paying into the CalPERS system.

Number of Employees vs. Retirees*							
		Employees	Retirees			Employees	Retirees
<b>Shasta County</b>	Miscellaneous	1600	2050	<b>Anderson</b>	Miscellaneous	27	62
	Safety	246	359		Safety	10	23
<b>Redding</b>	Miscellaneous	570	694	<b>Shasta Lake</b>	Miscellaneous	39	49
	Safety	178	259		Safety	N/A	N/A

\*2014/15 CalPERS Actuarial Reports, as of June 30, 2015

## Shasta County

As of June 30, 2015 (the latest data available from CalPERS), Shasta County has an unfunded pension liability of \$125,386,389 in its Miscellaneous Plan and \$62,598,535 in its Safety Plan. In addition, there is an unfunded liability of \$186,000,000 in an OPEB Plan.

Shasta County has taken the following steps to help mitigate these unfunded liabilities:

- In FY 2015/16, the County began contributing an additional 3% of salaries toward unfunded OPEB.
- On January 1, 2017, the County began implementing a 401(a) plan for new employees as agreements are made with the bargaining units. These two steps are expected to eliminate the unfunded OPEB liability in about 25 years.
- The County saves approximately \$700,000 in interest each year by prepaying the annual CalPERS contribution.

The Shasta County Unfunded Liabilities Table summarizes the unfunded liabilities for Shasta County.

<b>Shasta County Unfunded Liabilities</b>			
<b>Criteria</b>	<b>Miscellaneous Plan</b>	<b>Safety Plan</b>	<b>Total</b>
Pension Liability	\$570,496,682	\$213,609,445	\$784,106,127
Value of Assets	\$445,110,293	\$151,010,910	\$596,121,203
Unfunded Liability	\$125,386,389	\$ 62,598,535	\$187,984,924
Funded Ratio	78%	71%	76%
Payroll	\$ 78,152,237	\$ 14,381,016	\$ 92,533,253
Unfunded Liability/Payroll	160%	435%	203%
Pension Debt per Household*	\$ 1,783	\$ 890	\$ 2,673
Employer Contribution**	\$ 14,133,876	\$ 6,766,274	\$ 20,900,150
Employer Contribution/Payroll	18%	47%	23%

\*Stanford Institute Report

\*\*FY 2016/17

## City of Redding

As of June 30, 2015, the City of Redding has an unfunded pension liability of \$113,424,867 in its Miscellaneous Plan and \$93,717,077 in its Safety Plan. In addition, there is an unfunded pension liability of \$31,063,921 in a PARS Plan and \$102,580,000 in an OPEB Plan.

The City of Redding has taken the following steps to help mitigate these unfunded liabilities:

- After the passage of Measure A in 2010, the City began to negotiate for the city workers to pay a portion of their own CalPERS member contribution.
- Effective September 8, 2012, the safety bargaining units reached an agreement to change the retirement benefit formula from 3% at age 50 to 3% at age 55 for all new hires and to

use the highest paid consecutive 36 months of employment when determining final compensation.

- In 2011, the City began eliminating new hires from PARS eligibility.
- After the passage of Measure B in 2010, new employees retiring with five or more years of service will pay a proportionate share of the retiree health insurance premium using a “City pays 2% for every year of service” formula, up to a maximum of 50%. Retirees and spouses under this new formula are required to join Medicare, if eligible.
- The City has reduced its ongoing pension contributions by negotiating with bargaining units to increase its members’ contributions towards the CalPERS retirement plans. Miscellaneous members now contribute 7%, and safety members contribute 9%. Two other safety units agreed to contribute an additional 3%, for a total employee contribution of 12%.

Even with these important steps, at the Redding City Council’s Special “Priority Setting” Meeting on February 22, 2017, unfunded liabilities were not included in the list of 18 prospective priority issues.

The City of Redding Unfunded Liabilities Table summarizes the unfunded liabilities for the City of Redding.

<b>City of Redding Unfunded Liabilities</b>			
<b>Criteria</b>	<b>Miscellaneous Plan</b>	<b>Safety Plan</b>	<b>Total</b>
Pension Liability	\$386,418,241	\$263,765,193	\$650,183,434
Value of Assets	\$272,993,374	\$170,048,116	\$443,041,490
Unfunded Liability	\$113,424,867	\$ 93,717,077	\$207,141,944
Funded Ratio	71%	65%	68%
Payroll	\$ 40,119,666	\$ 16,809,335	\$ 56,929,001
Unfunded Liability/Payroll	283%	558%	364%
Pension Debt per Household*	\$ 3,159	\$ 2,610	\$ 5,769
Employer Contribution**	\$ 10,101,802	\$ 8,714,028	\$ 18,815,830
Employer Contribution/Payroll	25%	60%	34%

\*Stanford Institute Report

\*\*FY 2016/17

### **City of Anderson**

As of June 30, 2015, the City of Anderson has an unfunded pension liability of \$5,437,112 in its Miscellaneous Plan and \$3,172,331 in its Safety Plan. The City of Anderson does not have any OPEB liabilities because it does not pay medical benefits for retirees.

The City of Anderson has taken the following steps to help mitigate these unfunded liabilities:

- Prior to 2013, the City implemented lower tiered retirement formulas to reduce unfunded liabilities and current pension costs.

- Where appropriate, the City contracts out services that can be performed by a consultant or contractor.

The City of Anderson Unfunded Liabilities Table summarizes the unfunded liabilities for the City of Anderson.

<b>City of Anderson Unfunded Liabilities</b>			
<b>Criteria</b>	<b>Miscellaneous Plan</b>	<b>Safety Plan</b>	<b>Total</b>
Pension Liability	\$22,853,816	\$13,526,727	\$36,380,543
Value of Assets	\$17,416,704	\$10,354,396	\$27,771,100
Unfunded Liability	\$ 5,437,112	\$ 3,172,331	\$ 8,609,443
Funded Ratio	76%	77%	76%
Payroll	\$ 1,484,286	\$ 707,519	\$ 2,191,805
Unfunded Liability/Payroll	366%	448%	393%
Pension Debt per Household*	\$ 1,315	\$ 764	\$ 2,079
Employer Contribution**	\$ 506,486	\$ 295,379	\$ 801,865
Employer Contribution/Payroll	34%	42%	37%

\*Stanford Institute Report

\*\*FY 2016/17

### **City of Shasta Lake**

As of June 30, 2015, the City of Shasta Lake has an unfunded pension liability of \$5,312,983 in its Miscellaneous Plan. The City of Shasta Lake does not have a Safety Plan because it contracts for those services with the Shasta County Sheriff's Office. In addition, there is an unfunded liability of \$1,320,440 in an OPEB plan.

The City of Shasta Lake has taken the following steps to help mitigate these unfunded liabilities:

- The City's employees now pay the 8% employee share of CalPERS pension. Prior to 2012, employees only paid 2%.
- In 2013, the City refinanced part of its pension obligation debt with CalPERS, which reduced the interest rate from 7.5% to 2% and will save more than \$630,000 over 10 years.
- Beginning in 2016, the City now requires all employees to contribute a portion of their salaries towards retiree health care. Prior to that time, employees contributed nothing.

The City of Shasta Lake Unfunded Liabilities Table summarizes the unfunded liabilities for the City of Shasta Lake.

<b>City of Shasta Lake Unfunded Liabilities</b>			
<b>Criteria</b>	<b>Miscellaneous Plan</b>	<b>Safety Plan</b>	<b>Total</b>
Pension Liability	\$28,478,849	N/A	\$28,478,849
Value of Assets	\$23,165,866	N/A	\$23,165,866
Unfunded Liability	\$ 5,312,983	N/A	\$ 5,312,983
Funded Ratio	81%	N/A	81%
Payroll	\$ 3,036,853	N/A	\$ 3,036,853
Unfunded Liability/Payroll	175%	N/A	175%
Pension Debt/Household*	\$ 1,311	N/A	\$ 1,311
Employer Contribution**	\$ 677,089	N/A	\$ 677,089
Employer Contribution/Payroll	22%	N/A	22%

\*Stanford Institute Report

\*\*FY 2016/17

### Stanford Institute for Economic Policy Research

The Stanford Institute for Economic Policy Research (“the Institute”) is a research arm of Stanford University “committed to scholarship that helps address the real-world challenges facing governments and businesses in the United States and around the world.” With its annual “Pension Tracker”, the Institute compiles and ranks annual pension debt figures for 509 California agencies. Agencies with higher rankings (#1 being the highest) have more serious debt. The Market Pension Debt figure uses a more conservative discount or investment rate of return of 3.25% instead of the 7.5% rate that has been used in the past by CalPERS.

<b>Agency Comparison</b>				
		<b>2013</b>	<b>2014</b>	<b>2015</b>
City of Redding	Ranking	#72	#63	#66
	Debt	\$30,390	\$15,249	\$18,768
City of Anderson	Ranking	#261	#274	#262
	Debt	\$13,582	\$ 6,529	\$ 8,336
City of Shasta Lake	Ranking	#303	#325	#318
	Debt	\$10,319	\$ 4,493	\$ 5,884
County of Shasta	Ranking	#225	#368	#349
	Debt	\$15,884	\$ 3,177	\$ 4,679

The Agency Comparison Table compares the Institute’s rankings and “Market Pension Debt per Household” figures of Shasta County’s four agencies over the past three years.

### Reason Foundation

The Reason Foundation is a 501(c)(3) nonprofit organization founded in 1978 dedicated to “advancing free minds and free markets.” The Foundation focuses on many areas, one of which is pension reform in the United States. A current project is a comprehensive Pension Analysis of 15 individual cities nationwide, titled the Reason Foundation Pension Integrity Project. The City of Redding was chosen as one of the 15 cities. The City of Redding Pension Analysis shows both the Miscellaneous and Safety Plan contribution rates have increased significantly from 2000 to 2015. In addition, the Pension Analysis indicates the City continues to budget more money for public service departments such as the Redding Police Department (74% funding increase) while

staffing has decreased (17% for department staffing and 24% for patrol staffing). The City's pension liability funding ratio has gone from overfunded to 71.1% funded (68.5% if PARS is included).

The Pension Analysis' conclusion is that the City's current defined benefit structure "leaves taxpayers, employers, and employees vulnerable to volatile contribution rates and continuously increasing costs."

### **Observations**

The Grand Jury's investigation, supported by external research projects such as the Reason Foundation's Pension Analysis and the Stanford Institute for Economic Policy Research's Pension Tracker, revealed that, like most cities and counties in California, significant unfunded pension liabilities are confronting all four public agencies studied. These unfunded liabilities are threatening to increase as the CalPERS discount rate decreases, with potential investment losses in the future, and with the reduced number of current employees paying into the retirement system. Although much of this is beyond the control of local agencies, each has taken a variety of measures to mitigate these liabilities.

Required contributions to CalPERS will continue to increase and therefore represent a budgetary dilemma for these agencies. Agencies will have to find ways to increase available revenues, reduce funding of public services, or a combination of both to balance their finite budgets. Options could include renegotiating employee benefit plans, increasing efficiency, or utilizing reserve monies. In this way, unfunded liabilities threaten to undercut services by these agencies that the public has come to expect and upon which the public relies. While none of the agencies are in immediate danger of insolvency, the goal is to be 100% funded.

### **FINDINGS**

- F1. The unfunded pension liabilities of Shasta County and the Cities of Redding, Anderson, and Shasta Lake have significantly increased over the last 15 years, going from being fully funded to only partially funded.
- F2. Because CalPERS is reducing its assumed investment rate of return from 7.5% to 7.0%, the pension plans of Shasta County and the Cities of Redding, Anderson, and Shasta Lake will be less funded over the next five years and must increase their contributions.
- F3. Because CalPERS contributions from Shasta County and the Cities of Redding, Anderson, and Shasta Lake will increase, an increase in available revenues, a reduction in services provided, or both will be necessary to cover these contributions.
- F4. None of the agencies have any control over their CalPERS investment returns, which are directed by CalPERS and are subject to the fluctuations of the stock market.
- F5. The City of Redding, which already has the lowest funded ratio of all four agencies, is at greater risk of increased unfunded liabilities because of its other post-employment benefits and Public Agency Services Retirement Enhancement plans.

## COMMENDATIONS

The Grand Jury commends:

- C1. Shasta County and the Cities of Anderson and Shasta Lake for recognizing the potential fiscal impact of unfunded pension liabilities and for the agencies' efforts to control their increases.
- C2. Shasta County, at the recommendation of the Shasta County Auditor-Controller, for increasing its contributions towards its unfunded other post-employment benefits and saving interest by prepaying its annual CalPERS contribution.
- C3. The City of Shasta Lake for its efforts to reduce its pension and other post-employment benefit liabilities by refinancing its pension obligation debt.
- C4. The City of Anderson for its efforts to reduce its pension liabilities by using consultants and contracted labor when possible.

## RECOMMENDATIONS

The Grand Jury recommends:

- R1. By October 31, 2017, the Shasta County Board of Supervisors, with the Shasta County Auditor-Controller, and the Cities of Redding, Anderson, and Shasta Lake City Councils each look for ways to increase their contributions to CalPERS over the next twelve years with minimal loss of key services. Options could include reducing their current amortization schedules and exploring debt refinancing opportunities.
- R2. By October 31, 2017, the Shasta County Board of Supervisors, with the Shasta County Auditor-Controller, and the Cities of Redding, Anderson, and Shasta Lake City Councils each look for ways to increase their revenues or reduce other expenditures, with minimal loss of key services, as CalPERS contributions increase.
- R3. By December 31, 2017, the City of Redding City Council establish a five-year financial plan to increase its funded ratio for its CalPERS Safety Plan from 64.5% to 70%, and for its Miscellaneous Plan from 70% to 75%, with minimal loss of key services.

## REQUIRED RESPONSES

Pursuant to Penal Code section 933.05, the following responses are required:

From the following governing bodies (within 90 days):

- Shasta County Board of Supervisors: **F1, F2, F3, F4 and R1, R2**
- City of Redding City Council: **F1, F2, F3, F4, F5 and R1, R2, R3**
- City of Anderson City Council: **F1, F2, F3, F4 and R1, R2**
- City of Shasta Lake City Council: **F1, F2, F3, F4 and R1, R2**

From the following elected governmental officer (within 60 days):

- Shasta County Auditor-Controller: **F1, F2, F3, F4 and R1, R2**

## **INVITED RESPONSES**

The Grand Jury invites the following responses:

From the following governmental officials (requested within 60 days):

- Shasta County Executive Officer: **F1, F2, F3, F4 and R1, R2**
- City of Anderson City Manager: **F1, F2, F3, F4 and R1, R2**
- City of Redding City Manager: **F1, F2, F3, F4, F5 and R1, R2, R3**
- City of Shasta Lake City Manager: **F1, F2, F3, F4 and R1, R2**

**Released: May 16, 2017**

## Shasta County Joint Audit Committee

*“You can observe a lot by just watching.” -Yogi Berra*

### SUMMARY

Local public officials and agencies have a legal and ethical obligation for accountability and transparency in how they spend the revenues funded by taxpayers. Required by state law, Shasta County’s annual external audit is an important safeguard of this process. For over 20 years, the Joint Audit Committee (comprised of representatives from County departments, the Board of Supervisors, and the Shasta County Grand Jury) has overseen the selection of the independent auditor and the County’s annual auditing procedure. As set forth in the October 29, 2002, Shasta County Joint Audit Committee Policies and Procedures, the expressed purpose of the Joint Audit Committee is to “ensure that a thorough and objective audit is undertaken each year with regard to the funds, records and accounts of the County.”

The presence of Grand Jury members on the Joint Audit Committee provides a measure of assurance to the public that the auditing process is being handled appropriately. It reinforces the observance of transparency by county officials during the external audit and provides an effective way for the Grand Jury and the Board of Supervisors to participate in the audit process. The Shasta County Grand Jury’s involvement in the County’s audit process is supported by California Penal Code Section 925, which mandates grand juries to annually investigate and report on the accounts and records of their counties.

Shortly after its impanelment, the 2016/17 Shasta County Grand Jury was informed by one County official that the Joint Audit Committee had been “dissolved”. An investigation was launched to learn more. The Grand Jury asserts that the Joint Audit Committee continues as an important body that fosters fiscal accountability and transparency and was not dissolved.

### BACKGROUND

California Penal Code Section 925 requires the grand jury to annually investigate and report on the accounts and records of the county. Penal Code Section 926 allows the grand jury to enter into a joint contract with the county board of supervisors to employ an auditor (See Appendix). From 1995 to 2015, the Shasta County Grand Jury and Board of Supervisors entered into a joint contract for outside auditing services, with both entities approving and signing the contracts through a mechanism called the Joint Audit Committee (“JAC”).

The Shasta County JAC was established by the Board of Supervisors on January 22, 1991. The first minutes of the JAC the Grand Jury could find were of the JAC’s February 27, 1995, meeting. The Grand Jury reviewed all minutes of the JAC between that date and the last meeting of the JAC in December 2015. The Grand Jury found that previous Grand Jurors were present and actively participated in the JAC meetings between 1995 and December 2015.

On October 29, 2002, the JAC formalized their policies, procedures, and committee membership to include: the Chairperson and Vice-Chairperson of the Board, Foreperson of the Grand Jury, members of the Grand Jury Audit and Finance Committee, County Executive Officer, County Budget Officer, County Counsel, Treasurer-Tax Collector, and Auditor-Controller. The Board Chairperson and Grand Jury Foreperson were to serve as co-chairs of the JAC.

On December 11, 2012, the JAC updated their policies, procedures, and membership again to include: the Chairperson and Vice-Chairperson of the Board, Foreperson of the Grand Jury, a Member of the Grand Jury Audit and Finance Committee, County Executive Officer, County Administrative Fiscal Chief, Treasurer-Tax Collector, and Auditor-Controller. Over the years, the number of Grand Jurors on the committee was reduced to the Foreperson and a single member of the Grand Jury Audit and Finance Committee. The Board Chairperson and Grand Jury Foreperson continued in their roles as co-chairs.

After being informed that the JAC had been dissolved, the 2016/17 Shasta County Grand Jury launched an investigation to determine whether the method of dissolution was permissible, and to reexamine the purpose of and reaffirm the value of continuing the JAC.

## **METHODOLOGY**

The Grand Jury interviewed:

- Shasta County Board of Supervisors members, both former and current
- Shasta County Administrative Office personnel
- Shasta County Auditor-Controller's Office personnel
- Former Shasta County Grand Jury Foreperson
- Former Shasta County Counsel personnel

The Grand Jury reviewed:

- All available Joint Audit Committee meeting minutes and agendas from 1995 to current
- 2001/02 Shasta County Grand Jury County Audit Report for FY 2000/01
- 2015/16 Shasta County Grand Jury Report – “Shasta County Joint Audit Committee – Numbers Matter”
- All Board of Supervisors' meeting minutes mentioning the Joint Audit Committee or Audit and Finance Committees from 1990 to current
- Memorandum from the former Shasta County – County Administrative Officer to the Joint Audit Committee, May 21, 2002
- All available documentation regarding the establishment of the Joint Audit Committee
- Shasta County Administrative Manual, Policy #1-110
- Shasta County Resolution Nos. 91-1, 93-5, 94-4, 96-6, 98-6, 2001-10, 2007-2, 2012-01
- Current Joint Audit Committee Policies and Procedures, December 11, 2012
- Previous Joint Audit Committee Policies and Procedures, October 29, 2002

- Contract between Shasta County and GALLINA LLP for the Shasta County Comprehensive Annual Financial Report, June 9, 2015
- Draft Shasta County Comprehensive Annual Financial Report FYE June 30, 2016, November 2, 2016
- Shasta County Comprehensive Annual Financial Report FYE June 30, 2016

## DISCUSSION

On June 29, 2016, the 2016/17 Shasta County Grand Jury contacted the County Administrative Office by email about scheduling the JAC meetings to be held during the term. During communications over the course of the following month, the Grand Jury was informed by high-ranking County Administrative personnel that the committee had been dissolved due to its alleged “duplicative” function. Following two unsuccessful attempts to obtain written confirmation of that action from the County Administrative Office, an investigation was launched to determine whether the JAC was actually dissolved, and if so, was the method of dissolution permissible. The Grand Jury also examined the JAC’s purpose, the desirability of its continuance, and its value to the Grand Jury, Board of Supervisors, County departments, and ultimately the public.

To complicate matters, a similarly named committee was discovered during this investigation: the County’s Audit and Finance Committee. This committee and the JAC were determined to be one and the same. In a May 2002 memo, the former Shasta County Administrative Officer identified them as the same committee. Additionally, a document search revealed minutes exist only for the JAC.

### Purpose of and Changes to the JAC

According to the JAC Policies and Procedures, the expressed purpose of the JAC was to “ensure that a thorough and objective audit is undertaken each year with regard to the funds, records and accounts of the County.” From 1995 to 2012, the JAC was responsible for reviewing the Request for Proposals received for outside auditing services and selecting the winning bid. Pursuant to the 2002 Policies and Procedures, the two primary functions of the JAC were to “A. Initiate the Request for Proposal process to retain the services of a contract auditor,” and to “B. Select the contract auditor.” When the JAC Policies and Procedures were updated in 2012, the second function was reworded to read: “B. Recommend contract auditor to be selected by the Board of Supervisors and the Grand Jury.” [emphasis added]

The JAC’s purpose was confirmed at its June 29, 2004, meeting. According to the meeting minutes, the County Administrative Officer, at the request of the Board Vice-Chairman, stated, “the outside auditor does not work for the County’s Auditor-Controller, but rather for the Board of Supervisors and the Grand Jury.”

Another change between 2002 and 2012 was removing the JAC as an approving body of the audit contract. The 2002 Policies and Procedures stated: “D. Approve the proposed audit contract and forward it to the Board of Supervisors and Grand Jury for formal approval and signature.”

The 2012 Policies and Procedures state: “Recommend a proposed audit contract and forward it to the Board of Supervisors and Grand Jury for formal approval and signature.”

In spite of these changes, the purpose of the JAC remained steadfast. JAC Policies and Procedures in the annual Grand Jury Procedures Manuals describe the JAC as having been “used to negotiate and monitor such a joint contract.”

### **Dissolving a County Committee**

The Grand Jury determined the JAC can be dissolved by one of two methods:

- By a Board of Supervisors action rescinding the action that created the JAC
- By a decision of the JAC recommending dissolution by the Board of Supervisors

JAC Policies and Procedures Section IIIC directs how changes to committee membership may be made. “At any time, the Board of Supervisors may modify its membership on the Joint Audit Committee, by modification of the Board’s policies. At any time, the Grand Jury may modify its membership on the Joint Audit Committee, by modification of its policies.” [emphasis added] In addition, Section VII states, “These policies and procedures may be amended at any time upon action by the Joint Audit Committee.” Taken together, these two sections prohibit the dissolution of the JAC without either the Board of Supervisors taking public action to modify their own policies, or by formal action of the JAC. The Grand Jury has found no evidence that the Board of Supervisors has taken any public action as it pertains to the dissolution of the JAC. Furthermore, the JAC has not had the opportunity to meet and take any formal actions since its last meeting held on December 12, 2015.

County Policy Resolution 2012-01, signed February 7, 2012, gives the County Executive Officer the authority to make “non-substantive changes to the Administrative Policy Manual without requiring a policy resolution approved by the Board of Supervisors.” The dissolution of any committee would not be considered a “non-substantive change”. Therefore, the County Executive Officer would not have the power to summarily dissolve the JAC under this authority.

### **Comprehensive Annual Financial Report**

Shasta County currently contracts with an independent outside auditing agency, GALLINA LLP, for annual audit services. GALLINA LLP and the Shasta County Auditor-Controller’s Office work in tandem to produce a report of the County’s budgets, titled a Comprehensive Annual Financial Report (CAFR). The most recent contract was signed June 9, 2015, and is for five years through June 30, 2020. JAC meetings typically include presentations from GALLINA LLP on the CAFR process; these assemblies also allow the Grand Jury and two members of the Board of Supervisors to discuss financial matters among themselves and with experienced auditing personnel. Additionally, the Grand Jury observing this process provides a level of transparency to the public about how the County conducts its CAFR process.

Without this access, it was difficult for the 2016/17 Grand Jury to become involved with developing the CAFR. The Grand Jury was not informed of the first meeting between the County and GALLINA LLP and therefore did not attend. The Grand Jury reached out to the Auditor-

Controller's Office, who then arranged a meeting specifically for the Grand Jury. The first and only meeting between the Grand Jury and GALLINA LLP to review the CAFR fiscal year ending June 30, 2016, occurred November 7, 2016, during the last week of the CAFR process. Without being able to monitor any discussions between the Auditor-Controller's Office and GALLINA LLP at a JAC meeting, the Grand Jury was unable to independently assess the auditing process and only learned of the results.

### **Observations**

One of the duties listed in the Grand Jury's Procedures Manual is to serve as members of the JAC. Furthermore, previous grand juries have participated for 21 years in the external audit process through the JAC, including the 2015/16 Grand Jury. The unexpected announcement by high-ranking County Administrative personnel in late July 2016 that the JAC was dissolved became a cause for concern by the 2016/17 Grand Jury. After exploring the nature of the JAC and its purpose, the Grand Jury determined its existence is not "duplicative". There is no other County process that parallels the JAC in either form or function. That the current Grand Jury was compelled to contact the Auditor-Controller's office late in the external audit process demonstrated the importance of the JAC as a mechanism to fulfill the Grand Jury's mandate under California Penal Code section 925. The Grand Jury also recognized its value to the Board of Supervisors and other county officials in becoming more familiar with the County's CAFRs by participating in the audit as key members of the JAC.

The greatest concern is the loss to the public of accountability and transparency by the County resulting from the JAC having been "dissolved". Without the JAC, the annual external audit involves only two parties: the County Auditor-Controller, who prepares the financial reports, and the external auditing firm, whose contract is recommended by the County Auditor-Controller. The JAC provides an additional set of eyes and helps protect both the interests of the public and County officials by ensuring transparency and accountability.

### **FINDINGS**

- F1. The Joint Audit Committee was not properly dissolved and therefore is still an existing committee.
- F2. Without the opportunity to participate in Joint Audit Committee meetings, the Grand Jury loses an important tool in fulfilling its oversight role of the County's financial processes pursuant to California Penal Code Section 925.
- F3. Without the Joint Audit Committee, the Board of Supervisors and other County officials lose an opportunity to further participate in the audit process.
- F4. The involvement of Grand Jury members on the Joint Audit Committee provides greater accountability and transparency to the public regarding the County's annual external auditing process.

## RECOMMENDATIONS

The Grand Jury recommends:

- R1. By June 25, 2017, the Shasta County Board of Supervisors direct the Chairperson to hold a Joint Audit Committee meeting with the 2016/17 Grand Jury to discuss the committee's ongoing purpose.
- R2. By July 31, 2017, the Shasta County Board of Supervisors direct the Chairperson to schedule Joint Audit Committee meetings with the 2017/18 Shasta County Grand Jury Foreperson.

## REQUIRED RESPONSES

Pursuant to Penal Code section 933.05, the following responses are required:

From the following governing body (within 90 days):

- Shasta County Board of Supervisors: **F1, F2, F3, F4 and R1, R2**

From the following elected governmental officer (within 60 days):

- Shasta County Auditor-Controller: **F2, F3, F4**

## INVITED RESPONSES

The Grand Jury invites the following response:

From the following governmental official (requested within 60 days):

- Shasta County Executive Officer: **F1, F2, F3, F4 and R1, R2**

## APPENDIX

California Penal Code section 925:

The grand jury shall investigate and report on the operations, accounts, and records of the officers, departments, or functions of the county including those operations, accounts, and records of any special legislative district or other district in the county created pursuant to state law for which the officers of the county are serving in their ex officio capacity as officers of the districts. The investigations may be conducted on some selective basis each year, but the grand jury shall not duplicate any examination of financial statements which has been performed by or for the board of supervisors pursuant to Section 25250 of the Government Code; this provision shall not be construed to limit the power of the grand jury to investigate and report on the operations, accounts, and records of the officers, departments, or functions of the county. The grand jury may enter into a joint contract with the board of supervisors to employ the services of an expert as provided for in Section 926.

California Penal Code section 926:

(a) If, in the judgment of the grand jury, the services of one or more experts are necessary for the purposes of Sections 925, 925a, 928, 933.1, and 933.5 or any of them, the grand jury may employ one or more experts, at an agreed compensation, to be first approved by the court. If, in the judgment of the grand jury, the services of assistants to such experts are required, the grand jury may employ such assistants, at a compensation to be agreed upon and approved by the court. Expenditures for the services of experts and assistants for the purposes of Section 933.5 shall not exceed the sum of thirty thousand dollars (\$30,000) annually, unless such expenditures shall also be approved by the board of supervisors.

Released May 9, 2017

## **GPS Ankle Bracelet Monitoring and Law Enforcement**

***“No crime is immune to better enforcement efforts.” -William Bratton***

### **SUMMARY**

The 2016/17 Shasta County Grand Jury investigated Global Positioning System ankle bracelet monitoring use by the Shasta County Probation Department and Shasta County Sheriff’s Office. Ankle bracelet monitoring has been used throughout the State for a decade to assist law enforcement and at-risk offenders achieve compliance for court attendance and pre-trial work. It is also used to enforce sentencing requirements when incarceration is not available or appropriate. The management of the County’s criminal population, the lack of bed space in the jail, and a need for alternate supervision and custody options were the main concerns behind the Grand Jury’s interest. The investigation revealed a high compliance rate for pre-trial appointments for those with a Global Positioning System ankle bracelet monitoring device. It is also evident that additional bed space in the jail is freed up for more serious offenders.

Recent advances in monitoring technology will enhance and support future enforcement needs. Global Positioning System ankle bracelet monitoring was found to be a cost-effective, reliable means to prioritize jail bed space while ensuring enforcement of criminal prosecution and sentencing. State revenue sources for alternate custody programs are dependent on funding priorities established by the Community Corrections Partnership with the approval of the Shasta County Board of Supervisors.

### **BACKGROUND**

Shasta County has, for the past 10 years, employed Global Positioning System (GPS) enabled ankle bracelet monitors (“monitors”) to assist with offender supervision. The two Shasta County agencies that utilize these monitors for alternative custody programs are the Probation Department and the Sheriff’s Office. In this report, all references to “monitors” imply the use of GPS technology.

Custody and supervision of criminals in Shasta County reached a “perfect storm” in recent years as a result of a court order and the passage of three key pieces of legislation. A 1993 Shasta County Superior Court order approved a stipulation between Shasta County and its Sheriff’s Office. It arose out of a federal lawsuit and State legislation, placing Shasta County under a 90% population cap in the Shasta County Jail (“the Jail”). California Assembly Bill 109, “Public Safety Realignment”, passed in 2011. It required some newly sentenced offenders to be sentenced to local custody and supervision instead of state custody. In 2014, California voters approved Proposition 47, “Reduced Penalties for Some Crimes Initiative”, which reclassified some felonies as misdemeanors for local supervision and treatment. Finally, California Penal Code Section 1192.7(c) defines “serious felonies” and categorizes them as either “violent” or “non-violent”. An unknown variable that will have an impact is Proposition 57, “Public Safety and Rehabilitation Act”, passed by California voters in 2016. This proposition permits the

California Board of Parole Hearings to reclassify certain “violent felonies” as “non-violent felonies” to allow for early release. Local authorities will now have to plan on how to monitor and supervise the new “non-violent felonies” population that may be “allowed” under early parole. Some examples of violent criminal offenses subject to reclassification include rape of an unconscious person, drive-by shooting, assault with a deadly weapon, domestic violence involving trauma, and lewd acts against a child.

The Jail was previously used to house offenders for up to a year. The Jail now functions more like a “county prison”, in that some offenders are incarcerated for years at a time in a facility not originally designed for long-term custody. A review of monthly averages showed in February 2017 there were 26 inmates serving sentences greater than one year and up to ten years. Of these offenders, 15 were incarcerated at the Jail, and 11 were housed in other out-of-county jail facilities. This creates additional pressure for bed space.

Alternative custody programs are designed by law enforcement professionals to hold offenders accountable for their actions and also permit them to participate in programs and services to modify their behavior while not incarcerated. It may allow them to remain at their residence, continue or seek employment, and pursue education. An additional benefit is that bed space can be freed up at the jail for more serious or violent offenders.

## **METHODOLOGY**

The Grand Jury interviewed:

- Shasta County Board of Supervisors member
- Shasta County Probation Department personnel
- Shasta County Sheriff’s Office personnel
- Shasta County Public Defender Office personnel
- Shasta County Day Reporting Center personnel
- SHASCOM personnel

The Grand Jury reviewed:

- California Penal Code section 667.5(c)(1-23)
- California Penal Code section 1192.7(c)(1-42)
- Public Safety Realignment Plan, dated 2014
- Five-year Personal Services Agreement between the County of Shasta and B.I. Correctional Services, Inc., June 28, 2016
- Shasta County Probation Department approved budget, FY 2016/17
- Shasta County Probation Department Policies and Procedures
- Shasta County Probation Department – Year in Review 2014/2015
- Shasta County Probation Department – BI Correctional Services, Inc., software demonstration

- Shasta County Sheriff’s Office approved budget, FY 2016/17
- Shasta County Sheriff’s Office – Alternative Custody intake and assessment forms
- Community Corrections Partnership Meeting Agendas and Minutes, March to October 2016
- Stanford Law School, Stanford Criminal Justice Center, “How California Counties are Spending their Public Safety Realignments Funds”
- Shasta County Probation Department website, [www.co.shasta.ca.us/index/probation\\_index.aspx](http://www.co.shasta.ca.us/index/probation_index.aspx)
- California Assembly Bill 109 website, [www.cdcr.ca.gov/realignment/](http://www.cdcr.ca.gov/realignment/)
- California Proposition 30 website, [www.boe.ca.gov/taxprograms/prop30\\_media\\_resource.htm](http://www.boe.ca.gov/taxprograms/prop30_media_resource.htm)
- California Proposition 47 website, [www.cdcr.ca.gov/news/prop47.html](http://www.cdcr.ca.gov/news/prop47.html)
- California Proposition 57 website, [www.voterguide.sos.ca.gov/en/propositions/57/arguments-rebuttals.htm](http://www.voterguide.sos.ca.gov/en/propositions/57/arguments-rebuttals.htm)
- BI Correctional Services, Inc., website, <https://bi.com/>

The Grand Jury visited:

- Shasta County Jail
- Shasta County Day Reporting Center
- Shasta County Community Corrections Center
- Shasta County Sheriff’s Office – Alternative Custody Annex

Grand Jury members attended Community Corrections Partnership Meetings

## **DISCUSSION**

### **Community Corrections Partnership**

This “perfect storm” created an environment where legal and law enforcement professionals in Shasta County had to collaborate to design alternative custody methods. These methods are evidence-based and data-driven. They are designed and structured to ensure compliance with legal mandates and sentencing requirements. The goal is to free up jail bed space, to discourage recidivism, and to connect offenders with supportive programs and services.

The Shasta County Community Corrections Partnership (CCP) is composed of representatives from the Shasta County Superior Court, Probation Department, Sheriff’s Office, District Attorney’s Office, Public Defender Office, Health and Human Services Agency, and Redding Police Department. California Assembly Bill 109 (AB 109), also known as Public Safety Realignment, directed the CCP to oversee AB 109 funding plans and tackle issues involving offenders. The Board of Supervisors approves the funding plans created by the CCP. One of the CCP’s guiding principles is “increasing offender accountability through effective use of

immediate sanctions, custody, and custody alternatives.” One such alternative custody method is using a GPS-enabled monitor.

### **GPS Ankle Bracelet Monitoring**

In June 2016, Shasta County renewed its contract with BI Correctional Services, Inc. (“BI”), leasing up to 200 monitors. Half are assigned to the Shasta County Probation Department (“Probation”), and half are assigned to the Shasta County Sheriff’s Office – Alternative Custody Program (“Alternative Custody”). On average, there are 134 individuals on monitors each month between both Probation and the Sheriff’s Office. Probation handles all of the financial and administrative functions of the contract. Both departments utilize the same proprietary software to monitor offenders. Both departments individually monitor their own programs. Currently, only the Sheriff’s Office has staff on duty that can actively monitor compliance 24 hours a day. The Sheriff’s Office assigns weekend and off-hour monitoring to the Jail staff, although this monitoring may not be prioritized due to other responsibilities. One likely impact of Proposition 57 is an increase in the number of offenders who may need to be monitored around the clock. The only other agency with 24-hour monitoring capability is Shasta Area Safety Communications Agency (SHASCOM). SHASCOM already provides 24-hour emergency dispatching services for the Sheriff’s Office. It has the capacity to expand and accommodate increased dispatching demands and potential monitoring services. Currently, neither Probation nor the Sheriff’s Office contracts with SHASCOM to assist in tracking offenders with monitors.

Monitors are fitted to the ankles of eligible offenders in an alternative custody program. Accommodating for physical issues, monitors may be carried in a fanny pack, purse, or attached to a wheelchair. Monitors have two service levels, active and passive, that can transmit location



ExacuTrack One image source: BI Correctional Services, Inc.

information to the program monitoring computer. Active GPS service collects a location and transmits program data more frequently than passive service, with increased collection and transmission if critical zones are violated. Each monitor currently in use costs the County \$3.15 per day for passive service level and \$3.25 per day for active service. All monitor maintenance and upgrades are BI’s responsibility. The offender is primarily responsible for the cost of a lost or destroyed monitor.

The current contract with BI allows for expansion into newer technology. The “ExacuTrack One” monitor currently in use by both agencies (see picture) is a GPS-enabled device; its battery must be charged at least four hours a day. The “TAD” monitor detects alcohol levels through a skin sensor. The “LOC8” monitor has dual batteries for extended use between charges. Both the “TAD” and “LOC8” monitors are more expensive to deploy than the “ExacuTrack One” model.

Smartphone applications utilizing facial recognition software (“biometrics”) are an emerging technology for complementing monitoring. An example of such a currently available application is the “SmartLINK App”, also offered by BI. It is a four-module application that can be installed on any smartphone or tablet. Module one is “check-in” and uses facial biometrics to identify and

locate the offender. Module two is “self-report”, where the offender can update his or her status or information. Module three is an interactive calendar to track required appointments and visits. Module four is a resource directory of local services and support programs. This new advancement costs approximately \$1.00 a day for each application subscription. Probation and Alternative Custody staff expressed interest in exploring these new technologies, and acknowledged that many offenders have smartphones that would support this type of application.

Current monitoring software includes a detailed, web-based map that is viewable to determine the offender’s location. The software program logs location information and battery status. The offender’s location can be pinpointed at varying intervals, from every 15 seconds to every 30 minutes. There is also an internal memory in the unit that can store 50,000 events and data points. There are five “pre-structured” voice commands, such as “battery low, recharge unit” or “call your probation officer”, that can be sent to the offender in either English or Spanish. These officer-initiated notifications require the offender to manually acknowledge the order by pressing a button on the device. There are also 12 automatic notifications that are sent to the offender such as “battery charged”, “entering inclusion zone”, and “entering an exclusion zone, leave now”.

An “exclusion zone” is an area defined by law enforcement into which the offender is not allowed. An example may be a school, casino, bar, or playground. There is also an “inclusion zone”, a defined area in which the offender should be during scheduled times. An example might be home, a work location, or an educational facility. All locations are time-stamped by the computer program, and a detailed map of the offender’s movement can be time-defined to show patterns and routines. There is also a “pursuit” mode that can be activated by law enforcement. It allows a real-time map and location information to guide law enforcement for apprehension of the offender.

The notification for noncompliance, tampering, or exclusion zone violations can be emailed, texted, or phoned to the officer responsible for that offender. A simple verbal reprimand from the officer may be all that is required to correct the issue. If the offender continues to be noncompliant with the terms of the monitoring agreement and is nonresponsive, the Compliance Team may be deployed.

The Compliance Team is a collaborative group comprised of members of the Sheriff’s Office, Redding Police Department, and Probation. Supported by AB 109 funding, this team was created under the direction of the CCP. The purpose of the Compliance Team is to maintain consistent and regular personal contact with those assigned to supervision. Their goal is to reinforce accountability by focusing on those who disregard their supervision requirement and to reward good behavior for those that are in compliance.

Any tampering with the device or failure to recharge the battery is documented and can lead to an additional charge of “escape”, which can be considered a felony under California Penal Code sections 1203.016(1) and §4532. All monitored offenders are verbally briefed on the rules and responsibilities. They are required to sign and initial a series of documents acknowledging the program’s conditions and the consequences of noncompliance. Both Probation and Alternative Custody personnel are available to assist clients with any monitor issues or problems.

## **Probation Department**

From July 2014 to September 2016, Probation received \$207,064.36 in AB 109 funds for monitor leasing, monitoring, and equipment replacement. Probation utilizes monitors for several programs. Pursuant to California Penal Code section 1319.5, offenders with three or more Failure to Appear (“FTA”) in the past three years are ineligible for release before their first court appearance on a monitor program without a hearing with the District Attorney present.

Supervised Own Recognizance (“SOR”) was created in 2013 to increase bed space at the jail and reduce the amount of FTA rates in the court. Offenders arrested during business hours deemed appropriate for SOR are released from custody but are expected to appear in court. Some of these offenders are monitored. In 2016, 89% of offenders successfully completed SOR. Probation uses the evidence-based Virginia Pre-Trial Release Assessment Instrument (“VPRAI”) to assess the offender’s ability to remain crime-free and attend his or her scheduled court appearances. The VPRAI is a series of questions that rates the offender’s risk for re-offense. SOR offenders are awaiting trial and are on pre-sentencing legal requirements of supervision by the court.

Upon release, supervised offenders are required to report to an assigned Probation officer at the Community Corrections Center (“CCC”) for follow-up the next business day. At the CCC, offenders have many opportunities to seek assistance for drug and alcohol problems, addictions, anger management, parenting skills, mental health services, and housing.

Probation also has the Phase Program, created for inmates with 12 months or more remaining in custody who rate high on the Static Risk and Offenders Needs Guide (“STRONG”) assessment. This evidence-based assessment tool from Washington State Corrections helps direct staff and clients in planning, supervision, and support programs for offenders. Eligible offenders can be released from jail under monitor supervision and attendance at the Day Reporting Center.

Based on the SOR program, Pre-Arrestment Supervised Own Recognizance (“PSOR”) was created for off-hours. Using a modified VPRAI, Probation staff worked weekends and holidays to identify offenders at the Jail that may have been eligible for monitored release prior to their first court appearance. In 2016, 50 of the 72 offenders released under PSOR successfully completed the program. PSOR was funded by a grant obtained by the Superior Court. As of April 2017, the grant has expired and the program has ended.

## **Sheriff’s Office – Alternative Custody**

An alternative to confinement at the Shasta County Jail is Alternative Custody. Sentenced offenders deemed by the Sheriff’s Office as appropriate for community-based custody may participate in programs managed by the Alternative Custody office. These programs free up jail bed space and support the offender in a more productive environment. Alternative Custody programs include Work Release, STEP-UP and Home Electronic Confinement. These programs allow the offender to stay employed, attend school, and/or remain with his or her family unit.

Offenders participating in Alternative Custody programs may be monitored to ensure compliance with court-mandated programs and to fulfill their terms of sentencing. The average enrollment in Alternative Custody is 150-170 offenders, with approximately 70 wearing monitors. There is a

75% sentence completion rate for offenders. From July 2014 to September 2016, the Sheriff's Office received \$271,155.28 in AB 109 funds for its monitoring program.

Alternative Custody monitors their offenders at the Alternative Custody Annex. If an offender requires 24-hour monitoring, Alternative Custody can shift monitoring responsibilities to the Shasta County Jail staff.

Home Electronic Confinement ("HEC"), another Alternative Custody program, uses monitors to ensure sentenced offenders are at defined locations such as home, work, or school for their court-ordered incarceration requirements, which frees up jail bed space and supports the offender in a more productive environment.

Monitors play a part in educational programs by encouraging attendance and compliance with alternative custody requirements. The Shasta Technical Education Program-United Partnership (STEP-UP) is a collaborative partnership between Probation, the Sheriff's Office, and Shasta College. Its purpose is "to assist with rehabilitation of offenders and help the participants lead more productive lifestyles". Offenders are selected based on their educational background, financial stability, employment status, and risk of re-offense. Offenders are given the opportunity to enroll in the program for up to one year and receive a certificate. Available certificate programs include heavy equipment operation, automotive repair, welding, and office administration. Other certificate programs are currently under consideration. The emphasis of this effort is to reduce criminal recidivism through education and employment.

### **Observations**

Staff from Probation, the Sheriff's Office, and the Public Defender support the monitor programs. While monitors are a good deterrent and encourage offender accountability, they are not 100% effective at preventing crime. Nevertheless, the monitor programs have become an effective tool for alleviating pressure for jail bed space, enabling participation in community-based custody programs, and increasing court appearances by offenders. Their use in Shasta County is mostly funded by AB 109 funds. Funding priorities will become more challenging and, combined with increasing release of offenders to county responsibility, the need for cost effective monitor technologies is heightened. It is imperative that Shasta County take steps to maintain and expand this valuable asset for law enforcement.

### **FINDINGS**

- F1. Due to the State's increased release of offenders to counties for supervision, the burden on the County for monitoring those offenders is increasing.
- F2. Emerging monitoring technologies such as smartphone applications utilizing facial biometrics may offer cost-effective and efficient options to complement GPS ankle monitoring and improve offender supervision.
- F3. Currently, not all offenders on monitoring programs are actively monitored for compliance 24 hours every day, which may lead to delayed responses by Probation or Sheriff's Office staff to violations.

F4. GPS ankle bracelet monitors are an effective supervision tool, as evidenced by the low recidivism rates for offenders in the SOR and Work Release programs.

## RECOMMENDATIONS

The Grand Jury recommends:

- R1. By July 1, 2018, the Board of Supervisors and the Sheriff-Coroner direct staff to work with the Community Corrections Partnership to jointly determine if additional funding sources will be necessary to expand monitoring programs in anticipation of an increased offender population.
- R2. By March 31, 2018, the Board of Supervisors direct staff to explore and report back if smartphone applications utilizing facial biometrics would be a cost-effective option for expanding current monitoring programs.
- R3. By December 31, 2017, the Board of Supervisors and the Sheriff-Coroner direct staff to jointly explore and report back if contracting 24-hour GPS monitoring services to SHASCOM would be cost-effective and efficient.

## REQUIRED RESPONSES

Pursuant to Penal Code section 933.05, the following responses are required:

From the following governing body (within 90 days):

- Shasta County Board of Supervisors: **F1, F2, F3, F4 and R1, R2, R3**

From the following elected governmental officer (within 60 days):

- Shasta County Sheriff-Coroner: **F1, F3, F4 and R1, R3**

## INVITED RESPONSES

The Grand Jury invites the following responses:

From the following governmental officials (requested within 60 days):

- Shasta County Executive Officer: **F1, F2, F3, F4 and R1, R2, R3**
- Shasta County Chief Probation Officer: **F1, F2, F3, F4 and R1, R2, R3**
- SHASCOM Director: **F3 and R3**

## GLOSSARY

**Community Corrections Center (CCC):** A location for offenders to report to in order to be assessed for risk of recidivism and criminogenic needs, to attend treatment/rehabilitation programs and to be monitored while on court ordered supervision.

**Community Corrections Partnership (CCP):** Committee established by Senate Bill 678 and AB 117 that meet periodically to receive reports and input on the implementation of AB 109. It

is responsible for advising the Board of Supervisors regarding funding, implementation, and outcomes of the Plan. The Board of Supervisors approves the local Public Safety Realignment Plan. Includes representatives from the Shasta County Superior Court, Probation Department, Sheriff's Office, District Attorney's Office, Public Defender Office, Health and Human Services Agency, and Redding Police Department.

**Criminogenic Needs:** Risk factors and attributes of offenders that are directly linked to criminal behavior. Examples include criminal associates, substance abuse, antisocial behavior, lack of family, and lack of financial stability, among others.

**Day Reporting Center (DRC):** A location within the CCC where select offenders report while under supervision to receive intense services that target identified criminogenic needs and aid in the offender's success.

**Evidence Based Practice:** Treatment interventions for which there is empirical evidence of statistically significant effectiveness for specific problems.

**Facial Biometrics:** A facial recognition system using a computer application capable of identifying or verifying a person's facial features from a digital image.

**Global Positioning System (GPS):** A space-based satellite array that provides geolocation and time information to a receiver on the earth.

**Parole:** The provisional release of a State-incarcerated prisoner who agrees to certain conditions prior to the completion of the maximum sentence period. Parole is granted by the California Board of Parole Hearings.

**Probation:** The condition of being allowed freedom if no more crimes are committed and certain rules and conditions are followed, as ordered by a judge.

**Recidivism:** The act of a person repeating a criminal behavior.

**Serious Felony:** A list of violent crimes defined by Proposition 8 in 1982. Proposition 57 re-defined some of these as "non-violent".

**Shasta Area Safety Communications Agency (SHASCOM):** A joint powers authority that provides dispatching services for the Shasta County Sheriff's Office, Redding Police Department, Redding Fire Department, Anderson Police Department, and three ambulance services.

**Violent Felony:** 1977 California State Law defining 23 offenses considered "violent".

## City of Redding Code Enforcement

*“The safety of the people shall be the highest law.” -Marcus Tullius Cicero*

### SUMMARY

City of Redding code enforcement resources are currently allocated between two City departments: Development Services and the Redding Police Department. Code enforcement operations in the City of Redding address State and municipal code violations such as unlawful camps, vacant buildings, unpermitted construction, zoning constraints, and marijuana cultivation. Some personnel engaged in code enforcement activities operate under the Redding Police Department, where unlawful camp abatement personnel have cleaned up over 115 tons of debris from illegal camps in the last fiscal year. This represents a 240% increase since 2010.

Code enforcement fills critical needs in public safety as well as economic development. Trash and debris, vacant and neglected buildings, and unpermitted construction influence the safety and economic health of a city by impacting business development, property values, and tourism.

Since 2014, the Redding City Council has allocated General Fund reserve monies to “Enhanced Code Enforcement” on two separate occasions. Although these funds were allocated for three purposes, they have been used almost exclusively for abatement of unlawful camps. In a February 2017 Redding City Council Priority Setting Meeting, “Enhanced Code Enforcement” was once again identified as a top budgeting priority. None of this funding has ever been assigned to support the daily operations of the two full-time Code Enforcement Division personnel who open over 700 new case files annually. Many of these cases relate directly to public safety.

The 2016/17 Shasta County Grand Jury recommends the Redding City Council consolidate code enforcement personnel under the Redding Police Department and create a formal prioritization process for code enforcement cases focusing on public safety needs.

### BACKGROUND

The 2016/17 Shasta County Grand Jury began its review into the City of Redding Building/Code Enforcement Division after several new ordinances were passed by the Redding City Council (“City Council”). The Massage Ordinance No. 2549, the Short-Term Rentals Ordinance No. 2543, and the Shopping Carts Ordinance No. 2536 represent recent attempts by the City Council to improve quality of life and promote healthy economic development for the City of Redding (“the City”). All three also presented new demands on the Building/Code Enforcement Division. The Grand Jury expanded its investigation after discovering current City code enforcement efforts are spread among multiple City departments and focused on reviewing funding and personnel allocated to City code enforcement activities.

Code Enforcement Division (“Code Division”) staff in the Building/Code Enforcement Division inspect land, structures, and vehicles for compliance with basic building, housing, and zoning

codes as found in the City’s municipal code. The Code Division is organized under the City Development Services Department (“Development Services”) and work in partnership with the Redding Police Department (RPD) and City of Redding Solid Waste Utility (“Solid Waste”) to enforce codes within City limits. Staff at RPD also address code enforcement violations but have never been integrated into the existing Code Division. Code violations City staff may respond to include unlawful camping, vacant and unsecure buildings, marijuana cultivation, public nuisances (junk, trash, and debris), zoning violations, and unpermitted construction.

The City of Redding Fire Department is responsible for fire code enforcement, which is not addressed in this report.

## **METHODOLOGY**

The Grand Jury interviewed:

- Redding City Council members
- City of Redding Administrative personnel
- City of Redding Development Services personnel
- City of Redding Police Department personnel

The Grand Jury reviewed:

- Redding Municipal Code
- Various staff reports prepared for Redding City Council meetings, 2014 to current
- Redding City Council Policy Item #1409: Use of Litter Abatement Funds, June 16, 1998
- City of Redding Financial Reports, July 2013 through November 2016:
  - Litter and Abatement Expense
  - Operating and Materials Expense
  - Personnel Expense – Primary Code
  - Personnel Expense – Secondary Code
  - Code Total Fees, Fines, and Penalties collected
- Special Operating Expenses for FY 2015/16
- City of Redding Code Enforcement Division cases (open and closed), July 2013 to October 2016
- City of Redding Code Enforcement Division cases (open and/or active), October 2016 and January 2017
- City of Redding Building/Code Enforcement Division Budget, FY 2016/17
- City of Redding Building/Code Enforcement Division Labor Expenses, FY 2016/17
- City of Redding Code Enforcement documents:
  - Criminal Investigation Process Flow Chart
  - Administrative Citation Process Flow Chart
  - “Alleged Notice”
  - “First Notice”
  - “Final Notice”
  - “Alleged Notice with Consequences”

- City of Redding Class Specification Bulletins:
  - Administrative Assistant I
  - Code Supervisor
  - Development Services Technician III
  - Building Inspector
- City of Redding Code Enforcement website, [www.cityofredding.org/departments/development-services/code-enforcement](http://www.cityofredding.org/departments/development-services/code-enforcement)
- Redding Police Department: Funds Budgeted for Code Enforcement Activities – January 20, 2017
- Redding Police Department Class Specification Bulletins:
  - Community Work Program Officer
  - Police Officer
- Redding Police Department website, [www.reddingpolice.org](http://www.reddingpolice.org)
- City of Redding Solid Waste Utility Budget, FY 2016/17

## **DISCUSSION**

The Redding Municipal Code is a compilation of City ordinances or laws. It is updated regularly as the City Council adopts or amends ordinances. These ordinances include regulations regarding animals, zoning, building, marijuana cultivation, vehicles and traffic, health and safety, and illegal encampments.

City Code Division personnel respond to ordinance violations and address many critical needs that relate to public safety concerns such as vacant and neglected buildings, unpermitted construction, and unlawful camps. Their work may also address issues affecting economic development such as “blight” (general aesthetic deterioration), which may reduce property values or otherwise affect economic development.

A review of the City’s code enforcement organizational structure and funding sources revealed:

- Current staff and funding for code enforcement are assigned and allocated diffusely under multiple supervisors in three divisions across three departments: Development Services, RPD, and Solid Waste.
- The Code Division has no structured means of regular consultation with the RPD code enforcement staff.
- There is no formal policy for prioritization and follow-up of cases in any department or division.

### **Staffing for Code Enforcement Activities**

There are two full- and two part-time staff in the Code Division of the Development Services Department, including a supervisor and an enforcement officer. These staff members respond to complaints and open case files related to code violations in the City. One part-time staff has been temporarily appointed by the City Council and works on unlawful camp abatement (the

reduction or ending of illegal camps). The other part-time staff member serves as an administrative assistant to the supervisor.

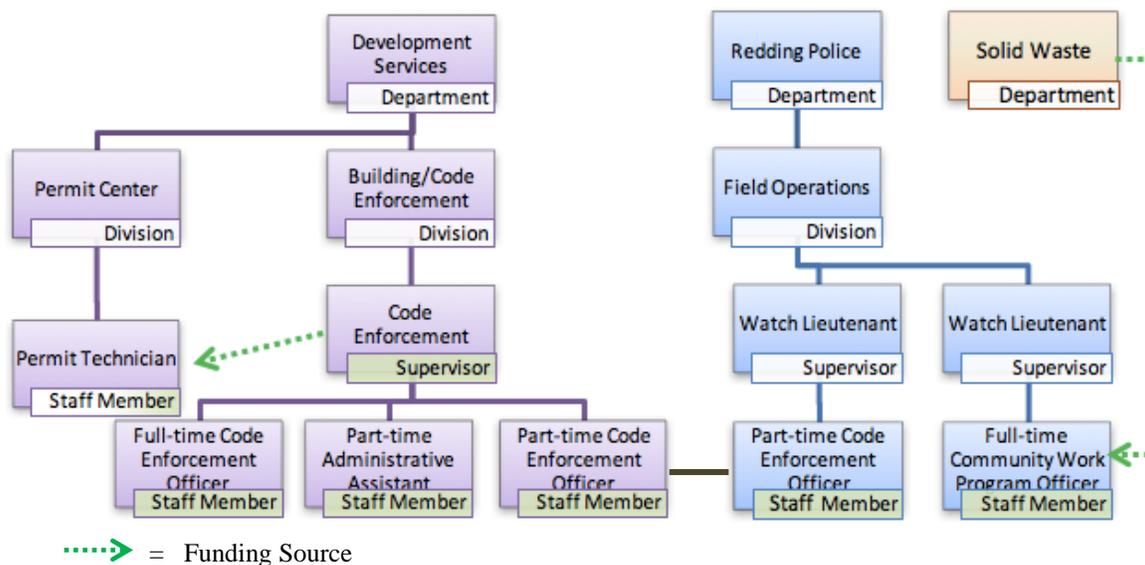
The Permitting Division, also under Development Services, allocates time from one Permit Technician towards code enforcement. The Code Division assigns zoning complaints to this permitting staff member, whose primary focus is permitting activities.

Additionally, RPD dedicates one full-time Community Work Program Officer and one part-time, temporary police officer to unlawful camp abatement. This work includes both the disruption of camps and the clean-up of debris associated with these camps. RPD charges 75% of the Community Work Program Officer’s salary to Solid Waste. This money was allocated in lieu of a previous free dump coupon program the City offered in an effort to combat blight. Interviews show that the work of the full-time salaried police officer is trash and debris removal and community outreach to the homeless regarding available social services. The work of the part-time officer is disruption of illegal camps. RPD pays the part-time staff salary using temporary special funding from the City Council. Two police vehicles are primarily used for the unlawful camp abatement.

The two part-time temporary staff positions mentioned were created by special allocation from the City Council. These positions were created and funded via a resolution of the City Council. These staff have office space in the Building/Code Enforcement Division. They work in partnership, but they report to supervisors in different departments.

The City of Redding Code Enforcement Chart offers clarity of the complexity of current City code enforcement staffing and funding. All staff members listed across the bottom of the Chart hold active roles in current code enforcement activities within the City, as does the Code Enforcement Supervisor.

### City of Redding Code Enforcement Personnel



## **Common Code Violations**

A review of the use of funds and personnel dedicated to City code enforcement demonstrates that the programs are unofficially prioritized around public safety with a focus on unlawful camp abatement. The City dedicates three staff to combat unlawful camps and the garbage and debris they generate, which includes the two part-time positions funded by special “Enhanced Code Enforcement” funding approved by the City Council. The other full-time staff member works under the Community Work Program under RPD.

Debris collected by the City from unlawful camps on City land surpassed 115 tons in 2016, an increase of 240% since 2010. This increase in trash removed, mostly from illegal encampments, is due to the efforts of the Community Work Program Officer. The amount of trash collected each year continues to increase and, as illegal camps have been abated in some areas, new camps pop up in other areas, including areas where camps have been previously abated.

Code Division staff also respond regularly to vacant or abandoned buildings, including buildings housing unauthorized residents. Living conditions within these buildings often contribute to public safety hazards including fires caused by illegal electrical connections or indoor fires. Vacant buildings must be properly boarded and secured to discourage entry.

A review of open case files over a six-month period in 2016 revealed that Code Division staff responded to approximately 30 marijuana cultivation complaints, usually relating to the number of plants being propagated. Code Division staff sometimes feel endangered when responding to complaints received regarding these and other matters. If so, they may contact RPD for back-up.

Code Division staff also respond to public nuisance complaints. Public nuisance can be defined as a variety of minor crimes that threaten the health, safety, or welfare of a community. Those complaints, frequently appearing in case files for the City, are primarily related to junk and debris, including old vehicles.

Other complaints may relate to permitting and zoning. Some permitting complaints are given high priority because they pose a potential danger to occupants or nearby residents. Many permitting and zoning complaints are considered low priority by Code Division supervision because they do not affect public safety. These lower priority violations may include basketball hoops in a right of way, stagnant pools, and work done without a valid permit.

### **“Enhanced Code Enforcement” – Unlawful Camp Abatement**

The City’s Code Division is primarily reactive – public complaints drive Code Division staff workloads. In recent years, the City Council has sought to take more proactive code enforcement action. On November 4, 2014, the City Council recognized public safety challenges faced by the City and approved short-term funding from the General Fund reserve to hire two part-time code enforcement employees. These funds for “Enhanced Code Enforcement” included allocations of \$110,000 on November 4, 2014, and an additional \$85,000 on June 7, 2016.

“Enhanced Code Enforcement” is described in City Council allocation papers as focusing on three specific “community problems”:

- illegal camping on public and private property within the City
- motels with code enforcement problems that generate an inordinate amount of calls for service
- vacant houses and structures with code enforcement issues that are being illegally occupied by transients and others

To date, the employees hired with these funds have focused almost exclusively on unlawful camp abatement. The Grand Jury found no evidence that these two employees have been utilized to respond to problem motels or vacant buildings. However, RPD, with help from Code Enforcement Division, has been very successful in reducing calls for service from some of the more serious offending motels.

A June 7, 2016, City staff report on the “Enhanced Code Enforcement Program” declared the program thus far to be a “tremendous success”; but no evidence defining the program’s “success” was provided other than the volume of trash collected, which continues to increase.

A staff report entitled “Retain or Expand Enhanced Code Enforcement Program” was provided to City Council members at the Budget Priority Setting Workshop in February 2017. This paper notes Code Division staff are “operating at capacity and are essentially moving the same violators from one location to another within the City. In most cases, when illegal campers are removed from one open space area, they just relocate to another open space area across town.” The report also states, “it should be noted that we are not significantly reducing the number of illegal campers in the City, who generate the trash.”

In January 2016, the City Council asked for more proactive code enforcement of motels due to the high numbers of calls for service to RPD. A report was given to the City Council with statistics on the top 25 hotels/motels generating calls for service from RPD. Nine Redding motels were the source of 4,452 calls for service in 2015, leading to a resource drain on RPD. These statistics were used as evidence of a problem at these motels. Code Division personnel were utilized in cooperation with police to look for compliance with codes at these motels. Because of RPD and Code Division work, two motels were closed during 2016, and a third took extensive steps to cooperate with police and reduce its calls for service. A March 2017 report to the City Council from RPD showed that call volume to these motels had dropped by about 1,200 calls over the course of the year, representing a 28% decrease. Although this problem motel program is listed as one of the tasks of the City Council allocated positions, the two temporary, part-time positions created from this funding have not participated in any problem motel code enforcement efforts.

### **Prioritization of Work Load**

No formal means, such as a policies and procedures manual, are used to determine the priority of assignments for either Code Division personnel or RPD personnel assigned to code enforcement activities. Personnel within each department use informal means to determine each department’s

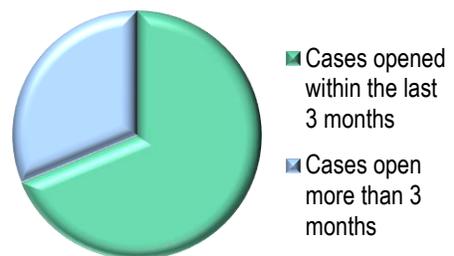
work activities. There is no priority-setting across departments. All complaints received by Code Division generate open case files, and the lack of formal prioritization can contribute to the inability to close case files in a timely manner, resulting in an accumulation of open case files.

The informal priority of Code Division work is public safety. This informal priority is reinforced by staffing and budget allocations approved by the City Council. Given this priority, public safety Code Division work could be organized as a subset of RPD. The current Code Division supervisor does not have any regularly scheduled meeting with RPD, even though most of his supervision relates to duties affecting public safety.

### Code Staffing

Actions and funding for Code Division provided by the City Council since 2014 have created positive changes in the community. These changes have not been integrated into the City's existing Code Division, limiting their success. Despite the City Council allocating special funding for "Enhanced Code Enforcement", a Code Division staffing shortage continues to exist, as evidenced by a review of Code Division's case files. Two full-time staff process 700 new complaints a year. At any given time, Code Division has approximately 300 open case files. As of January 19, 2017, the Code Division had an open caseload of 301 cases with 71% of cases remaining open for three months or longer; one open case dates back to 2008.

**Open Caseload\*  
Code Enforcement**



\*as of January 19, 2017

Another indication of the heavy workload of the Code Division staff relates to Redding Electric Utility's (REU) "occupied without power" list. REU provides this list to the Code Division weekly for proactive follow-up. The use of alternative heating or cooking methods in homes can pose fire and other safety hazards. The Grand Jury's review shows that the list for proactive enforcement has not been acted upon in more than a year; and the properties on this list are not included with other open Code Division case files.

In reviewing Code Division case files, although the follow-up dates are clearly stated, the site visits necessary to work cases to their timely conclusions were not made in accordance with the posted follow-up dates for 45% of open cases. Without necessary follow-up, files cannot be closed, and open case files continue to accumulate.

In contrast to Code Division staff, RPD personnel working in code enforcement have no open case files due to the nature of their work. Instead, staff operate on a day-to-day basis, responding to complaints received from the public (via the RPD website), the District Attorney's office, Solid Waste, Shasta Area Safety Communications Agency (SHASCOM), and other police officers. These complaints are followed up by inspecting, tagging, and abating unlawful camps. Most visits to unlawful camps are logged as police reports; incident data is available via the RPD crime statistician.

Actions by the City Council to increase the City’s proactive Code Division work have shown some success, as evidenced by reduced calls for service by RPD to some motels. But these actions have not enhanced the Code Division’s ability to prioritize, assign, supervise, and evaluate code enforcement in a way that strengthens public safety. City personnel continue to work on code enforcement activities in three different divisions with different assignments, supervisors, and funds. There is no single supervisor overseeing all City code enforcement activities, including unlawful camps. Additionally, there is no cross-training of staff across the different aspects of code enforcement, including vacant buildings, problem motels, and unlawful camp abatement. Without cross-training, Code Division has no flexibility to provide sufficient staff resources to deal with existing backlogs of Code Division files or public safety issues involving unlawful camps or problem motels.

### **Location of Code Enforcement Division**

The Code Division currently operates under the Development Services Department which also houses the Permitting and Planning Department. This organizational designation creates ease of enforcement in regards to zoning and permitting code enforcement cases. However, this organizational designation does not assist the Code Division in accomplishing the majority of their cases which include public safety issues such as vacant/abandoned buildings, marijuana cultivation and public nuisance violations. These violations have little interaction with planning or building concerns.

Unlawful camp abatement, a growing concern in the community, is an aspect of municipal code violations currently enforced by RPD. New ordinances such as the massage parlor ordinance and the shopping cart ordinance, also informally fall under the jurisdiction of the RPD. (Shopping cart violations and unlawful camps are both reported on the RPD website.) This may indicate the need for closer coordination between the Code Division and RPD. Such coordination could be accomplished through reorganization of the Code Division under RPD, or by eventually assigning civilian staff to code enforcement activities now provided by uniformed staff at RPD.

### **FINDINGS**

- F1. City of Redding code enforcement funds, supervision, staff, and responsibilities are spread among three departments, resulting in a lack of comprehensive planning, supervision, evaluation, communication, and follow-up.
- F2. The Redding City Council implemented short-term “Enhanced Code Enforcement” special funding to address three long-term public safety issues.
- F3. The Redding City Council’s short-term “Enhanced Code Enforcement” special funding resulted in positions that were not integrated into the comprehensive planning, supervision, prioritization, and evaluation of the Building/Code Enforcement Division or RPD.
- F4. The Redding City Council has renewed the short-term “Enhanced Code Enforcement” special funding despite a lack of evidence showing the Program’s success.

- F5. Building/Code Enforcement Division regularly responds to California municipal code violations affecting public safety but is supervised by the City of Redding Development Services Department rather than the RPD.
- F6. Due to the diffuse organizational structure of code enforcement in the City, there are no opportunities for cross-training of personnel engaged in code enforcement responsibilities related to unlawful camp abatement as well as other code enforcement complaints.
- F7. Unlawful camp abatement by RPD is accomplished without strategic planning, supervision, or evaluation.
- F8. None of the City of Redding's code enforcement personnel have any formal procedures for prioritizing duties and assignments.
- F9. Due to current workloads and limited resources, Building/Code Enforcement Division personnel may find it difficult to conduct timely follow-up or mitigate existing case backlogs.
- F10. Building/Code Enforcement Division personnel have not responded to homes on the Redding Electric Utility's weekly "occupied without power" lists for over a year, meaning potentially unsafe living conditions go unaddressed by the City.

## **RECOMMENDATIONS**

The Grand Jury recommends:

- R1. By September 30, 2017, the Redding City Council direct staff to conduct an analysis to clearly define code enforcement responsibilities and determine whether all personnel, supervision, and budgets for code enforcement should be consolidated under a single department, such as the Redding Police Department, with a single supervisor. This analysis is to be completed by December 31, 2017.
- R2. By June 30, 2018, the Redding City Council end any further short-term "Enhanced Code Enforcement" special funding. The Grand Jury further recommends the Redding City Council direct staff to identify and report on potential long-term funding needs and sources for future City code enforcement activities.
- R3. By September 30, 2017, the Redding City Council direct staff to begin cross-training all City personnel engaged in code enforcement in responsibilities related to unlawful camp abatement as well as other code enforcement complaints.
- R4. By September 30, 2017, the Redding City Council direct the Code Enforcement Division and the Redding Police Department to jointly develop a formal process for prioritization of workloads including case files, unlawful camps, problem motels and other code enforcement issues. This process is to be completed by December 31, 2017.
- R5. By September 30, 2017, the Redding City Council direct Building/Code Enforcement Division staff to immediately prioritize "occupied without power" lists for enforcement.

## **REQUIRED RESPONSES**

Pursuant to Penal Code section 933.05, the following response is required:

From the following governing body (within 90 days):

- Redding City Council: **F1, F2, F3, F4, F5, F6, F7, F8, F9, F10 and R1, R2, R3, R4, R5**

From the following elected governmental officers (within 60 days):

**NONE**

## **INVITED RESPONSES**

The Grand Jury invites the following responses:

**NONE**

**Released June 20, 2017**

## **Responses to the 2015/16 Shasta County Grand Jury**

***“Accountability breeds response-ability.” -Stephen Covey***

### **SUMMARY**

The grand jury's annual work includes conducting numerous investigations, some of which result in the production of reports with findings and, possibly, recommended actions. A recommended action cannot be mandated, but must be reviewed and considered by the governing bodies and elected officials to whom it is directed. By law, these findings and recommendations require responses from the governing bodies and elected officials to which they are directed. In order to ensure that these findings and recommendations have been fully responded to, grand juries may follow up to determine if the responses complied with California law.

The 2016/17 Shasta County Grand Jury determined a majority of responses to the 2015/16 Shasta County Grand Jury findings and recommendations were in compliance. However, responses from three agencies were initially out of compliance with the statutory requirements. They were: the Shasta County Board of Supervisors, the Shasta Local Agency Formation Commission, and the Shasta County Sheriff-Coroner.

Upon request, amended responses were received and are now in compliance with the statutory requirements.

### **BACKGROUND**

Grand juries may publish reports based on investigations they undertake. These reports must include findings and may include recommendations. Findings are conclusions made by the grand jury based on the facts of an investigation. Recommendations are courses of action suggested by the grand jury to address any negative findings. California Penal Code section 933.05 mandates how local governing bodies and elected officials must respond, in writing, to findings and recommendations that fall under their jurisdiction (see Appendix). Appointed officials and department heads may be invited to respond to findings and recommendations that appertain to their work, but they are not required to submit any responses. Additionally, reports may also include commendations to highlight excellence in local governance. Entities are not required to respond to commendations they receive.

Because a grand jury is impaneled for a single fiscal year, with reports typically being released at or near the end of its term, responses to these reports are often received by the next year's grand jury. Many times, grand juries will compile, review, and report on all the responses to the previous year's grand jury reports for compliance with the Penal Code. This review process helps promote accountability of agencies and elected officials.

The 2015/16 Grand Jury reports and all agency responses are available at:

[www.co.shasta.ca.us/index/gj\\_index/gj\\_reports.aspx](http://www.co.shasta.ca.us/index/gj_index/gj_reports.aspx)

## METHODOLOGY

The Grand Jury interviewed:

- Shasta County Board of Supervisors member
- Shasta Local Agency Formation Commission personnel
- Shasta County Sheriff’s Office personnel

The Grand Jury reviewed:

- 2015/16 Shasta County Grand Jury Consolidated Final Report
- All agency responses, including “supplemental” and amended responses, to 2015/16 Shasta County Grand Jury Consolidated Final Report
- 2014/15 Shasta County Grand Jury Report – “Looking Back”
- California Penal Code section 933 et seq.

## DISCUSSION

The 2015/16 Grand Jury Consolidated Final Report contained a total of 63 Findings, 66 Recommendations, and eight Commendations. For responses that failed to fully comply with Penal Code section 993.05, contact was made to request amended responses in order to bring the agencies into compliance.

Of three invited responders, only the City of Anderson Chief of Police responded. No responses were required for “Sugar Pine Conservation Camp – Partnership Matters”. The Response Compliance Table summarizes compliant responses to total responses received.

<b>Response Compliance Table</b>			
<b>Report Name</b>	<b>Agency</b>	<b>Findings</b>	<b>Recommendations</b>
<b>Non-Compliant</b>			
Veterans’ Lives Matter	The Board of Supervisors	11/11	11/12*
The First 72 Hours Matter	The Board of Supervisors	5/5	4/6*
No Laughing Matter	LAFCO	0/7*	7/7
Trust Matters	Sheriff-Coroner	9/9	7/10*
Compassion Matters	Sheriff-Coroner	4/4	1/2*
<b>Compliant</b>			
Water Matters	The Board of Supervisors	5/5	6/6
	Auditor-Controller	3/3	2/2
The First 72 Hours Matter	Sheriff-Coroner	1/1	1/1
	Anderson City Council	1/1	1/1
	Redding City Council	1/1	1/1
Words Matter	The Board of Supervisors	2/2	2/2
Trust Matters	Auditor-Controller	1/1	3/3
Numbers Matter	The Board of Supervisors	6/6	5/5
	Auditor-Controller	3/3	3/3
Public Awareness Matters	The Board of Supervisors	2/2	2/2
	Redding City Council	2/2	2/2
Compassion Matters	The Board of Supervisors	-	1/1

\*Noncompliant responses

## **Shasta County Veterans Services Office – Veterans’ Lives Matter**

An amended response from the Board of Supervisors was requested and received.

**Recommendation 8:** “The Grand Jury recommends the Board of Supervisors direct the County Executive Officer to ensure the Veterans Services Officer focuses on the functions of the office rather than attending non-vital community events.”

Original Response: “The recommendation has been implemented.”

Violation: California Penal Code section 933.05(b)(1) – No summary of the implemented action was included.

Amended Response: “The Board of Supervisors directed the County Executive Officer to ensure the Veterans Services Officer focuses on the functions of the Veterans Services Office rather than attending non-vital community events.”

The Amended Response was in compliance.

## **A Mental Health Crisis, Following the Call – The First 72 Hours Matter**

Amended responses from the Board of Supervisors were requested and received.

**Recommendation 4:** “The Grand Jury recommends the Board of Supervisors directs Shasta County Mental Health Services to initiate an ongoing campaign to promote public awareness of current mental health services available to children and adults in Shasta County.”

Original Response: “The recommendation has been implemented.”

Violation: California Penal Code section 933.05(b)(1) – No summary of the implemented action was included.

Amended Response: “The Board of Supervisors directed the County Executive Officer to ensure that Shasta County Mental Health Services initiate an ongoing campaign to promote public awareness of current mental health services available to children and adults in Shasta County.”

**Recommendation 6:** “The Grand Jury recommends that by December 31, 2016, the Board of Supervisors adopts a plan with Shasta County Mental Health Services to work with Restpadd and other interested providers to locate additional facilities in Shasta County that will increase the number of inpatient psychiatric beds for adults.”

Original Response: “The recommendation has been implemented.”

Violation: California Penal Code section 933.05(b)(1) – No summary of the implemented action was included.

Amended Response: “The Board of Supervisors directed County Executive Officer to ensure the Shasta County Mental Health Services works with Restpadd and other interested providers to locate additional facilities in Shasta County that will increase the number of inpatient psychiatric beds for adults.”

Both Amended Responses were in compliance.

### **Shasta LAFCO – No Laughing Matter**

Shasta Local Area Formation Commission (LAFCO) violated California Penal Code section 933.05(a) by failing to submit any responses to the findings. Responses from LAFCO were requested and received.

**Finding 1:** “Shasta LAFCO failed to take timely action over concerns regarding meeting deadlines for Municipal Service and Sphere of Influence Reviews and financial instability, resulting in a class-action lawsuit and budgetary crisis.”

Response: “The California statutes governing the preparation of municipal service reviews updating spheres of influence are directory and not mandatory. Despite this, Shasta LAFCO determined to commence a comprehensive update of spheres of influence (SOI) for all special districts within Shasta County in 2013 in the manner permitted by the applicable statutes. The plan for these updates, including the preparation of municipal service reviews (MSR) for each affected local agency, was adopted and the updates were therefore commenced before a civil lawsuit was commenced by a citizen of Shasta County alleging LAFCO non-compliance with the governing statutes. That lawsuit was dismissed soon after its filing, by agreement of the plaintiff, with no court determination that Shasta LAFCO had failed to meet its statutory obligations.

“While extraordinary LAFCO resources were expended to complete the MSR/SOI update process between 2013 and 2015, Shasta LAFCO was able to complete all such work and meet its other statutory obligations within its budget, and therefore without asking affected local funding agencies for any additional financial contributions. As a result, there was not a ‘budgetary crisis’ and Shasta LAFCO has since continued to function fully within its means, without increasing its operating budget, while performing all of its statutory functions. For these reasons Shasta LAFCO respectfully disagrees with the above stated Grand Jury finding.”

**Finding 2:** “Shasta LAFCO violated Government Code Section 56381(a) when it made sharp decreases to staffing in its 2015/16 budget without first finding that reduced staffing will nevertheless allow the Commission to fulfill the purposes and programs required of Shasta LAFCO.”

Response: “Shasta LAFCO did temporarily reduce staff support toward the end of Fiscal Year 2015/16, but in doing so did not violate Government Code Section 56381(a). In FY 2015/16 LAFCO’s efforts to finish its MSR/SOI update plan using an independent consultant did result in extraordinary expenses that required the Commission to minimize its activities toward the end of that year to stay within budget. However, in so proceeding Shasta LAFCO fulfilled all ‘purposes and programs’ required of this agency. For these reasons Shasta LAFCO respectfully disagrees with the above stated Grand Jury finding.”

**Finding 3:** “Shasta LAFCO has not updated its fee schedule since 2013, leaving the possibility that it is not charging sufficient fees for its services.”

Response: “Shasta LAFCO has not changed its fee schedule since 2013 but there is no reason to conclude that Shasta LAFCO is not charging sufficient fees for its services. Shasta LAFCO is updating its fee schedule, as stated in the Recommendation 3 response below. For these reasons Shasta LAFCO disagrees partly with the above stated Grand Jury finding.”

**Finding 4:** “Shasta LAFCO has failed to take advantage of additional revenue sources by not charging for Municipal Service or Sphere of Influence Review updates.”

Response: “Shasta LAFCO cannot charge members for Municipal Service Review and Sphere of Influence Updates but has added pre-application agreement charges as an additional revenue source. For these reasons Shasta LAFCO respectfully disagrees with the above stated Grand Jury finding.”

**Finding 5:** “Shasta LAFCO has exposed itself to potential future risk of litigation by adopting its current five year plan to conduct Municipal Service and Sphere of Influence Review updates without consideration of recent instability of the Executive Officer position.”

Response: “A new Municipal Service Review and Sphere of Influence Update schedule is in effect as of July 1 2016. However, it should be kept in mind, as further explained in the response to recommendation R5, that Municipal Service Reviews (MSRs) and Sphere of Influence (SOI) updates are not mandated by statute. For these reasons Shasta LAFCO respectfully disagrees with the above stated Grand Jury finding.”

**Finding 6:** “Shasta LAFCO is not fulfilling its purposes and programs due to severe budgetary restrictions, partially because it has failed to sufficiently explore and act on all cost saving opportunities.”

Response: “LAFCO no longer faces severe budget restrictions, as evidenced by completing FY 2015-16 operations under budget, and as confirmed by the Fiscal Committee is operating under budget for the first quarter of FY 2016-17. Shasta LAFCO is also pursuing costs savings in areas such as shared space. On October 1 2016 Shasta LAFCO moved their offices to the SRTA building. For these reason, and because even during recent budget challenges Shasta LAFCO has continued to fulfill its purposes and programs, LAFCO respectfully disagrees with the above stated Grand Jury finding.”

**Finding 7:** “Shasta LAFCO’s actions violate its own Policies & Procedures, because their policies and procedures have not been updated to reflect their actual practices.”

Response: “Policies & Procedures are being updated, see response to recommendation 7 below. This finding is unclear for lack of specificity as to purported ‘violations’ and for this reason Shasta LAFCO disagrees the above stated Grand Jury finding, but it intends to proceed to review the agency’s policies and procedures for update where appropriate.”

All seven Submitted Responses were in compliance.

#### **Shasta County Sheriff’s Office – Trust Matters**

Amended responses from the Sheriff were requested and received.

**Recommendation 1:** “The Grand Jury recommends the Sheriff’s Office clears all old outstanding items in the Sheriff’s Trust Administration Fund and the Inmate Bank of America Account by December 31, 2016.”

Violation: California Penal Code section 933.05(b)(2) – No timeframe for implementation of the action was included with the original response.

Response (amendments *italicized*): “Partially agree. This recommendation conflicts with Recommendation R2 in that the recommendation to clear the backlog of cases involving cash (which is held in a Sheriff’s Trust Administration Fund) and property held in evidence is recommended to be implemented by June 30, 2017. Notwithstanding that discrepancy, the Sheriff’s Office *has been working on clearing the non-evidence related items in this Sheriff’s Trust Admin Fund and all adjusting entries were identified before December 31, 2016. A request for relief of accountability has subsequently been submitted to the Auditor-Controller’s Office to clear up the affected accounts; upon final approval the adjusting entries should be made by the end of February 2017.* Old outstanding items noted in the Bank of America reconciliation continue to show *in the Keefe Commissary System and Jail support staff started a dialog with Keefe to work on clearing these reconciling items; this process has now been moved to staff in the Sheriff’s Accounting Administration who will be working with Keefe to post adjusting entries in the Keefe system to clear up outstanding items within the Keefe software by the close of the current 2016-2017 fiscal year.*”

**Recommendation 3:** “The Grand Jury recommends the Auditor-Controller and the Sheriff’s Office initiate a process to reconcile the activity and balances between *Sirron* and *ONESolution*, and ensure that ongoing monthly reconciliations of the new process occur by December 31, 2016.”

Violation: California Penal Code section 933.05(b)(2) – No timeframe for implementation of the action was included with the original response.

Response (amendments *italicized*): “Partially agree. The reconciliation is the responsibility of the Sheriff’s Office; *however* the Auditor-Controller’s Office has advised they will provide assistance if needed. *Sheriff staff have implemented a process to reconcile monthly the activity between Sirron and ONESolution to document that the amounts transacted in Sirron match the amounts transacted in ONESolution.*”

**Recommendation 10:** “The Grand Jury recommends the Sheriff’s Office assigns specific management personnel by September 30, 2016, to be responsible for the oversight of all aspects of assets held under asset forfeiture and in evidence.”

Violation: California Penal Code section 933.05(b)(3) – No timeline for further analysis to be completed (not to exceed six months from the date of publication) was included.

Response (amendments *italicized*): “Partially agree. Current management is assigned oversight of these functions, however, *it is noted that oversight by specified title was not established. After further review the assignment of this oversight responsibility has been updated to specify that the*

*Lieutenant of Major Crimes is responsible for the oversight of all aspects of assets held under asset forfeiture and in evidence.”*

All Amended Responses were in compliance.

### **Shasta County Coroner’s Office – Compassion Matters**

An amended response from the Sheriff was requested and received.

**Recommendation 2:** “The Grand Jury recommends the Shasta County Sheriff’s Office and Shasta County Board of Supervisors secure funding specifically for a digital, portable x-ray machine for the Coroner’s Office by December 31, 2016.”

Violation: California Penal Code section 933.05(b)(3) – No timeline for further analysis to be completed (not to exceed six months from the date of publication) was included.

Response (amendments *italicized*): “*Disagree. Further study was needed to evaluate the cost effectiveness of the purchase, maintenance, and training for a new x-ray machine verses [sic] contracting with a portable x-ray service. Portable x-ray services are already being provided as needed through a third party service. Informal price quotes for a replacement were obtained for the analysis and the cost for x-ray services by an outside vendor is known based on actual experience. Factoring both cost and operational concerns into the analysis, the Sheriff’s Office has concluded that the better business decision is to continue utilizing the third party service provider and as such the Sheriff disagrees with the need to secure funding for a new x-ray machine.*”

The Amended Response was in compliance.

## **FINDINGS**

- F1. The Shasta County Board of Supervisors’ responses to three Recommendations were noncompliant, requiring additional time and resources to be spent by both the Board and the Grand Jury to resolve the issue.
- F2. LAFCO failed to respond to all seven Findings, requiring additional time and resources to be spent by both LAFCO and the Grand Jury to resolve the issue.
- F3. The Shasta County Sheriff-Coroner’s responses to four Recommendations were noncompliant, requiring additional time and resources to be spent by both the Sheriff’s Office and the Grand Jury to resolve the issue.
- F4. Ultimately, all responses to the 2015/16 Shasta County Grand Jury reports were in compliance.

## **RECOMMENDATIONS**

The Grand Jury recommends:

- R1. The Shasta County Board of Supervisors ensure its initial responses to any future Shasta County Grand Jury reports are compliant with California Penal Code section 933.05.

R2. LAFCO ensure its initial responses to any future Shasta County Grand Jury reports are compliant with California Penal Code section 933.05.

R3. The Shasta County Sheriff-Coroner ensure his initial responses to any future Shasta County Grand Jury reports are compliant with California Penal Code section 933.05.

## **REQUIRED RESPONSES**

Pursuant to Penal Code section 933.05, the following responses are required:

From the following governing bodies (within 90 days):

- Shasta County Board of Supervisors: **F1 and R1**
- Shasta Local Agency Formation Commission: **F2 and R2**

From the following elected governmental officer (within 60 days):

- Shasta County Sheriff-Coroner: **F3 and R3**

## **INVITED RESPONSES**

The Grand Jury invites the following responses:

From the following governmental officials (requested within 60 days):

- Shasta County Executive Officer: **F1 and R1**
- Shasta Local Agency Formation Commission Executive Officer: **F2 and R2**

## **APPENDIX**

California Penal Code section 933.05(a):

(a) For the 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.

California Penal Code section 933.05(b):

(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.

**Released June 26, 2017**

## **Shasta County Sheriff's Office – Animal Regulation Unit**

**“Animals are such agreeable friends – they ask no questions,  
they pass no criticisms.” -George Eliot**

### **SUMMARY**

A citizen complaint about animal neglect led the 2016/17 Shasta County Grand Jury to investigate the Shasta County Sheriff's Office Animal Regulation Unit. Animal Regulation Officers in this unit are responsible for providing animal welfare services throughout the unincorporated parts of Shasta County. Shasta County closed its animal shelter in 2011 and entered into a 25-year Personal Services Agreement with Haven Humane Society to provide animal care, adoption, sheltering, and licensing services.

Upon completing the review, the Grand Jury determined Animal Regulation Unit supervisors have not developed or maintained policies or procedures for the Animal Regulation Unit. The Animal Regulation Unit has no written procedures for animal seizures or long-term record-keeping.

Finally, the Grand Jury found the Shasta County Sheriff's Office has not performed an annual review of the Personal Services Agreement between the County and Haven Humane Society, as required by the Agreement.

### **BACKGROUND**

The Shasta County Sheriff's Office (Sheriff's Office) is responsible for administering animal control services in unincorporated areas of Shasta County. Covering approximately 3,649 square miles, this responsibility is handled by four Animal Regulation Officers (AROs).

Duties of the AROs include:

- the safety and welfare of domestic animals
- the welfare of injured or dead wild animals
- the investigation of animal attacks

The Sheriff's Animal Regulation Unit (“the Unit”) was originally overseen by a lieutenant assigned to the Sheriff – Coroner Division. In 2011, the County closed its animal shelter and entered into an agreement with Haven Humane Society (HHS) for sheltering services. This 25-year agreement provides the vital services of animal shelter and care as mandated by Shasta County Code Chapter 6.04.

The Grand Jury's original inquiry was initiated by a citizen complaint about alleged starving animals. Information obtained led the Grand Jury to broaden the scope of the investigation to cover the entire Unit. In addition, the Grand Jury also sought to ensure that the Sheriff and HHS are meeting all the requirements of the Agreement.

## METHODOLOGY

The Grand Jury interviewed:

- Shasta County Sheriff's Office personnel
- Shasta County Board of Supervisors member
- Shasta County Administrative Office personnel
- Shasta County Counsel's Office personnel
- Shasta Area Safety Communications Agency (SHASCOM) personnel
- Haven Humane Society personnel
- Shasta County residents

The Grand Jury reviewed:

- Fourth Amendment of the Constitution of the United States of America
- Board of Supervisors agendas, from September 2016 to January 2017
- Citizen Complaint and photographic evidence submitted
- Shasta County Animal Regulation Unit budgets, FY 2008/09 to 2016/17
- Shasta County Animal Regulation Unit internal work logs, from October 30 to November 12, 2016
- Shasta County Animal Regulation Unit calls for service logs, February 2017
- Shasta County Animal Regulation Unit Policies and Procedures, dated October 2016
- Shasta County Animal Regulation Unit Field Training Manual
- Shasta County Animal Control Hearing packets, from October 2010 to November 2016
- SHASCOM calls for service logs, from July to October 2016
- Personal Services Agreement between Shasta County and Haven Humane Society, dated September 20, 2011
- Communications between Haven Humane Society and Shasta County Administrative Office, from June 2016 to January 2017
- Shasta County Sheriff's Office FEMA reimbursement claim forms for the "Clover Fire", FEMA-5050-FM, from September 9 to September 14, 2013
- Shasta County Department of Support Services Personnel Unit Job Descriptions for Animal Regulation Officer Levels I, II, and III
- Shasta County Class Specification Bulletins for Animal Regulation Officer Levels I, II, and III, last revised June 25, 2013
- Total reported Animal Regulation Officer salaries and benefits from 2011 to 2015
- National Animal Control and Humane Officer Modules A and B Training Materials
- California Food and Agricultural Code sections 31601-31683

- California Penal Code sections 597-599
- Shasta County Code Chapter 6.04 – “ANIMALS GENERALLY”
- California Judicial Council forms MC-600, MC-601, and MC-602

The Grand Jury observed:

- Livestock specific to the original complaint
- Haven Humane Society’s facility

## **DISCUSSION**

The Unit is typically staffed by four AROs. According to the Unit’s website, ARO duties include responding to:

- stray animals
- suspected cruelty, abuse, and neglect
- dangerous or vicious dogs
- nuisance barking
- animal bites
- injured or diseased animals
- kennel inspections
- emergency evacuation of animals

From July to September 2016, AROs responded to 714 calls for service from Shasta Area Safety Communications Agency (SHASCOM). The two officers on duty each respond to an average of 6 to 8 SHASCOM-initiated cases per day. “Animal bites”, “animal found”, “animal other”, and “animal vicious” were the predominant call types from the public. While responding to animal-related calls are the AROs’ primary duties, subpoena service and abandoned vehicle abatement were added as additional duties in 2016.

There are three levels in the ARO job classification series. The Sheriff’s Office budget shows five positions in the Unit – four ARO I/II and one ARO III. ARO Level I is the entry level class of ARO series and is expected to promote to Level II “within one year.” The Unit is currently hiring for the position of ARO I to replace an outgoing staff member. The Level II position is a journey level classification. The Unit currently has three ARO IIs. The ARO III position has been intermittently budgeted for and has been vacant since 2012. The Level III position, if filled, would incorporate patrol duty responsibilities with supervision and would report to a countywide services lieutenant. As of May 2017, the Sheriff’s Office has requested the ARO III position to be eliminated in the fiscal year 2017/18 budget. All three levels are represented by the United Public Employees of California Local 792.

AROs wear a uniform identical to those of a Deputy Sheriff with the exception of the Unit ensign at the bottom of the shoulder patch. AROs drive black and white vehicles that display the Sheriff’s Office logo and have an emergency light bar. AROs may carry pepper spray or TASERS and are issued protective ballistic vests.

New AROs undergo supervised field training provided by a peer in the Unit. They must complete a checklist of duty-related skills and pass a series of tests to be allowed to work on their own. Within one year of their hiring date, AROs are legally required to complete Penal Code section 832 (Arrest and Firearms) training and obtain a certificate for the performance of

euthanasia. Additional training such as the three National Animal Control and Humane Officer (“NACHO”) Modules are available. All current AROs have received the first two modules. Additional training for officers is dependent upon budgetary constraints and supervisory approval.

AROs serve the County on two separate schedules. One schedule is 12 hours on Sunday, Monday, and Tuesday; the other schedule is 12 hours on Thursday, Friday, and Saturday. Each ARO works 84 hours over a two-week period, including one overlapping shift every other Wednesday. Evening on-call duty is assigned to each ARO over a two-week rotation.

AROs are included in daily Patrol Operations morning briefings. Information is shared with the AROs about patrol operations and potentially dangerous areas within the County. Each schedule works independently from the other and reports to its assigned sergeant within the Patrol Operations Division. There are no scheduled meetings between all staff assigned to the Unit.

### **Policies and Procedures**

The Unit’s policies and procedures manual is incomplete, with very few procedures outlined and no table of contents. Upon review, the Grand Jury identified three areas lacking policies and procedures:

1. Animal seizure: Without a written procedure for seizure, AROs are unable to seize animals deemed by their professional assessments to be abused or neglected pursuant to California Penal Code section 597.1. In order for an ARO to seize an animal, he or she must first contact the County Counsel’s Office, either directly or through his or her supervisor, for permission. This process can delay necessary care and potentially further endanger the animal. Penal Code section 597.1 clearly outlines pre-seizure and post-seizure actions the County is required to take. Seizure of assets without due cause violates the fourth amendment rights of citizens and thus may lead to expensive legal actions against the County. Policies and procedures should be created that are legally vetted by County Counsel to ensure all provisions of Penal Code section 597.1 are followed during each seizure process. The decision to seize could therefore be left to the AROs supported by County Counsel.
2. Internal record-keeping: There are no policies or procedures for record-keeping in the Unit. There is currently no formalized case-tracking for follow-up of animals showing signs of neglect or abuse. Some cases, such as a deer in the road, are single incidents that do not require follow-up. For other types of cases, such as livestock malnutrition, follow-up may be needed over an extended period to verify actions are being taken to address the issues. AROs may follow up on their individual cases, but there are not any formal timelines or documentation shared between schedules. The Grand Jury was unable to determine if cases were duplicated by AROs or if follow-up had been provided in a timely manner. The Sheriff’s Office has a records management system, but this system does not notify AROs when follow-up on cases is required. The Sheriff’s Office is preparing to implement an 18-month records management system upgrade to better serve

the County. This upgraded system will also require policies and procedures by the Unit to ensure it is used as intended.

3. Unit phone line: The Unit's website directs calls to the dedicated Unit line. Answering and tracking the calls to this line are the responsibility of the AROs. Calls and voice mails are only answered and checked sporadically, and there is little logging or tracking of these calls. While there is a phone log, little information is recorded, and the use of the log by each ARO varies. There are no policies or procedures currently in place that outline how often this line should be checked, or what information should be logged. In February 2017, only 38 phone calls were received on this line. If an ARO responds to a call for service received through this phone line, he or she must notify SHASCOM to generate a case number. Most calls for service are not received through the dedicated Unit line but instead are received through SHASCOM and are automatically logged, dispatched, and tracked in SHASCOM's records management system.

### **Supervision**

Supervision of AROs I and II was provided by the Coroner Division lieutenant from 2011 to 2016. During this time, four lieutenants rotated through this supervisory position. Since the last ARO III retired in 2012, that position has been left unfilled, pending elimination. In the absence of such supervision, AROs seek input from their journey-level counterparts to discuss issues.

Beginning in 2016, transfer of the Unit to the Patrol Operations Division began. The Coroner Division maintained administrative oversight, while Patrol Operations supervised schedule activities. Since this transition began, two lieutenants have already rotated through Patrol Operations. As of January 22, 2017, Patrol Operations assumed all administrative responsibilities and operational oversight for the Unit. While two AROs have considerable training and expertise, and provide guidance to their peers, no one has been appointed as a lead for the Unit.

Without an ARO III, direct supervision falls on two Patrol Operations sergeants. Current supervision of the department, under these sergeants, has not addressed a known and ongoing issue: lack of policies and procedures related to record keeping, seizure, and the dedicated Unit phone line. Without the creation, maintenance, and enforcement of such policies and procedures, supervision of the Unit is inadequate to the effective functioning of the department. Additionally, the need for a supervisor with more thorough animal regulation knowledge has been noted by Sheriff's Office personnel.

### **Haven Humane Society Agreement**

A 25-year Personal Services Agreement between Shasta County and HHS was signed on September 20, 2011. Shasta County opened the agreement by granting \$2.8 million to HHS to expand its facilities for sheltering and boarding animals from the County. The County further agreed to compensate HHS \$99,320 each fiscal year to provide animal care, adoption, sheltering, and licensing services for the County. In return, HHS also generates revenue for the County through fees for licensing and boarding animals. These funds are returned to the County. In 2015, this sum was \$47,664.50.

There is disagreement between the Sheriff's Office and County Administrative Office as to which office is responsible for fulfilling the provisions of the Agreement. According to the Agreement, the Sheriff's Office is identified as the "County", as follows:

This agreement is entered into between the County of Shasta, a political subdivision of the State of California, through its Sheriff's Office ("County") and the Haven Humane Society, Inc., a non-profit corporation ("HHS"), collectively referred to as "Parties" or individuals as "Party", for the purpose of providing animal care, adoption, sheltering and licensing services in the unincorporated areas of the County of Shasta.

Exhibit A.1.F. of the agreement states, "County and HHS shall conduct an annual evaluation of the contract on or before June 30<sup>th</sup> of each year to evaluate HHS's compliance with the terms and conditions to determine whether any modifications of this agreement are necessary." The definition of such an annual evaluation is contested by County Administrative Office, Sheriff's Office, and HHS personnel. Both County offices state the monthly activity reports they receive from HHS are sufficient to determine if HHS is in compliance with the terms of the Agreement. However, when requested, no record of an annual evaluation of the overall Agreement was provided by either office. In September 2016, HHS sent a formal letter requesting contract modifications of the Agreement to the County Administrative Office. The County Executive Officer responded in January 2017, agreeing to two of the seven requested modifications on behalf of the Board of Supervisors.

## **FINDINGS**

- F1. The lack of a written and legally vetted animal seizure policy and procedures leaves AROs unable to use their professional discretion to determine if seizure of an animal is lawful and to act on that determination without contacting County Counsel.
- F2. The lack of policies and procedures related to record-keeping and case-tracking hinders the ability of AROs to consistently provide timely follow-up to determine if corrective action has been taken to resolve the original complaint.
- F3. The Unit's dedicated phone line receives calls for service without policy or procedures for answering, logging, and tracking them and duplicates call services provided by SHASCOM.
- F4. The ARO III position has been unfilled, and the Animal Regulation Unit supervisors have not developed or maintained policies or procedures for the Unit. As a direct consequence, the supervising Patrol Operations sergeants do not have policies and procedural references to guide them in their supervision of the Animal Regulation Unit.
- F5. The Shasta County Sheriff's Office, as the County's agent, has not met the contractual obligation of the Personal Services Agreement with Haven Humane Society which requires annual evaluations of the Agreement.

## RECOMMENDATIONS

The Grand Jury recommends:

- R1. By September 30, 2017, the Shasta County Sheriff-Coroner direct Animal Regulation Unit supervisors to create and seek legal County Counsel approval of an animal seizure policy and procedures.
- R2. By December 31, 2017, the Shasta County Sheriff-Coroner direct Animal Regulation Unit supervisors to create written policies and procedures for record-keeping and case-tracking in the Animal Regulation Unit.
- R3. By September 30, 2017, the Shasta County Sheriff-Coroner direct Animal Regulation Unit supervisors to discontinue the use of the dedicated Animal Regulation Unit phone line and update its website and voicemail to direct callers to the SHASCOM non-emergency line.
- R4. By September 30, 2017, the Shasta County Sheriff-Coroner direct Animal Regulation Unit supervisors to develop, maintain, and enforce comprehensive policies and procedures or delegate this responsibility to an officer in the Animal Regulation Unit.
- R5. By June 30, 2018, the Shasta County Sheriff-Coroner direct staff to fulfill the provision of the County's Personal Services Agreement with Haven Humane Society that calls for annual evaluations of the Agreement. The results of these annual evaluations should be reported to the Board of Supervisors.

## REQUIRED RESPONSES

Pursuant to Penal Code section 933.05, the following responses are required:

From the following governing body (within 90 days):

- Shasta County Board of Supervisors: **F5 and R5**

From the following elected governmental officer (within 60 days):

- Shasta County Sheriff-Coroner: **F1, F2, F3, F4, F5 and R1, R2, R3, R4, R5**

## INVITED RESPONSES

The Grand Jury invites the following response:

From the following governmental official (requested within 60 days):

- Shasta County Chief Executive Officer: **F5 and R5**

**Released June 26, 2017**

# **Shasta Lake Fire Protection District**

## **Where There's Smoke, Is There Fire?**

### **SUMMARY**

The 2015/16 Shasta County Grand Jury forwarded two citizen complaints to the 2016/17 Shasta County Grand Jury. The 2016/17 Grand Jury conducted a seven-month investigation of the Shasta Lake Fire Protection District, including a comprehensive review of staffing, Board leadership, elections, and financial management. The greatest concern was the District's fiscal solvency, highlighted by the layoff of three firefighter engineers in May 2015. Although it left the District understaffed, the District's financial status improved following these layoffs. These positions are being filled with funding from a two-year Staffing for Adequate Fire and Emergency Response grant.

The Grand Jury found the District is still vulnerable to future financial difficulties, including likely future layoffs, when the grant expires in spring 2019. The Grand Jury recommends the District proactively plan and diversify its revenue streams, such as developing a fee schedule for services. There appears to be a lack of involvement by District residents, as evidenced by few candidates coming forth to fill vacancies and run for Board positions. The District's outdated website neither fosters community interest nor is designed to attract applicants for board positions. However, the Grand Jury acknowledges the challenges of small, independent fire districts trying to survive in today's economic environment.

### **BACKGROUND**

In 1987, the California Legislature adopted the Fire Protection District Law (California Health and Safety Code Section 13800), which established the statutory authority for the approximately 380 fire protection districts in the State. A "fire protection district" is an independent district, outside the purview of city or county governments, which provides fire protection services. Its funding is provided by property taxes; special benefit assessments for specific expenditures may also be approved by district residents to supplement revenues.

In 1994, one year after the City of Shasta Lake's incorporation, the two local fire protection districts serving the area (the Central Valley and Summit City Fire Protection Districts) merged to become the Shasta Lake Fire Protection District ("SLFPD" or "District"). This new district became responsible for all fire protection as well as medical emergency response services in the City of Shasta Lake and some unincorporated areas outside the City. The District is governed by a five-member Board of Directors ("Board"); these Directors are elected by District residents.

The 2015/16 Shasta County Grand Jury received a complaint regarding potential fiscal mismanagement within the District. Of particular concern was the May 13, 2015, layoff of all three of the District's firefighter engineers. A second complaint was received that outlined similar concerns. The 2015/16 Grand Jury forwarded the complaints to this year's Grand Jury for

consideration. The 2016/17 Shasta County Grand Jury studied the issues raised by the complaints and conducted a comprehensive investigation of the District.

## **METHODOLOGY**

The Grand Jury interviewed:

- Current and Former Shasta Lake Fire Protection District Board of Director members
- Current and Former Shasta Lake Fire Protection District Administrative personnel
- Current and Former Shasta Lake Fire Protection District Volunteer Firefighters
- Shasta County Auditor-Controller's Office personnel
- Shasta County Clerk/Registrar of Voters personnel
- City of Shasta Lake Administrative personnel

The Grand Jury reviewed:

- Shasta Lake Fire Protection District Policies and Procedures Manual, 2004
- Shasta Lake Fire Protection District Fair Political Practices Commission Form-700s, January 2012 to November 2016
- Election ballots and results for City of Shasta Lake, November 2006 to November 2016
- California Elections Code sections 10509, §10515, and §10520
- California Health and Safety Code section 13800 (Fire Protection District Law)
- Shasta Lake Fire Protection District adopted budgets, FY 2012/13 to FY 2015/16
- Shasta Lake Fire Protection District proposed budget, FY 2016/17
- Shasta Lake Fire Protection District Internal and Independent Audits, FY 2011/12 to 2014/15
- List of Shasta Lake Fire Protection District assets, October 2016
- Consulting contract between Shasta Lake Fire Protection District and SCI Consulting Group, dated September 4, 2015
- 2008 Special Benefit Assessment documentation, including election results
- Equipment Inspections and Certifications Schedule, October 2016
- California Department of Motor Vehicles driver's licenses, including endorsements, held by Shasta Lake Fire Protection District staff and volunteers, October 2016
- Training records and certification of all SLFPD volunteer firefighters, January 2012 to October 2016
- Shasta Lake Fire Protection District Board Minutes, January 2007 to August 2016
- Shasta Lake Fire Protection District Administrative Staff Performance Evaluations, January 2012 to August 2016

- Shasta Lake Fire Protection District time records and shift schedules for staff and volunteers, May through September 2014, 2015, and 2016
- Dispatch records for “Lake Fire” Incident, September 10, 2016
- List of Shasta Lake Fire Protection District accounts currently maintained by Shasta County Auditor-Controller’s Office
- Cash and fund balances of the above accounts
- Federal Emergency Management Agency Staffing for Adequate Fire and Emergency Response grant application and eligibility criteria
- Automatic Aid Agreement between Shasta Lake Fire Protection District and Shasta County Fire Department, May 12, 1996
- 2002/03 Shasta County Grand Jury report: “Shasta Lake Fire Protection District”
- The Shasta Lake Fire Protection District website, [www.shastalakefpd.org](http://www.shastalakefpd.org)
- Shasta County Fire Department website, [www.shastacountyfire.org](http://www.shastacountyfire.org)
- United States Fire Administration website, [www.usfa.fema.gov/index.html](http://www.usfa.fema.gov/index.html)

Grand Jury members attended Shasta Lake Fire Protection District Board meetings

## **DISCUSSION**

The Grand Jury focused their investigation on the following areas identified by the complaints.

### **Staffing and Assets**

SLFPD maintains three fire stations, only one of which is currently being staffed. Station #1 on Ashby Court houses a 24-hour presence and the District’s administration; Station #2 on Akrich Road is used for storage; Station #3 on Lake Boulevard has a full complement of vehicles but is not usually staffed. SLFPD operates five fire engines, one water tender truck, one patrol truck, one command truck, and two “rescue quad” vehicles.

When fully staffed, SLFPD employs one fire chief, one fire marshal/prevention battalion chief, one administrative assistant, three captains and three firefighter engineers. As of November 2016, four of these positions were vacant – the training battalion chief and three firefighter engineers. When the previous fire chief retired in January 2015, the training battalion chief at the time was promoted to interim fire chief, where he assumed both roles. This consolidation of duties shifted the training program from having scheduled training sessions to having ad hoc, “on-the-job” training. According to the District’s own Policies and Procedures, hiring preference shall be given to current employees for officer and supervisor positions.

In addition to full-time staff, SLFPD employs approximately 25 volunteer firefighters. The volunteers are required to be at least 18 years old and live within 10 minutes of any District station (exceptions may be made by the fire chief). Volunteers are also required to successfully complete a basic firefighter training program as outlined in SLFPD standard operating procedures. Within six months of their date of employment, all volunteers are required to pass a

“volunteer test”. Volunteers are on probation for the first 12 months. Volunteer firefighters from other districts or departments may work with the SLFPD if the two agencies have an agreement in place. According to the federal Fair Labor Standards Act of 1938 (as amended), volunteers can be compensated for their services, but their wages cannot exceed 20% of a full-time employee’s salary. All District volunteer firefighters are paid on a per-call basis. They submit their number of call responses each month, which are then added together into one yearly stipend.

One of the issues studied was whether the District was properly licensing firefighters to operate their vehicles. The operation of each type of vehicle, and even individual pieces of equipment on the vehicles, may require particular endorsements from the California Department of Motor Vehicles (DMV). While any firefighter is legally allowed to drive a fire engine to the scene of an emergency, only a certified operator can return the vehicle to the station. The District reports it no longer participates in the DMV’s DL-170 Employer Testing Program. Since 2005, SLFPD has referred all firefighters to the DMV for required certifications. As of October 2016, all reviewed driver licenses were current with the exception of one volunteer, whose current status was unknown by the Grand Jury.

### **Board of Directors**

SLFPD is overseen by an elected board comprised of five community members that reside within the District. These local citizens sit on the Board for four-year terms, with staggered elections scheduled to be held every two years. The Board’s primary responsibilities are to oversee compliance with all federal, state, and local regulations; labor contract negotiations with the unions; and the hiring and evaluation of the fire chief.

The fire chief, who answers directly to the Board, is responsible for managing the financial and administrative functions of the District. The Board has the opportunity to sit on various two-member committees as well as participate in annual budget workshops.

By law, the requirements for being a viable candidate for a Board seat are:

- be currently residing within the District
- be a registered voter
- file a “Statement of Qualifications” and associated fee with the County Elections Office

No training or prior knowledge of fire protection services is necessary.

Presently, there are no directors seated on the Board who were elected for their current terms as defined by appearing on a ballot. For cost-saving reasons, the District does not place unopposed candidates on ballots, which is allowed by California Election Code Section 10515(b). Since 2008, no Board seats have appeared on a ballot, due to no opposing candidates. Vacancies on the Board are filled with appointees for the remainder of the term. They may file for candidacy for the next full term. Special districts are required to publish Board vacancies. The District meets the legal standards for vacancy advertising.

## Finances

The Shasta County Auditor-Controller’s Office provides accounting services for the District. There are two main accounts: an Operating account and a Capital Improvement account. The District’s funds are held in the Shasta County treasury. The funds in the Capital Improvement account come from a special benefit tax assessment and are restricted to the “purchasing and maintaining of firefighting and emergency equipment.” The assessment, which was passed by District voters in June 2008, may be annually adjusted for inflation by the Board at a public meeting.

<b>Annual Actual Accounting*</b>				
<b>Fiscal Year</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Difference</b>	<b>Ending Fund Balance</b>
2012/13	\$1,661,835	\$1,387,151	\$ 274,684	\$ 661,303
2013/14**	\$1,192,243	\$1,426,730	- \$ 234,487	\$ 426,815
2014/15	\$1,281,279	\$1,424,169	- \$ 142,890	\$ 294,710
2015/16	\$1,293,382	\$1,056,020	\$ 237,362	\$ 532,072

\*Based on annual independent audit reports; before adjustments

\*\*New engine financing not included in figures

The District financed the purchase of two new fire engines in November 2013 for \$860,312 and is making payments from the special benefit tax assessment fund.

The District receives the bulk of its operating funding from property taxes, collected by the Shasta County Tax Collector’s Office in April and December each year. The period of July through December is referred to as the “dry period”, when expenses may exceed revenue until the next deposit. If the current cash balance is insufficient to cover these expenses, the Board votes to request a “loan” from the County to tide the District over until the next tax revenue is received. This “loan” is viewed as an advance on the next anticipated tax revenue. A small interest charge is applied to the dollars that are spent. Most recently, this occurred in September 2016, when the County advanced \$100,000 at the request of the District in anticipation of expenses incurred from the “Lake Fire.” SLFPD did not use any of this loan.

In the spring of 2015, the District encountered a severe cash shortage, with an operating account cash balance of only \$20,862.37. Although the April 2015 tax payment raised the cash balance to \$98,311.60, the District recognized that an immediate reduction in spending was needed to survive the upcoming “dry period.” Three firefighter engineers were laid off in May 2015.

<b>Annual Projected Budgets</b>		
<b>Year</b>	<b>Revenues</b>	<b>Expenditures</b>
2012/13	\$1,085,821	\$1,521,888
2013/14	\$1,054,821	\$1,643,850
2014/15	\$1,055,601	\$1,396,379
2015/16	\$ 954,232	\$ 954,232
2016/17	\$ 954,232	\$ 954,232

Using trained volunteers to support the remaining paid staff, the District has been able to continue responding to calls, and its financial situation has somewhat stabilized. The District applied to the Federal Emergency Management Agency’s Staffing for Adequate Fire and Emergency Response (“SAFER”) Grants Program in February 2016. The goal of SAFER is to enhance the local fire department’s abilities to comply with staffing, response, and operational standards established by the National Fire Protection Association. In September 2016, the

District received notice that its SAFER grant application was approved, with the first funding to be received in March 2017. The District was awarded \$354,761 per year for two years. As of April 2017, the District is in the process of hiring for the three firefighter engineer positions and the training battalion chief position. The firefighter engineers laid off in 2015 must be given hiring preference; one has agreed to return. The District has not presented a contingency plan to maintain the re-hired firefighter engineers' positions after the SAFER grant funding expires in spring 2019.

The District utilizes the consulting firm SCI Consulting Group ("SCI") to assist with marketing strategies for possible increases in assessments. In 2015, the District explored the idea of placing an additional assessment for operations on the 2016 ballot. The survey conducted by SCI indicated unwillingness on the part of District voters to increase any assessments for SLFPD. This feedback resulted in the District abandoning the proposed increase.

Creating and implementing a fee for service schedule could supplement the District's revenue stream and help financially stabilize the District. Of the 1,300 calls the District responds to in an average year, approximately 80-85% of those calls are medical emergency related. This shift in responsibilities is not unique to SLFPD. According to the United States Fire Administration, as of 2015, an average of 68.6% of all fire department or fire district calls for service are medical emergency related; only 3.5% of calls for service are for fires. According to the Fire Protection District Law, districts may charge a "reasonable" fee for services, including for emergency medical services. The District does not charge any entity, including the City of Shasta Lake, for providing this or any other service. Additionally, there are currently no plans to consolidate with the City of Shasta Lake. Neither entity has shown any interest in merging the fire and emergency response duties into the City's list of services.

### **The "Dam Area"**

On March 12, 1996, the District entered into an automatic aid agreement with County Service Area #1 – Fire Protection, also known as the Shasta County Fire Department ("County Fire"), to provide emergency response services for areas surrounding Shasta Dam, colloquially known as the "Dam Area". In return, County Fire, through the California Department of Fire and Forestry Protection (CAL FIRE), would provide dispatching services to the District free of charge. Due to the outdated nature of this agreement and others with various fire districts, County Fire has been updating its aid agreements. The updated agreement proposed to the District would "provide clarity on the rights and responsibilities of both parties" but would place the burden of providing dispatching services back on the District. On August 15, 2016, the Board declined to sign the new agreement, indicating that entering into its own contract with CAL FIRE or Shasta Area Safety Communications Agency (SHASCOM) was not economically feasible. As of February 1, 2017, the 1996 agreement was terminated, and no replacement was approved. The District will still respond to emergencies in the "Dam Area", if requested by CAL FIRE.

### **Public Outreach**

SLFPD owns the website [www.shastalakefpd.org](http://www.shastalakefpd.org). During the investigation, the website was sporadically updated but with little content.

As of March 2017, the following errors were noted:

- The agendas, but not the minutes, of the Board’s monthly meetings for 2016 are available to view and download.
- The Fire Chief, who was formally appointed on September 14, 2015, is still listed under the title “Interim Fire Chief”.
- All three firefighter engineers that were laid off in May 2015 are still listed under the “Paid Staff” tab.
- The “Five Year Prevention Plan” is outdated by almost two years.
- The most recent adopted budget available is from FY 2014/15.
- The listed employed staff pay rates were last revised on November 6, 2010.
- The “Board Members” tab still lists the former Board Chairman, who has since vacated the position.
- The “Training” tab has two general paragraphs stating new volunteers undergo a “six month orientation and training program”, but lacks the requirements for opportunities available through the District.
- The “Employment” tab has only listed the open position of “Volunteer Firefighter”, even though the District’s prevention battalion chief has retired, and two firefighter engineer positions are becoming available.
- On the “Contact” tab, no email address for any District staff or Board member is listed.

The Grand Jury noted little public participation in District matters; few citizens attend the monthly Board meetings, and Board candidates for the past nine years have been appointed due to a lack of opposition. The Board could use available advertising platforms such as the District’s website to expand their community outreach. The District’s current community profile is limited to several parades, a pancake breakfast associated with one of them, and occasional passive presence such as at high school sporting events. According to state law, special districts are allowed to fundraise and accept donations, but the District has yet to take full advantage of these opportunities.

## **FINDINGS**

- F1. Without a long term financial plan, the Shasta Lake Fire Protection District faces possible future layoffs once the SAFER grant funding expires.
- F2. The Shasta Lake Fire Protection District fails to take advantage of potential additional revenue streams such as a fee for service schedule and organizing community fundraising events.
- F3. The Shasta Lake Fire Protection District’s outdated website does not encourage public involvement, lacks a volunteer recruitment component, and fails to inform citizens of current District matters.

## RECOMMENDATIONS

The Grand Jury recommends:

- R1. By December 31, 2017, the Shasta Lake Fire Protection District Board direct staff to explore alternative revenue sources. Options may include creating a reasonable fee for service schedule including emergency medical services, and organizing additional community fundraising events.
- R2. By September 30, 2017, the Shasta Lake Fire Protection District Board direct staff to ensure that the District's website is updated, a schedule for website updates is implemented, and District matters are advertised on the website.

## REQUIRED RESPONSES

Pursuant to Penal Code section 933.05, the following response is required:

From the following governing body (within 90 days):

- Shasta Lake Fire Protection District Board of Directors: **F1, F2, F3 and R1, R2**

From the following elected governmental officers (within 60 days):

**NONE**

## INVITED RESPONSES

The Grand Jury invites the following response:

From the following governmental official (requested within 60 days):

- Shasta Lake Fire Protection District Fire Chief: **F1, F2, F3 and R1, R2**

**Released June 26, 2017**

## 2016-2017 Shasta County Grand Jury



**Back Row Left to Right:** Christopher (Curt) Rhyne, Richard Camillieri, William Masten, Jeffrey Haynes, Rebecca Willburn, Janette Brockmann, Michael Stewart **Front Row Left to Right:** Gail Buick, Alice Bell, Jeanne Jelke, Susan Bakke, Laron Kunkler, Ann (Annelise) Pierce, M. James Warnemuende, Chaland Scrivner  
**(Not pictured:** Leonard (Lee) Wikstrom)

The Behrens-Eaton Museum, located at 1520 West Street in Downtown Redding, was originally built in 1895. The Behrens-Eaton family resided in the house until the death of Judge Richard Eaton in 2003. In Judge Eaton's will, the house was to be transformed into a museum depicting the "life and times of the Victorian and Gold Rush Era in Northern California." The Museum opened to the public in 2014. Also according to Judge Eaton's will, admission is free. For more information on the Museum and the Behrens-Eaton family, please visit the website at [www.eatonhousemuseum.org](http://www.eatonhousemuseum.org).

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# PREFACE

Grand juries may publish reports based on investigations they undertake. These reports must include at least one finding and may include recommendations. Findings are conclusions made by the grand jury based on the facts of an investigation. Recommendations are courses of action suggested by the grand jury to address any negative findings. California Penal Code § 933.05 mandates how local governing bodies and elected officials must respond, in writing, to findings and recommendations that fall under their jurisdiction. Appointed officials and department heads may be invited to respond to findings and recommendations that appertain to their work, but they are not required to submit any responses. Additionally, reports may also include commendations to highlight excellence in local governance. Entities are not required to respond to commendations they receive.

Because a grand jury is impaneled for a single fiscal year, with reports typically being released at or near the end of its term, response to these reports are often received by the following year's grand jury. Many times, grand juries will compile, review, and report on all the responses to the previous year's grand jury reports for compliance with the Penal Code. This review process helps promote accountability of agencies and elected officials.

What follows, in this section, is a compilation of all the responses received from both mandated and invited responders to the 2016-2017 Shasta County Grand Jury's Consolidated Final Report. The report which reviews and analyzes those responses and checks for compliance with the Penal Code will appear in the 2017-2018 Shasta County Grand Jury Consolidated Final Report, and may be posted online sometime during this coming year prior to the publication of the final report.

Past Shasta County Grand Jury Consolidated Final Reports are available on the Shasta County Grand Jury's website:

[https://www.co.shasta.ca.us/index/gj\\_index/gj\\_reports.aspx](https://www.co.shasta.ca.us/index/gj_index/gj_reports.aspx)



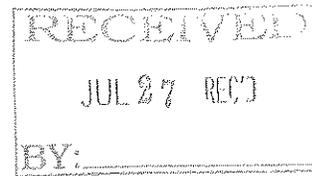
Superior Court of California  
County of Shasta

GARY G. GIBSON  
Presiding Judge

DANIEL E. FLYNN  
Asst. Presiding Judge

July 25, 2017

Brent Weaver, Mayor  
City of Redding  
P.O. Box 496071  
Redding, CA 96049-6071



Re: Grand Jury Report re "Stillwater Business Park – Still Spending; Still Waiting"

Dear Mayor Weaver:

This is to acknowledge receipt of your response dated July 19, 2017 to the 2016-2017 Grand Jury report regarding "Stillwater Business Park – Still Spending; Still Waiting".

I would like to thank you for your response to the Grand Jury Report. Pursuant to the provisions of Penal Code §933, I shall transmit your response to the Office of the County Clerk to be maintained on file there. An additional copy shall be provided to the Clerk of the Court also to be maintained on file.

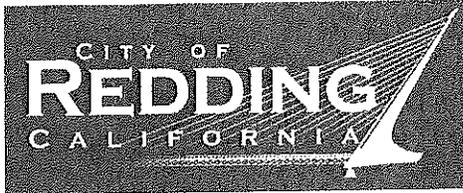
Thank you again for your response.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary G. Gibson".

Gary G. Gibson  
Presiding Judge

cc: Office of the County Clerk (original response)  
Melissa Fowler-Bradley, Clerk of the Court (for Admin file)  
Grand Jury



CITY OF REDDING  
777 CYPRESS AVENUE, REDDING, CA 96001  
P.O. BOX 496071, REDDING, CA 96049-6071

**BRENT WEAVER, MAYOR**

530.225.4447  
530.225.4463 FAX

July 19, 2017

The Honorable Gary Gibson  
Presiding Judge  
Shasta County Superior Court  
1500 Court Street, Room 205  
Redding, CA 96001

Dear Judge Gibson:

The Shasta County Grand Jury issued a report titled "Stillwater Business Park – Still Spending; Still Waiting." The Grand Jury has requested that the City Council of the City of Redding respond to eight findings and seven recommendations contained within the aforementioned report. They are as follows:

**Findings**

**F1.** The \$23 million cited cost for Stillwater Business Park does not accurately represent the true cost to citizens, because it does not include all expenses associated with the Park which currently total \$40,835,789. Additional infrastructure development costs at Stillwater Business Park will likely be incurred by the City, depending upon future occupancy.

**Response:** The respondent disagrees in part with the finding. It is agreed that the full cost to construct and operate Stillwater Business Park, including debt service, is greater than \$23 million. However, the \$40,835,789 amount as itemized includes bond revenue used for construction in addition to bond principal repayment, essentially "double counting" those costs. In addition, the amount stated includes \$10,421,669 attributed to Redding Electric Utility capital expenditures. Except for the \$618,146 for distribution facilities, these improvements would have been built regardless of Stillwater Business Park and thus should not be part of the cost of the Park. Therefore, the more accurate cost for Stillwater Business Park is \$28,812,543. This includes \$4,238,733 in bond interest paid to date but excludes \$2,420,000 in bond principal that should not be "double counted." It is noted that the principle and interested amount in the report were transposed. Furthermore, additional infrastructure could be required as the park develops (depending upon traffic demands), but it has not been determined if those improvements will be the City's financial responsibility or the builder/developer.

**F2.** City residents, via the General Fund, have contributed \$6,458,454 so far in interest and principal repayment on the 2007 Series A Lease Revenue Bond. An additional \$13,664,689 will be contributed over the next twenty years unless the property is sold and parcel proceeds are used to pay off debt. These payments represent an ongoing drain on the City's General Fund without providing any service to residents other than debt repayment.

**Response:** The respondent disagrees in part with the finding. The \$13,664,689 payment could be reduced proportionately by the sale of a portion of Stillwater properties, reducing the future debt service amount.

- F3. REU customers, via utility bills, have contributed \$10,269,831 to fund infrastructure development for Stillwater Business Park and will pay more than \$4.9 million in future debt repayment. Since no electrical revenue has been generated from Stillwater Business Park, REU customers pay these expenses with little or no benefit.

**Response:** The respondent disagrees in part with the finding. Infrastructure improvements financed by REU also serve current and future customers outside of Stillwater. Much of the cost was due to the construction of the 115kV line which added a connection from the Airport 230kV substation to the East Redding Substation. This line increases system reliability, facilitates maintenance of the other lines, and provides the future ability to locate other generation sources in the area including renewable energy.

- F4. Ten years of planning and developing and seven years of marketing have failed to create any new jobs or industry at Stillwater Business Park. Nevertheless, the City has never comprehensively re-evaluated the viability of Stillwater Business Park to determine whether additional funds should continue to be invested.

**Response:** The respondent disagrees in part with the finding. The City has worked closely with the Shasta County Economic Development Corporation (EDC) and contracted with three real estate brokerage firms to market Stillwater: Cushman Wakefield, Voit Real Estate Services and Colliers International. In consultation with Voit and Colliers, the City did extensive review of marketing conditions, Stillwater's viability and future sale opportunities. All parties were in agreement that the fundamental premise of Stillwater remained sound. It should be noted that while debt service obligations have continued, no major infrastructure investments have been made in the past four years. Additionally, marketing efforts have resulted in the sale of Parcel 7 to a local business that plans to construct a facility on the park as market conditions improve.

- F5. The Redding City Council does not, by policy or practice, direct all funds from lot sales back to Stillwater Business Park or the Stillwater Lease Revenue Bond debt, even though retiring the debt early would lead to significant cost savings to citizens.

**Response:** The respondent agrees with the finding.

- F6. The Redding City Council has no comprehensive, objective method, other than design elements, by which to guide its decisions on sales at Stillwater Business Park, contributing to lost time and money for both the City and potential buyers during sales negotiations.

**Response:** The respondent disagrees in part with the finding. While there is no "litmus test" of criteria by which a potential buyer must meet beyond those in the entitlement process, overriding objectives exist: Job creation and economic investment in the community. Stillwater Business Park was created for the single purpose of enhancing the local economy. As no two prospective buyers are the same, selection of those that are the "best fit" involves negotiation and flexibility. The finite space in Stillwater requires that sales be thoughtful and with an eye toward future long-term benefits. To make such decisions by rote could reduce time involved but could prove more costly in the long term.

- F7.** There is no single City staff member tasked with oversight of the administration, finances, marketing, and evaluations of Stillwater Business Park, which may contribute to the lack of awareness of the cost and strategic evaluation of the future viability of Stillwater Business Park.

**Response:** The respondent disagrees with the finding. While no single person is responsible for all decision making for Stillwater, staff is aware of the cost to maintain the park and evaluates the viability of the park in conjunction with Shasta EDC and the industrial real estate brokerage firm retained to market and sell the property. The City has successfully utilized a “team approach” to oversee and market Stillwater Business Park, ensuring the City Council is closely informed on a regular basis. The Development Services Director serves as the City’s economic development liaison. This includes working closely with the EDC and the city’s broker to evaluate efforts to market Stillwater. The city’s Environmental Compliance Manager oversees the environmental needs of the park and contracts with consultants to ensure compliance with the adopted Environmental Impact Report. The Finance Director and her staff provide detailed accounting on matters relating to the Park as needed.

- F8.** Redding City Council Members, City administrators, and other staff are not aware of the true cost of Stillwater Business Park, leaving them unable to make informed decisions about the project.

**Response:** The respondent disagrees with the finding. While the exact aggregate amount of capital, maintenance and debt service payments may not be common knowledge to all staff, decisions are made based on knowledge of costs generally, including capital costs, debt service and ongoing maintenance obligations.

### **Recommendations**

- R1.** By December 31, 2017, the Redding City Council contract for an external audit of all funding and expenditures related to Stillwater Business Park. This audit can be paid for by existing funds allocated to Stillwater Business Park.

**Response:** The recommendation requires further analysis. Although the City undergoes a comprehensive audit by an outside firm annually, including funds related to Stillwater, it is possible the City could contract with the auditor to perform an agreed-upon procedure to provide an analysis of all funding and expenditures related to the Stillwater Business Park. This would involve an analysis of any additional costs and benefits prior to September 30, 2017.

- R2.** By September 30, 2017, the Redding City Council request Colliers International and the EDC to jointly determine the continued market demand for existing Stillwater Business Park parcels and present their findings to the City Council by November 30, 2017.

**Response:** The recommendation has not yet been implemented but will be implemented within the timeline specified. At the direction of the City Council at its February Priority Setting Session, Colliers already has begun to prepare a market demand analysis.

- R3.** By September 30, 2017, the Redding City Council direct staff to identify alternative uses of the Stillwater Business Park property and report their findings to the City Council by November 30, 2017.

**Response:** The recommendation requires further analysis that may depend upon the results and conclusions of the Colliers market demand study. The analysis will be completed by November 30, 2017.

- R4.** By December 31, 2017, the Redding City Council establish a formal procedure for comprehensively evaluating the viability of the Stillwater Business Park project.

**Response:** The recommendation requires further analysis and may or may not be warranted depending on the results of the Colliers study. The analysis will be completed by November 30, 2017.

- R5.** By September 30, 2017, the Redding City Council establish a policy directing funds received from any future parcel sales be utilized only for Stillwater Business Park debt repayment or infrastructure.

**Response:** The recommendation will not be implemented. The City Council has the prerogative to direct parcel-sale revenue to be used for General Fund needs, including Stillwater Business Park debt repayment or infrastructure. Binding Council decisions by policy would limit flexibility and could prevent such funds being used for higher-priority needs at any given time.

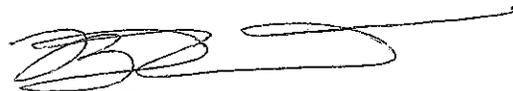
- R6.** By September 30, 2017, the Redding City Council establish a formal, documented procedure for comprehensively evaluating potential Stillwater Business Park sales using criteria such as financial viability, estimated wage rates, and number of jobs to be created.

**Response:** The recommendation requires further analysis to determine if a formal policy is beneficial or would be detrimental to productive real estate negotiations. Prospective purchase agreements are reviewed by the City Council, which has the authority to direct staff in negotiating the price and terms of any such transaction. The analysis will be completed by November 30, 2017.

- R7.** By September 30, 2017, the Redding City Council appoint an existing City staff member to manage the Stillwater Business Park Project. This person would be responsible for routine evaluation of Stillwater, including supervising marketing coordination, sales negotiations, and fiscal accountability. Further, this City staff member will report on a quarterly basis to the City Council on these Stillwater Business Park evaluations.

**Response:** The recommendation will not be implemented. Currently the Development Services Director serves as the City's economic development liaison. This includes working closely with the EDC and the city's broker to evaluate efforts to market Stillwater. The city's Environmental Compliance Manager oversees the environmental needs of the park and contracts with consultants to ensure compliance with the adopted Environmental Impact Report. In coordination with the City Manager's Office, regular updates and information on Stillwater are provided to the City Council.

Sincerely,



Brent Weaver  
Mayor

c: City Council Members  
City Manager  
City Attorney



# Shasta County

## BOARD OF SUPERVISORS

1450 Court Street, Suite 308B  
Redding, California 96001-1680  
(530) 225-5557  
(800) 479-8009  
(530) 225-5189-FAX

DAVID A. KEHOE, DISTRICT 1  
LEONARD MOTY, DISTRICT 2  
MARY RICKERT, DISTRICT 3  
STEVE MORGAN, DISTRICT 4  
LES BAUGH, DISTRICT 5

June 27, 2017

The Honorable Gary Gibson  
Presiding Judge, Shasta County Superior Court  
1500 Court St., Rm. 205  
Redding, CA 96001



Dear Judge Gibson:

**Re: Response of Board of Supervisors to Fiscal Year 2016-2017 Grand Jury Report:  
Shasta County Service Areas – Elk Trail Water Improvement Project**

The Shasta County Board of Supervisors appreciates the time and dedication which the 2016-2017 Grand Jurors contributed to their charge. The following findings and recommendations are under serious consideration and discussions are being held regarding solutions to any unresolved problems.

### RESPONSES AND FINDINGS

#### Water Loss in CSAs

##### FINDINGS

The Grand Jury findings:

**FI.** *Water loss in seven of the eight water CSAs is above the national average and should be prioritized by Public Works staff.*

**Response:** The Board of Supervisors partially disagrees with the finding. Some produced water is not reflected in sales. But staff time and capital improvements cost money. CSA customers in several CSAs were polled in 2015 and a clear majority opposed any additional expenditures.

**F2.** *The CSA customers ultimately pay for lost water, either through increased water purchases or through repairs to correct the water loss.*

**Response:** The Board of Supervisors agrees with the finding.

**F3.** *Identifying the causes of and/or addressing water loss will cost the CSA customers unless grand funding can be obtained.*

**Response:** The Board of Supervisors agrees with the finding.

**F4.** *Without a dedicated water systems engineer, Public Works is less able to address CSA water loss issues and secure funding for solutions to these issues.*

**Response:** The Board of Supervisors disagrees wholly with the finding. Existing staffing arrangements provide flexibility and depth of experience.

### **Shasta County Water Agency**

**F5.** *At least three Public Works engineers are being paid by the Water Agency for duties that could be managed by a single dedicated engineer.*

**Response:** The Board of Supervisors disagrees wholly with the finding. Water Agency resources are presently insufficient to dedicate an engineer to water issues. Moreover, there is not a single full-time engineer whose salary is being paid by the Water Agency. Public Works engineers charged 661 hours and 839.5 hours to the Water Agency in FY 2015/16 and 2016/17 respectively. These charges amount to only a fraction of a full time position.

**F6.** *The Water Agency and Public Works lack dedicated management to oversee water issues in the County.*

**Response:** The Board of Supervisors partially disagrees with the finding. Management resources are fiscally constrained. All related costs are charged to the beneficiaries and a clear majority opposed any additional expenditures. The Water Agency's needs to not require dedication of full-time employees to manage it.

### **CSA Budget**

**F7.** *It is not clear which special districts are charged administrative fees through the CSA Administration Fund – 00060, or how much these districts are charged.*

**Response:** The Board of Supervisors disagrees wholly with the finding. CSAs are the only special districts that are charged administrative fees through the CSA Administration Fund.

**F8.** *CSA customers pay fines levied against their CSA due to Public Works personnel errors.*

**Response:** The Board of Supervisors agrees with the finding.

### **Elk Trail Water Improvement Project**

**F9.** *The Elk Trail Water Improvement Project demonstrates the great costs involved with designing and constructing a complex water distribution system.*

**Response:** The Board of Supervisors agrees with the finding.

### **Water Transfer between CSAs**

**F11.** *Public Works staff gave Elk Trail residents conflicting information about what water sources were available, how much water was required, and from what entities the County was willing to purchase water. This resulted in the residence unnecessarily paying \$10,900 to ACID to reserve water they would never use.*

**Response:** The Board of Supervisors disagrees wholly with the finding. The County's letter of February 15, 2007 (County Letter) was a complete and accurate treatise on potential water sources for Elk Trail. The County Letter expressed numerous reservations regarding the ACID water, discussed potential alternatives and noted that ETWA had elected to proceed with the purchase. ETWA executed an agreement with ACID on February 28, 2007. The County subsequently elected to use water from Keswick CSA instead. The Grand Jury Report alleges that the County Letter was the first documented mention of Keswick CSA water. This assertion is contradicted by the January 16, 2007 Board of Supervisors meeting Minutes. Those Minutes note that ETWA members were in attendance and that Keswick was discussed as a potential source.

**F14.** *Because all CVP water purchases by the Water Agency goes into a "common pool", Jones Valley CSA did not and cannot enter into a long-term water transfer agreement with Keswick CSA.*

**Response:** The Board of Supervisors disagrees wholly with the finding. Resolution 2008-01 was executed by the Water Agency, not the County or any of the various CSA's therein. In 1964, Keswick CSD (CSD) entered into a contract with the U.S. Bureau of Reclamation for 500 acre-feet of Central Valley Project water (CSD Water). In 1990, the CSD was reorganized into Keswick CSA with all attendant assets and liabilities including the CSD Water being transferred to the CSA. In 2004, the CSD Water was combined with a Water Agency contract for administrative purposes. The CSD Water remains an asset of Keswick CSA.

### **Rural Community Assistance Corporation**

**F15.** *Public Works fails to take advantage of all available assistance resources due to a mutually adversarial relationship existing between Public Works staff and the Rural Communities Assistance Corporation. This results in a loss of potential aid to the entire County for future improvement projects.*

**Response:** The Board of Supervisors disagrees wholly with the finding. Public Works accesses third party resources as appropriate. RCAC was recruited to provide services in conjunction with the Elk Trail Project. Adversarial public interactions ensued as noted in the Grand Jury report. RCAC staffing changes reportedly ensued and there were no further difficulties. RCAC's financing proposal was rejected because a competing proposal from Umpqua Bank was more cost-competitive. The County remains committed to competitive procurement based upon demonstrated qualifications.

### **Jones Valley Community Advisory Board**

**F16.** *Jones Valley CSA CAB's requests for monthly interaction with Public Works staff have gone unheeded by the Board of Supervisors.*

**Response:** The Board of Supervisors disagrees wholly with the finding. The Jones Valley CSA CAB lacks a quorum to convene, take action or make requests.

## Grand Jury Investigation Charges

**F17.** *The Grand Jury found no legal authority by which Public Works may charge a CSA for staff time spent on a Grand Jury investigation.*

**Response:** The Board of Supervisors can neither agree nor disagree with this finding as it is merely a statement of what the Grand Jury found. If the assertion is that there is no authority for such charges, the Board of Supervisors disagrees wholly with the finding. CSAs are charged for the work performed on behalf of each CSA. When Public Works employees perform duties on behalf of the CSA's, the CSA is charge for those services.

**F18.** *It appears Jones Valley CSA was improperly charged for Public Works staff time spent on a Grand Jury investigation under "CSA #6 Jones Valley Grand Jury Investigation" for an investigation about Public Works' administration of all the water CSAs and the Water Agency.*

**Response:** The Board of Supervisors disagrees wholly with the finding. Public Works staff charges are allocated through a computerized cost accounting system (Win-CAMS). CSA#6 Jones Valley Grand Jury Investigation costs were charged to Work Order No. 30100-111029. Water Agency and other CSA expenses were charged to their respective Work Order Numbers as well since the work was performed on behalf of the CSA. Costs are assigned to the various cost centers based upon these inputs.

**F19.** *Without the County conducting an analysis, CSA residents cannot know how much they have been charged for any Grand Jury investigations.*

**Response:** The Board of Supervisors disagrees wholly with the finding. Time spent against each water CSA and the Water Agency for investigations can be determined by gathering labor reports based on dates.

**F20.** *The Grand Jury questions if Public Works charging CSA residents for staff time spent on a Grand Jury investigation is in compliance with Proposition 218.*

**Response:** The Board of Supervisors can neither agree nor disagree as the finding merely states what the Grand Jury questions. If the assertion is that charging for services rendered on its behalf, in this case responding to Grand Jury requests, the Board of Supervisors disagrees wholly with the finding. Proposition 218 merely mandates that rates shall

reflect the cost of service for the agency or enterprise. Expenses of responding to Grand Jury requests are a component of the cost of service.

**F21.** *The Grand Jury questions if Public Works Charging CSA residents for staff time spent on a Grand Jury investigation is in compliance with Shasta County Code 13.12.120.*

**Response:** The Board of Supervisors disagrees wholly with the finding. Shasta County Code 13.12.120 states:

*All costs incurred by the county for furnishing and administering the services provided in a county service area or zone thereof shall be a charge against the service area or zone and are deemed to be part of the cost of rendering the affected service.*

Public Works employees administered services in responding to Grand Jury requests including gathering information and attending interviews. Per Shasta County Code 13.12.120 these costs were charged against the service area as stated in the Code.

**F22.** *Charging small County district residents for resources spent on Grand Jury investigations will likely have a chilling effect on both the public and future grand juries throughout the State.*

**Response:** The Board of Supervisors disagrees wholly with the finding. Public institutions should be founded upon transparency and the fair and accurate allocation of resources.

## **Grand Jury Admonishments**

**F23.** *The Grand Jury questions if a high-ranking Public Works engineer may have violated a signed confidentiality agreement.*

**Response:** The Board of Supervisors disagrees wholly with the finding. On August 16, 2016, the Grand Jury sent a request for information to a high-ranking Public Works engineer. Over the ensuing months, at least fourteen more requests were sent to the County. The high-ranking Public Works engineer and the Public Works staff furnished thousands of documents pursuant to these requests. Related costs were allocated and reported in the routine course of business. Not one of those requests for information asserted that the request was confidential nor was there an agreement

to keep them confidential. Thereafter, the high-ranking Public Works engineer was interviewed by the Grand Jury and was admonished to maintain confidentiality regarding the contents of that meeting. The high-ranking Public Works engineer honored that admonition.

### RECOMMENDATIONS

The Grand Jury recommends:

**R1.** *By September 30, 2017, the Board of Supervisors and the Water Agency Board of Directors jointly direct staff to assess and report back on what measures the County could take to stem water losses in all the CSAs. The report should also be forwarded to the CSA CABs.*

**Response:** The recommendation has been implemented. Such studies and investigations have been undertaken repeatedly over many years. Simple and economical measures have been implemented. More elaborate steps would require significant expense and the CSA customers have consistently declined to bear the associated costs.

**R2.** *By September 30, 2017, the Board of Supervisors and Water Agency Board of Directors jointly direct staff to assess and report back the financial impact on CSA customers of current and future measures the County can take to stem water losses in the CSAs. The report should also be forwarded to the CSA CABs.*

**Response:** The recommendation has been implemented. Such studies and investigations have been undertaken repeatedly over many years. Simple and economical measures have been implemented. More elaborate steps will require significant expense and the CSA customers have consistently declined to bear the associated costs.

**R3.** *By December 31, 2017, the Board of Supervisors and the Water Agency Board of Directors jointly direct staff to appoint a single Public Works engineer solely dedicated to managing all water issues in the County.*

**Response:** The recommendation will not be implemented because it is not warranted or not reasonable. Existing staffing arrangements provide flexibility and broad expertise. The Water Agency cannot afford to fund an engineer solely dedicated to managing water issues. CSA's are enterprise funds. All related costs are charged to the beneficiaries. The existing structure allows numerous CSAs to share the cost of the employees performing work on their behalf.

**R4.** *By December 31, 2017, the Board of Supervisors direct staff to conduct an audit to determine which special districts pay administrative fees through the CSA Administration Fund – 00060, and the amounts of these fees.*

**Response:** The recommendation has already been implemented. CSA's are enterprise funds and are included in the annual County audit. All related costs are charged to the beneficiaries.

**R5.** *By September 30, 2017, the Board of Supervisors enact a policy stating CSA customers do not pay fines levied against their CSA due to Public Works personnel errors.*

**Response:** The recommendation will not be implemented because it is not warranted or is not reasonable. CSA's are enterprise funds. If a fine is levied against a CSA, it is that CSA's customers that should bear the cost especially as it is within the power of the CSA residents to block rate increases that could remedy the problem resulting in the fine. All related costs are charged to the beneficiaries.

**R6.** *By September 30, 2017, the Board of Supervisors direct Public Works staff to provide clear and concise information to County residents regarding any water sources to fulfill future needs.*

**Response:** The recommendation has already been implemented. Public Works routinely provides clear and concise information to County residents regarding water sources and future needs.

**R9.** *By September 30, 2017, the Board of Supervisors direct Public Works staff to open the lines of communication with the Rural Communities Assistance Corporation and report back to the Board of Supervisors on the Corporation's response.*

**Response:** The recommendation will not be implemented because it is not warranted or is not reasonable. RCAC is one of many potential third party purveyors of services. The County remains committed to competitive procurement based upon demonstrated qualifications.

**R10.** *By September 30, 2017, the Board of Supervisors direct Public Works staff to work with the Jones Valley CSA CAB to establish a mutually agreed upon CAB meeting schedule.*

**Response:** The recommendation will not be implemented because it is not warranted or is not reasonable. The Jones Valley CSA CAB presently lacks a quorum to convene or consider any business.

**R11.** *By September 30, 2017, the Board of Supervisors direct staff to determine and report back what specific legal authority exists to allow Public Works to charge CSAs for time spent on a Grand Jury investigation.*

**Response:** The recommendation will not be implemented because it is not warranted or is not reasonable. CSA's are enterprise funds. All related costs are charged to the beneficiaries.

**R12.** *By September 30, 2017, the Board of Supervisors direct staff to provide a public report outlining legal justification for the charges under Project number 111029 "CSA #6 Jones Valley Grand Jury Investigation" by December 31, 2017, or to refund Jones Valley CSA any and all charges under this project title.*

**Response:** The recommendation will not be implemented because it is not warranted or is not reasonable. CSA's are enterprise funds. All related costs are charged to the beneficiaries.

**R13.** *By September 30, 2017, The Board of Supervisors direct staff to conduct an investigation to determine how much each CSA has been charged for Public Works staff time spent on any Grand Jury investigation. By December 31, 2017, staff publicly report on their findings and the legal justification for the charges, or refund the amount charged.*

**Response:** The recommendation will not be implemented because it is not warranted or is not reasonable. No investigation is necessary as each CSA is an enterprise fund. All related costs are charged to the respective CSA as the users are the beneficiaries of the services. Costs are detailed below:

Water Agency \$5,645  
CSA Administration \$241  
CSA #25 Keswick \$565  
CSA #2 Sugarloaf \$282  
CSA #6 Jones Valley \$5,260

**R14.** *By September 30, 2017, the Board of Supervisors direct Public Works staff to ensure and report back that they are in compliance with California Proposition 218.*

The Honorable Gary Gibson  
Shasta County Superior Court  
June 27, 2017  
Page 10

**Response:** The recommendation has been implemented. Public Works staff is in compliance with California Proposition 218. CSA's are enterprise funds. All related costs are charged to the beneficiaries.

**R15.** *By September 30, 2017, the Board of Supervisors direct Public Works staff to ensure and report back that they are in compliance with Shasta County Code 13.12.120.*

**Response:** The recommendation has been implemented. Public Works staff is in compliance with Shasta County Code 13.12.120. CSA's are enterprise funds. All related costs are charged to the beneficiaries.

**R16.** *By September 30, 2017, the Board of Supervisors direct County Administrative staff to either publicly report the legal justification for charging the CSAs, or create and present a policy ensuring CSAs are not charged for Public Works staff time spent on any Grand Jury investigation.*

**Response:** The recommendation will not be implemented because it is not warranted or is not reasonable. CSA's are enterprise funds. All related costs for services provided on behalf of the CSA are charged to the beneficiaries.

**R17.** *By September 30, 2017, the Board of Supervisors direct Public Works staff to comply with Grand Jury confidentiality agreements.*

**Response:** The recommendation is has already been implemented. The County is in compliance and honors confidentiality agreements.

This concludes the responses of the Shasta County Board of Supervisors to the FY 2016-2017 Grand Jury Report entitled "Shasta County Service Areas – Elk Trail Water Improvement Project."

Sincerely,

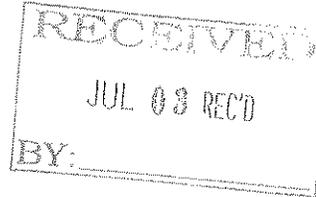
  
DAVID A. KEHOE, Chairman  
Board of Supervisors  
County of Shasta



# Shasta County

## SHASTA COUNTY WATER AGENCY BOARD OF DIRECTORS

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(800) 479-8009  
(530) 225-5189-FAX



DAVID A. KEHOE  
LEONARD MOTY  
MARY RICKERT  
STEVE MORGAN  
LES BAUGH

June 27, 2017

The Honorable Gary Gibson  
Presiding Judge, Shasta County Superior Court  
1500 Court St., Rm. 205  
Redding, CA 96001

Dear Judge Gibson:

**Re: Response of Board of Directors to Fiscal Year 2016-2017 Grand Jury Report:  
Shasta County Service Areas – Elk Trail Water Improvement Project**

The Shasta County Water Agency Board of Directors appreciates the time and dedication which the 2016-2017 Grand Jurors contributed to their charge. The following findings and recommendations are under serious consideration and discussions are being held regarding solutions to any unresolved problems.

### RESPONSES AND FINDINGS

#### **Water Loss in CSAs**

##### FINDINGS

The Grand Jury findings:

**F1.** *Water loss in seven of the eight water CSAs is above the national average and should be prioritized by Public Works staff.*

**Response:** The Board of Directors is unable to agree or disagree with this finding. Management and operation of County Service Areas (CSA(s)) are the responsibility of the County of Shasta through its Board of Supervisors.

**F2.** *The CSA customers ultimately pay for lost water, either through increased water purchases or through repairs to correct the water loss.*

**Response:** The Board of Directors is unable to agree or disagree with this finding. Management and operation of County Service Areas (CSA(s)) are the responsibility of the County of Shasta through its Board of Supervisors.

**F3.** *Identifying the causes of and/or addressing water loss will cost the CSA customers unless grant funding can be obtained.*

**Response:** The Board of Directors is unable to agree or disagree with this finding. Management and operation of County Service Areas (CSA(s)) are the responsibility of the County of Shasta through its Board of Supervisors.

**F5.** *At least three Public Works engineers are being paid by the Water Agency for duties that could be managed by a single dedicated engineer.*

**Response:** The Board of Directors disagrees wholly with the finding. Water Agency resources are presently insufficient to dedicate an engineer to water issues. Moreover, there is not a single full-time engineer whose salary is being paid by the Water Agency. Public Works engineers charged 661 hours and 839.5 hours to the Water Agency in FY 2015/16 and 2016/17 respectively. These charges amount to only a fraction of a full time position.

**F6.** *The Water Agency and Public Works lack dedicated management to oversee water issues in the County.*

**Response:** The Board of Directors partially disagrees with the finding. Management resources are fiscally constrained. All related costs are charged to the beneficiaries and a clear majority opposed any additional expenditures. The Water Agency's needs do not require dedication of full-time employees to manage it nor would its resources support such management.

### **Elk Trail Water Improvement Project**

**F9.** *The Elk Trail Water Improvement Project demonstrates the great costs involved with designing and constructing a complex water distribution system.*

**Response:** The Board of Directors agrees with the finding.

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Page 3

**F10.**        **The efforts of both Public Works staff and Elk Trail residents to secure grant funding for the Elk Trail Water Improvement Project resulted in lower property tax assessments than originally projected.**

**Response:**    The Board of Directors agrees with the finding.

### **Water Transfer between CSAs**

**F12.**        **The Water Agency Board of Directors adopted Shasta County Water Agency Resolution No: 2008-01, Resolution of Intent to Transfer Water from County Service Area #25 – Keswick Water to County Service Area #6 – Jones Valley Water, resulting in Jones Valley CSA incorrectly compensating Keswick CSA \$13,090.11 to date.**

**Response:**    The Board of Directors disagrees partially with this finding. The Board of Directors adopted Resolution No. 2008-01. The Board of Directors wholly disagrees that Resolution No. 2008-01 resulted in Jones Valley CSA incorrectly compensating Keswick CSA. Resolution No. 2008-01 was a sound business decision for Elk Trail and the CSA. The ACID alternative was projected to cost three times as much. The ACID water would have cost approximately \$11,000 per year, each year, plus any water deliveries at approximately \$140 per acre-foot. As such, Keswick Water was the lower-cost alternative.

**F13.**        **This incorrect compensation will continue until Water Agency Resolution No: 2008-01 is rescinded or expires, whichever comes first, potentially costing Jones Valley CSA an additional \$39,000.**

**Response:**    The Board of Directors disagrees wholly with this finding. Resolution 2008-01 was valid and remains valid.

**F14.**        ***Because all CVP water purchases by the Water Agency goes into a "common pool", Jones Valley CSA did not and cannot enter into a long-term water transfer agreement with Keswick CSA.***

**Response:**    The Board of Directors disagrees wholly with the finding. Resolution 2008-01 was executed by the Water Agency, not the County or any of the various CSA's therein. In 1964, Keswick CSD (CSD) entered into a contract with the U.S. Bureau of Reclamation for 500 acre-feet of Central Valley Project water (CSD Water). In 1990, the CSD was reorganized into Keswick CSA with all attendant assets and liabilities

including the CSD Water being transferred to the CSA. In 2004, the CSD Water was combined with a Water Agency contract for administrative purposes. The CSD Water remains an asset of Keswick CSA.

### RECOMMENDATIONS

The Grand Jury recommends:

**R1.** *By September 30, 2017, the Board of Supervisors and the Water Agency Board of Directors jointly direct staff to assess and report back on what measures the County could take to stem water losses in all the CSAs. The report should also be forwarded to the CSA CABs.*

**Response:** The recommendation has been implemented. Such studies and investigations have been undertaken repeatedly over many years. Simple and economical measures have been implemented. More elaborate steps would require significant expense and the CSA customers have consistently declined to bear the associated costs.

**R2.** *By September 30, 2017, the Board of Supervisors and Water Agency Board of Directors jointly direct staff to assess and report back the financial impact on CSA customers of current and future measures the County can take to stem water losses in the CSAs. The report should also be forwarded to the CSA CABs.*

**Response:** The recommendation has been implemented. Such studies and investigations have been undertaken repeatedly over many years. Simple and economical measures have been implemented. More elaborate steps will require significant expense and the CSA customers have consistently declined to bear the associated costs.

**R3.** *By December 31, 2017, the Board of Supervisors and the Water Agency Board of Directors jointly direct staff to appoint a single Public Works engineer solely dedicated to managing all water issues in the County.*

**Response:** The recommendation will not be implemented because it is not warranted or not reasonable. Existing staffing arrangements provide flexibility and broad expertise. The Water Agency cannot afford to fund an engineer solely dedicated to managing water issues. CSA's are enterprise funds. All related costs are charged to the beneficiaries. The existing structure allows numerous CSAs to share the cost of the employees performing work on their behalf.

The Honorable Gary Gibson  
Shasta County Superior Court  
June 27, 2017  
Page 5

**R7.** *By September 30, 2017, the Water Agency Board of Directors rescind Shasta County Agency Resolution No: 2008-01, Resolution of Intent to Transfer Water from County Service Area #25 – Keswick Water to County Service Area #6 – Jones Valley Water.*

**Response:** The recommendation will not be implemented because it is not warranted or not reasonable. Resolution No. 2008-01 remains necessary to ensure adequate water supplies for ultimate build-out within CSA #6.

**R8.** *By September 30, 2017, the Water Agency Board of Directors direct staff to immediately reimburse Jones Valley Water Fund – 0377 all monies paid to Keswick CSA under Shasta County Water Agency Resolution No: 2008-01, Resolution of Intent to Transfer Water from County Service Area #25 – Keswick Water to County Service Area #6 – Jones Valley Water.*

**Response:** The recommendation will not be implemented because it is not warranted or not reasonable. Resolution No. 2008-01 remains necessary to ensure adequate water supplies for ultimate build-out within CSA #6 and there is no justification for any reimbursement. Resolution No. 2008-01 continues to be a sound business decision for Elk Trail and the CSA that provides water for future needs of the CSA.

This concludes the responses of the Shasta County Water Agency Board of Directors to the FY 2016-2017 Grand Jury Report entitled “Shasta County Service Areas – Elk Trail Water Improvement Project.”

Sincerely,

  
DAVID A. KEHOE, Chairman  
Board of Directors  
Shasta County Water Agency



# Shasta County

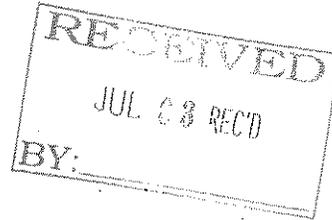
## BOARD OF SUPERVISORS

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DAVID A. KEHOE, DISTRICT 1  
LEONARD MOTY, DISTRICT 2  
MARY RICKERT, DISTRICT 3  
STEVE MORGAN, DISTRICT 4  
LES BAUGH, DISTRICT 5

June 27, 2017

The Honorable Gary Gibsons  
Presiding Judge, Shasta County Superior Court  
1500 Court St., Rm. 205  
Redding, CA 96001



Dear Judge Gaul:

**Re: Response of Board of Supervisors to Fiscal Year 2016-2017 Grand Jury Report:  
Unfunded Pension Liabilities**

The Shasta County Board of Supervisors appreciates the time and dedication which the 2016-2017 Grand Jurors contributed to their charge. The following findings and recommendations are under serious consideration and discussions are being held regarding solutions to any unresolved problems.

### RESPONSES AND FINDINGS

#### **A. Unfunded Pension Liabilities**

##### FINDINGS

The Grand Jury findings:

**F1.** *The unfunded pension liabilities of Shasta County and the Cities of Redding, Anderson, and Shasta Lake have significantly increased over the last 15 years, going from being fully funded to only partially funded.*

**Response:** The Board of Supervisors agrees with the finding.

**F2.** *Because CalPERS is reducing its assumed investment rate of return from 7.5% to 7.0% the pension plans of Shasta County and the Cities of Redding, Anderson, and Shasta Lake will be less funded over the next five years and must increase their contributions.*

**Response:** The Board of Supervisors agrees with the finding.

**F3.** *Because CalPERS contributions from Shasta County and the Cities of Redding, Anderson, and Shasta Lake will increase, an increase in available revenues, a reduction in services provided, or both will be necessary to cover these contributions.*

**Response:** The Board of Supervisors agrees with the finding.

**F4.** *None of the agencies have any control over their CalPERS investment return, which are directed by CalPERS are subject to the fluctuations of the stock market.*

**Response:** The Board of Supervisors agrees with the finding.

### RECOMMENDATIONS

The Grand Jury recommends:

**R1.** *By October 31, 2017, the Shasta County Board of Supervisors, with the Shasta County Auditor-Controller, and the Cities of Redding, Anderson, and Shasta Lake Councils each look for ways to increase their contributions to CalPERS over the next twelve years with minimal loss of key services. Options could include reducing their current amortization schedules and exploring debt refinancing opportunities.*

**Response:** As to the County of Shasta, the recommendation has been implemented. The County has already refinanced its major debt and routinely seeks viable refinance opportunities. The Auditor-Controller regularly reviews and suggests ways to increase revenues and reduce expenditures, many of those suggestions are incorporated into the County Budget recommendation and presented to the Board of Supervisors. The County has also taken steps to reduce its unfunded liabilities in the future.

The Honorable Gary Gibson  
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Page 3

**R2.** *By October 31, 2017, the Shasta County Board of Supervisors, with the Shasta County Auditor-Controller, and the Cities of Redding, Anderson, and Shasta Lake City Councils each look for ways to increase their revenues or reduce other expenditures, with minimal loss of key services, as CalPERS contribution increase.*

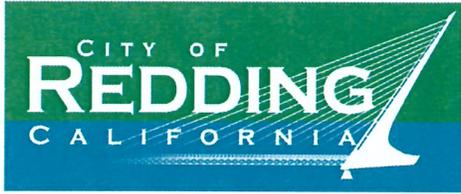
**Response:** As to the County of Shasta, the recommendation has been implemented. The Auditor-Controller regularly reviews and suggests ways to increase revenues and reduce expenditures; many of those suggestions are incorporated into the County Budget recommendation and presented to the Board of Supervisors. The County has also taken steps to reduce its unfunded liabilities in the future.

This concludes the responses of the Shasta County Board of Supervisors to the FY 2016-2017 Grand Jury Report entitled "Unfunded Pension Liabilities."

Sincerely,

  
DAVID A. KEHOE, Chairman  
Board of Supervisors  
County of Shasta

LGL:jd



**CITY OF REDDING**

777 CYPRESS AVENUE, REDDING, CA 96001

P.O. BOX 496071, REDDING, CA 96049-6071

**BRENT WEAVER, MAYOR**

530.225.4447

530.225.4463 FAX

September 11, 2017

B-080-600-800

The Honorable Gary Gibson  
Presiding Judge  
Shasta County Superior Court  
1500 Court Street, Room 205  
Redding, CA 96001

Dear Judge Gibson:

The Shasta County Grand Jury issued a report titled “Unfunded Pension Liabilities: Shasta County and the Cities of Redding, Anderson, and Shasta Lake Pay Now or Pay More Later.” The Grand Jury has requested that the City Council of the City of Redding respond to five findings and three recommendations contained within the aforementioned report:

**Findings**

F1. The unfunded pension liabilities of Shasta County and the Cities of Redding, Anderson and Shasta Lake have significantly increased over the last 15 years, going from being fully funded to only partially funded.

**Response:** The respondent agrees with the finding.

F2. Because CalPERS is reducing its assumed investment rate of return from 7.5% to 7.0%, the pension plans of Shasta County and the Cities of Redding, Anderson, and Shasta Lake will be less funded over the next five years and must increase their contributions.

**Response:** The respondent agrees with the finding.

F3. Because CalPERS contributions from Shasta County and the Cities of Redding, Anderson, and Shasta Lake will increase, an increase in available revenues, a reduction in services provided, or both will be necessary to cover these contributions.

**Response:** The respondent disagrees partially with the finding. The City of Redding’s City Manager is currently working on the development of various performance goals to achieve a balanced and stable 10-Year General Fund financial plan. By working with our

labor partner groups, developing opportunities to increase revenues by finding new revenue sources and creating stimulus for economic development, the City of Redding should be able to mitigate the anticipated increases in CalPERS contributions and not impact services.

- F4. None of the agencies have any control over their CalPERS investment returns, which are directed by CalPERS and are subject to the fluctuations of the stock market.

**Response:** The respondent agrees with the finding.

- F5. The City of Redding, which already has the lowest funded ration of all four agencies, is at greater risk of increased unfunded liabilities because of its other post-employment benefits and Public Agency Services Retirement Enhancement plans.

**Response:** The respondent agrees with the finding.

### **Recommendations**

- R1. By October 31, 2017, the Shasta County Board of Supervisors with the Shasta County Auditor-Controller, and the Cities of Redding, Anderson, and Shasta Lake City Councils each look for ways to increase their contributions to CalPERS over the next twelve years with minimal loss of key services. Options could include reducing their current amortization schedules and exploring debt refinancing opportunities.

**Response:** The recommendation requires further analysis. The City of Redding has been working closely with CalPERS actuaries since the change in the discount rate of return was announced to ensure all funding options for the unfunded liabilities are thoroughly explored. The City of Redding is reviewing various options including prefunding the annual unfunded accrued liability contribution, establishing a Section 115 pension trust to be used for rate stabilization and debt refinancing opportunities, the timing of which will be dependent on the financial market opportunities. The review process will continue and the recommendation listed above will require continual analysis and monitoring of the CalPERS actuarial valuations relative to the City of Redding's retirement plans.

- R2. By October 31, 2017, The Shasta County Board of Supervisors, with the Shasta County Auditor-Controller, and the Cities of Redding, Anderson and Shasta Lake City Councils each look for ways to increase their revenues or reduce other expenditures, with minimal loss of key services, as CalPERS contributions increase.

**Response:** The recommendation requires further analysis. Since the announcement by CalPERS to change the discount rate of return assumptions, the City of Redding has been proactive in seeking out new revenue sources and expenditure reduction opportunities. The City of Redding recently held a Special Meeting to receive public input on options relating to cultivation of marijuana for medical and/or recreational purposes. The City of Redding has also recently met with our labor partner groups to discuss strategies to assist the City

of Redding in achieving savings. Further, as stated in the City's response to F3, performance goals are currently being established to ensure the City achieves a balanced and stable 10-Year General Fund financial plan.

- R3. By December 31, 2017, the City of Redding, City Council establish a five-year financial plan to increase its funded ratio for its CalPERS Safety Plan from 64.5% to 70%, and for its Miscellaneous Plan from 70% to 75%, with minimal loss of key services.

**Response:** The recommendation requires further analysis. Over the course of the next year, the City of Redding will be working on the various performance goals. During the development of this plan the City of Redding will be focused on achieving a balanced and stable 10-Year General Fund financial plan. The City of Redding will continue to be proactive in its efforts to increase the contributions for the unfunded liabilities in both the Safety and Miscellaneous CalPERS plans. During this process, the City of Redding will be addressing the issue of its unfunded liabilities and funding ratios.

Sincerely,



Brent Weaver  
Mayor

- c: Honorable Council Members  
City Manager  
City Attorney  
Director of Finance  
Director of Personnel



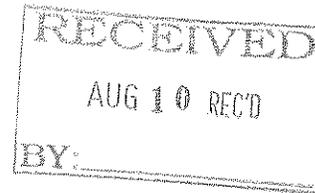
Superior Court of California  
County of Shasta

GARY G. GIBSON  
Presiding Judge

DANIEL E. FLYNN  
Asst. Presiding Judge

August 8, 2017

Office of the City Manager  
Barry Tippin, City Manager  
P.O. Box 496071  
Redding, CA 96049-6071



Re: Grand Jury Report re "Unfunded Pension Liabilities: Shasta County and the Cities of Redding, Anderson, and Shasta Lake Pay Now or Pay More Later"

Dear Mr. Tippin:

This is to acknowledge receipt of your response dated August 3, 2017 to the 2016-2017 Grand Jury report regarding "Unfunded Pension Liabilities: Shasta County and the Cities of Redding, Anderson, and Shasta Lake Pay Now or Pay More Later".

I would like to thank you for your response to the Grand Jury Report. Pursuant to the provisions of Penal Code §933, I shall transmit your response to the Office of the County Clerk to be maintained on file there. An additional copy shall be provided to the Clerk of the Court also to be maintained on file.

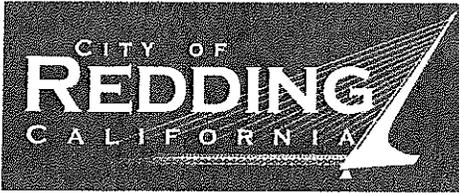
Thank you again for your response.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gary G. Gibson".

Gary G. Gibson  
Presiding Judge

cc: Office of the County Clerk (original response)  
Melissa Fowler-Bradley, Clerk of the Court (for Admin file)  
Grand Jury



CITY OF REDDING  
777 CYPRESS AVENUE, REDDING, CA 96001  
P.O. BOX 496071, REDDING, CA 96049-6071

OFFICE OF THE CITY MANAGER  
BARRY TIPPIN, CITY MANAGER  
BRIAN CRANE, ACTING ASSISTANT CITY MANAGER  
GREG CLARK, DEPUTY CITY MANAGER

August 3, 2017



The Honorable Gary Gibson  
Presiding Judge  
Shasta County Superior Court  
1500 Court Street, Room 205  
Redding, CA 96001

Dear Judge Gibson:

The Shasta County Grand Jury issued a report titled "Unfunded Pension Liabilities: Shasta County and the Cities of Redding, Anderson, and Shasta Lake Pay Now or Pay More Later." The Grand Jury has requested that the City Manager of the City of Redding respond to five findings and three recommendations contained within the aforementioned report:

**Findings**

F1. The unfunded pension liabilities of Shasta County and the Cities of Redding, Anderson and Shasta Lake have significantly increased over the last 15 years, going from being fully funded to only partially funded.

**Response:** The respondent agrees with the finding.

F2. Because CalPERS is reducing its assumed investment rate of return from 7.5% to 7.0%, the pension plans of Shasta County and the Cities of Redding, Anderson, and Shasta Lake will be less funded over the next five years and must increase their contributions.

**Response:** The respondent agrees with the finding.

F3. Because CalPERS contributions from Shasta County and the Cities of Redding, Anderson, and Shasta Lake will increase, an increase in available revenues, a reduction in services provided, or both will be necessary to cover these contributions.

**Response:** The respondent disagrees partially with the finding. I am currently working on the development of various performance goals to achieve a balanced and stable 10-Year General Fund financial plan. By working with our labor partner groups, developing

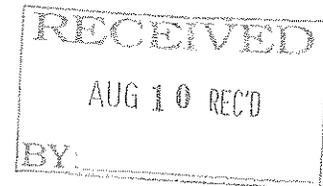
opportunities to increase revenues by finding new revenue sources and creating stimulus for economic development, the City of Redding will be able to mitigate the anticipated increases in CalPERS contributions and not impact services.

- F4. None of the agencies have any control over their CalPERS investment returns, which are directed by CalPERS and are subject to the fluctuations of the stock market.

**Response:** The respondent agrees with the finding.

- F5. The City of Redding, which already has the lowest funded ration of all four agencies, is at greater risk of increased unfunded liabilities because of its other post-employment benefits and Public Agency Services Retirement Enhancement plans.

**Response:** The respondent agrees with the finding.



### Recommendations

- R1. By October 31, 2017, the Shasta County Board of Supervisors with the Shasta County Auditor-Controller, and the Cities of Redding, Anderson, and Shasta Lake City Councils each look for ways to increase their contributions to CalPERS over the next twelve years with minimal loss of key services. Options could include reducing their current amortization schedules and exploring debt refinancing opportunities.

**Response:** The recommendation requires further analysis. The City of Redding has been working closely with CalPERS actuaries since the change in the discount rate of return was announced to ensure all funding options for the unfunded liabilities are thoroughly explored. The City of Redding is reviewing various options including prefunding the annual unfunded accrued liability contribution, establishing a Section 115 pension trust to be used for rate stabilization and debt refinancing opportunities, the timing of which will be dependent on the financial market opportunities. The review process will continue and the recommendation listed above will require continual analysis and monitoring of the CalPERS actuarial valuations relative to the City of Redding's retirement plans.

- R2. By October 31, 2017, The Shasta County Board of Supervisors, with the Shasta County Auditor-Controller, and the Cities of Redding, Anderson and Shasta Lake City Councils each look for ways to increase their revenues or reduce other expenditures, with minimal loss of key services, as CalPERS contributions increase.

**Response:** The recommendation requires further analysis. Since the announcement by CalPERS to change the discount rate of return assumptions, the City of Redding has been proactive in seeking out new revenue sources and expenditure reduction opportunities. The City of Redding recently held a Special Meeting to receive public input on options relating to cultivation of marijuana for medical and/or recreational purposes. The City of Redding has also recently met with our labor partner groups to discuss strategies to assist the City

of Redding in achieving savings. In addition, in the near future, the City of Redding will be hosting an impact fee workshop. Further, as stated in the City's response to F3, performance goals are currently being established to ensure the City achieves a balanced and stable 10-Year General Fund financial plan.

- R3. By December 31, 2017, the City of Redding, City Council establish a five-year financial plan to increase its funded ratio for its CalPERS Safety Plan from 64.5% to 70%, and for its Miscellaneous Plan from 70% to 75%, with minimal loss of key services.

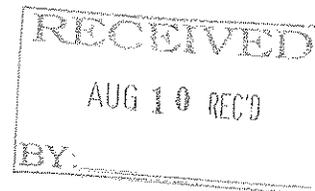
**Response:** The recommendation requires further analysis. Over the course of the next year, the City of Redding will be working on the various performance goals. During the development of this plan the City of Redding will be focused on achieving a balanced and stable 10-Year General Fund financial plan. The City of Redding will continue to be proactive in its efforts to increase the contributions for the unfunded liabilities in both the Safety and Miscellaneous CalPERS plans. During this process, the City of Redding will be addressing the issue of its unfunded liabilities and funding ratios.

Sincerely,



Barry Pippin  
City Manager

- c: City Council Members  
City Attorney  
Director of Finance  
Director of Personnel





Superior Court of California  
County of Shasta

GARY G. GIBSON  
Presiding Judge

RECEIVED  
JUL 17 2017  
BY: DANIEL E. FLYNN  
Asst. Presiding Judge

June 20, 2017

Baron Browning, Mayor  
City of Anderson  
1887 Howard Street  
Anderson, CA 96007-3396

COPY

Re: Grand Jury Report - "Unfunded Pension Liabilities: Shasta County and the Cities of Redding, Anderson, and Shasta Lake. Pay Now or Pay More Later"

Dear Mayor Browning:

This is to acknowledge receipt of your response dated June 16, 2017, to the 2016-2017 Grand Jury report regarding "Unfunded Pension Liabilities: Shasta County and the Cities of Redding, Anderson, and Shasta Lake. Pay Now or Pay More Later".

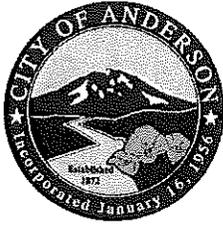
I would like to thank you for your response to the Grand Jury Report. Pursuant to the provisions of Penal Code §933, I shall transmit your response to the Office of the County Clerk to be maintained on file there. An additional copy shall be provided to the Clerk of the Court also to be maintained on file.

Thank you again for your response.

Sincerely,

Gary G. Gibson  
Presiding Judge

cc: Office of the County Clerk (original response)  
Melissa Fowler-Bradley, Clerk of the Court (for Admin file)  
Grand Jury



June 13, 2017

The Honorable Gary Gibson  
Presiding Judge, Shasta County Superior Court  
1500 Court Street, Room 205  
Redding, CA 96001

COPY

Dear Judge Gibson:

On behalf of the City of Anderson, we wish to express our thanks and appreciation for the work of the 2016-2017 Shasta County Grand Jury. As required by California Penal Code Sections 933 and 933.05, the City of Anderson offers the following response to the report titled, "Unfunded Pension Liabilities: Shasta County and The Cities of Redding, Anderson, and Shasta Lake. Pay Now or Pay More Later."

**Finding F1:**

The unfunded pension liabilities of Shasta County and the Cities of Redding, Anderson and Shasta Lake have significantly increased over the last 15 years, going from being fully funded to only partially funded.

**Response:**

**The City of Anderson agrees with this finding.**

**Finding F2:**

Because CalPERS is reducing its assumed investment rate of return from 7.5% to 7.0%, the pension plans of Shasta County and the Cities of Redding, Anderson, and Shasta Lake will be less funded over the next five years and must increase their contributions.

**Response:**

**The City of Anderson agrees with this finding. The City continues to monitor CalPERS actions closely, so the City may respond and be prepared for actions taken by CalPERS.**

Office of Mayor  
1887 Howard Street  
Anderson, CA 96007

[www.ci.anderson.ca.us](http://www.ci.anderson.ca.us)

Phone: (530) 378-6646  
Fax: (530) 378-6648

**Finding F3:**

Because CalPERS contributions from Shasta County and the Cities of Redding, Anderson, and Shasta Lake will increase, an increase in available revenues, a reduction in services provided, or both will be necessary to cover these contributions.

**Response:**

**The City of Anderson agrees with this finding. The City recognizes that anytime costs are increased options need to be evaluated, such as; increasing revenue, reduction of service, use of reserves, and/or employee concessions.**

**Finding F4:**

None of the agencies have any control over their CalPERS investment returns, which are directed by CalPERS and are subject to the fluctuations of the stock market.

**Response:**

**The City of Anderson agrees with this finding. In addition to the CalPERS actions mentioned above, other CalPERS policies regarding how and what they invest in may be a larger issue with regard to poor investment returns.**

**Recommendation R1:**

By October 31, 2017, the Shasta County Board of Supervisors, with the Shasta County Auditor-Controller, and the Cities of Redding, Anderson, and Shasta Lake City Councils each look for ways to increase their contributions to CalPERS over the next twelve years with minimal loss of key services. Options could include reducing their current amortization schedules and exploring debt refinancing opportunities.

**Response:**

**The City Council will consider implementation of the Shasta County Grand Jury recommendation and other options by October 31, 2017. The City Council and City staff are always conscious of reducing liabilities while at the same time providing the right level of service to the community. The City Council will explore the suggested options of reducing the amortization schedules and possible refinancing opportunities. The City Council would also like to note that CalPERS could participate in the solution of the problem by reviewing and changing their investment policy to maximize investment returns.**

**Recommendation R2:**

By October 31, 2017, the Shasta County Board of Supervisors, with the Shasta County Auditor-Controller, and the Cities of Redding, Anderson, and Shasta Lake City Councils each look for ways to increase their revenues or reduce other expenditures, with minimal loss of key services, as CalPERS contributions increase.

The Honorable Gary Gibson  
June 13, 2017  
Page 3

**Response:**

**The City of Anderson City Council has implemented the recommendation. The City Council has been monitoring the CalPERS issue for years and has given direction to staff to take actions in the past to refinance the CalPERS side fund, create new retirement tiers, review staffing levels for efficiency and savings, use consultants in positions that make sense, and to create a business friendly environment to attract new business and increase revenue, while most importantly increasing the City of Anderson key levels of service.**

The City of Anderson appreciates this opportunity to respond to relevant portions of the 2016-2017 Shasta County Grand Jury Final Report.

Sincerely,



Baron Browning  
Mayor, City of Anderson



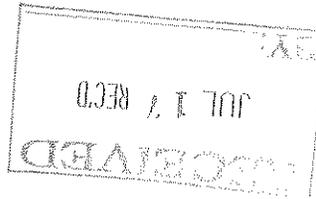
Superior Court of California  
County of Shasta

GARY G. GIBSON  
Presiding Judge

DANIEL E. FLYNN  
Asst. Presiding Judge

June 20, 2017

Jeffrey D. Kiser, City Manager  
City of Anderson  
1887 Howard Street  
Anderson, CA 96007-3396



COPY

Re: Grand Jury Report - "Unfunded Pension Liabilities: Shasta County and the Cities of Redding, Anderson, and Shasta Lake. Pay Now or Pay More Later"

Dear Mr. Kiser:

This is to acknowledge receipt of your response dated June 16, 2017, to the 2016-2017 Grand Jury report regarding "Unfunded Pension Liabilities: Shasta County and the Cities of Redding, Anderson, and Shasta Lake. Pay Now or Pay More Later".

I would like to thank you for your response to the Grand Jury Report. Pursuant to the provisions of Penal Code §933, I shall transmit your response to the Office of the County Clerk to be maintained on file there. An additional copy shall be provided to the Clerk of the Court also to be maintained on file.

Thank you again for your response.

Sincerely,

Gary G. Gibson  
Presiding Judge

cc: Office of the County Clerk (original response)  
Melissa Fowler-Bradley, Clerk of the Court (for Admin file)  
Grand Jury



June 6, 2017

CITY OF OPPORTUNITY

**Jeffrey D. Kiser**

*City Manager*

The Honorable Gary Gibson  
Presiding Judge, Shasta County Superior Court  
1500 Court Street, Room 205  
Redding, CA 96001

COPY

Dear Judge Gibson:

On behalf of the City of Anderson, I would like to express my thanks and appreciation for the work of the 2016-2017 Shasta County Grand Jury. As invited by the Shasta County Grand Jury and by California Penal Code Sections 933 and 933.05, I offer the following response to the report titled, "Unfunded Pension Liabilities: Shasta County and The Cities of Redding, Anderson, and Shasta Lake. Pay Now or Pay More Later."

**Finding F1:**

The unfunded pension liabilities of Shasta County and the Cities of Redding, Anderson and Shasta Lake have significantly increased over the last 15 years, going from being fully funded to only partially funded.

**Response:**

I agree that over the last several the CalPERS pension liabilities have increased and that the CalPERS pension has moved from fully funded to partially funded.

**Finding F2:**

Because CalPERS is reducing its assumed investment rate of return from 7.5% to 7.0%, the pension plans of Shasta County and the Cities of Redding, Anderson, and Shasta Lake will be less funded over the next five years and must increase their contributions.

**Response:**

I agree that by CalPERS reducing its assumed investment rate of return our pension plan will be funded less and that the City will see increased and rising contribution costs.

**Finding F3:**

Because CalPERS contributions from Shasta County and the Cities of Redding, Anderson, and Shasta Lake will increase, an increase in available revenues, a reduction in services provided, or both will be necessary to cover these contributions.

**Response:**

I agree that anytime our expenses increase that fundamentally we have to increase revenues, reduce services, or expend reserves to fund the increased expense. It's also important to note that the City Council and City staff have been aware of the CalPERS situation and have been implementing changes for several years, such as, refinancing the CalPERS side fund, adopting new retirement tiers, employee's paying the employee contribution, and evaluating the staffing levels and if it makes sense to contract for certain services rather than have City staff perform the function.

**Finding F4:**

None of the agencies have any control over their CalPERS investment returns, which are directed by CalPERS and are subject to the fluctuations of the stock market.

**Response:**

I agree that the City doesn't have control over the CALPERS investment returns and that they are subject to fluctuation based on the stock market. But I will challenge with that we as agencies across California should work with, in our case, the California League of Cities to create change with the CalPERS investment policy to create maximum investment success.

**Recommendation R1:**

By October 31, 2017, the Shasta County Board of Supervisors, with the Shasta County Auditor-Controller, and the Cities of Redding, Anderson, and Shasta Lake City Councils each look for ways to increase their contributions to CalPERS over the next twelve years with minimal loss of key services. Options could include reducing their current amortization schedules and exploring debt refinancing opportunities.

**Response:**

The City of Anderson is implementing the recommendation as the City continually looks for opportunities to address CalPERS funding obligations and understands that we need to take steps to reduce or eliminate our unfunded pension liability while at the same time not reducing the level of service to our citizens. The Grand Jury has provided two examples of options the City will consider, while at the same time we will be evaluating other possible solutions and working with financial experts for additional ideas.

The Honorable Gary Gibson

June 6, 2017

Page 3

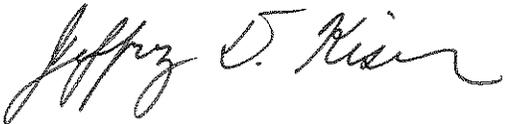
**Recommendation R2:**

By October 31, 2017, the Shasta County Board of Supervisors, with the Shasta County Auditor-Controller, and the Cities of Redding, Anderson, and Shasta Lake City Councils each look for ways to increase their revenues or reduce other expenditures, with minimal loss of key services, as CalPERS contributions increase.

**Response:**

The City has implemented the Shasta County Grand Jury's recommendation that we need to continue to look for ways to increase revenues or reduce expenditures as CalPERS contributions increase. In addition the City of Anderson will continue to work with the California League of Cities and experts, such as, Michael Coleman to better understand how we can reduce and/or mitigate our contribution increases. As a City we have several items that continue to raise our expenses, such as, the 33% increase in minimum wage, the mandated Ground Water Sustainability Agencies (GSA), presumptive care, and health care. As a City we must balance our changing expenses with service levels. The City is committed to increasing both commercial and residential development in the City of Anderson, in fact, in order help gain new commercial growth the City currently has an impact fee reduction program for those that qualify. This is an example of items already in place in the City of Anderson to help increase revenue.

Sincerely,



Jeffrey D. Kiser  
City Manager, City of Anderson



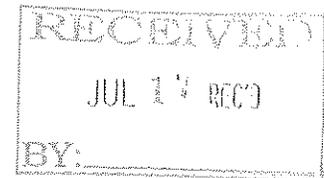
Superior Court of California  
County of Shasta

GARY G. GIBSON  
Presiding Judge

DANIEL E. FLYNN  
Asst. Presiding Judge

June 23, 2017

Richard Kern, Mayor  
City of Shasta Lake  
P.O. Box 777  
Shasta Lake, CA 96019



Re: Grand Jury Report - "Unfunded Pension Liabilities: Shasta County and the Cities of Redding, Anderson, and Shasta Lake"

Dear Mayor Kern:

This is to acknowledge receipt of your response dated June 20, 2017 to the 2016-2017 Grand Jury report regarding "Unfunded Pension Liabilities: Shasta County and the Cities of Redding, Anderson, and Shasta Lake".

I would like to thank you for your response to the Grand Jury Report. Pursuant to the provisions of Penal Code §933, I shall transmit your response to the Office of the County Clerk to be maintained on file there. An additional copy shall be provided to the Clerk of the Court also to be maintained on file.

Thank you again for your response.

Sincerely,

Gary G. Gibson  
Presiding Judge

cc: Office of the County Clerk (original response)  
Melissa Fowler-Bradley, Clerk of the Court (for Admin file)  
Grand Jury

# City of Shasta Lake

P.O. Box 777 • 1650 Stanton Drive  
Shasta Lake, CA 96019  
Phone: 530-275-7400  
Fax: 530-275-7414  
Website: www.cityofshastalake.org



June 20, 2017

Honorable Gary Gibson  
Presiding Judge, Shasta County Superior Court  
1500 Court Street, Room 205  
Redding, CA 96001

## **Re: 2016/17 Grand Jury Report: Unfunded Pension Liabilities: Shasta County and the Cities of Redding, Anderson, and Shasta Lake**

The City of Shasta Lake City Council provides the following required responses, pursuant with Penal Code Section 933 and 933.05, to the Findings, Recommendations, and Commendations contained in the 2016/17 Shasta County Grand Jury report entitled: Unfunded Pension Liabilities: Shasta County and the Cities of Redding, Anderson, and Shasta Lake:

### **FINDINGS:**

**F1:** The City of Shasta Lake City Council agrees with the Shasta County Grand Jury finding that unfunded pension liabilities of the City of Shasta Lake have significantly increased over the last 15 years, going from being fully funded to only partially funded.

**F2:** The City of Shasta Lake City Council is in agreement with the Shasta County Grand Jury finding in that CalPERS reducing its assumed investment rate of return from 7.5% to 7.0 that the City of Shasta Lake will be less funded over the next five years and must increase contributions.

**F3:** The City of Shasta Lake City Council agrees with the Shasta County Grand Jury finding that CalPERS contributions will increase and that an increase in available revenues, a reduction in service provided, or both will be necessary to cover these contributions.

**F4:** The City of Shasta Lake City Council agrees with the Shasta County Grand Jury finding that none of the local agencies have any control over their CalPERS investment returns which are directed by CalPERS and are subject to the fluctuation of the stock market.

### **RECOMMENDATIONS:**

**R1:** The City of Shasta Lake City Council will consider implementation of the Shasta County Grand Jury recommendation by October 31, 2017, and explore the suggested options of reducing the current amortization schedules and exploring debt refinancing opportunities. The Council has been proactive in approving several changes in the past that has reduced the City's unfunded liabilities in both the pension and other-post employment benefit plans.

**R2:** The City of Shasta Lake City Council has implemented this recommendation. Overall, the City Council has kept abreast of the CalPERS unfunded liability issue for the past several years. In response,

in conjunction with staff, the City Council has eliminated a more costly retirement tier and replaced with a lower retirement tier for all CalPERS classic member new hires. All non-classic member new hires are subject to the Public Employees' Pension Reform Act of 2013 (PEPRA). The City Council also authorized the refinance of the City's CalPERS pension side-fund amortization. More recently, the City Council approved a new tax initiative to be placed on the ballot to help fund law enforcement and code enforcement activities to be voted on in a special election to be held on August 29, 2017. The City Council continues to be receptive to operational changes that, increase revenue or reduce costs while maintaining current services.

**COMMENDATIONS:**

**C1:** The City of Shasta Lake City Council acknowledges and appreciates the Shasta County Grand Jury in commending the City of Shasta Lake for recognizing the potential fiscal impact of unfunded pension liabilities and for our efforts to control the City's pension increases.

**C3:** The City of Shasta Lake City Council acknowledges and appreciates the Shasta County Grand Jury in commending the City of Shasta Lake for its efforts to reduce its pension and other post-employment benefit liabilities by refinancing its pension obligation debt.

The City of Shasta Lake appreciates being provided the opportunity to respond to the 2016/17 Shasta County Grand Jury report entitled: Unfunded Pension Liabilities: Shasta County and the Cities of Redding, Anderson, and Shasta Lake. If there are any questions regarding the above responses, please contact John Duckett, City Manager, at 530-275-7411.

Respectively submitted,



Richard Kern  
Mayor, City of Shasta Lake



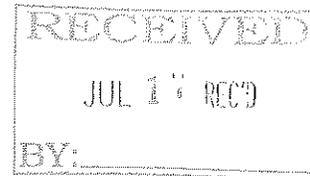
Superior Court of California  
County of Shasta

GARY G. GIBSON  
Presiding Judge

DANIEL E. FLYNN  
Asst. Presiding Judge

June 23, 2017

John N. Duckett, Jr., City Manager  
City of Shasta Lake  
P.O. Box 777  
Shasta Lake, CA 96019



Re: Grand Jury Report - "Unfunded Pension Liabilities: Shasta County and the Cities of Redding, Anderson, and Shasta Lake"

Dear Mr. Duckett:

This is to acknowledge receipt of your response dated June 20, 2017 to the 2016-2017 Grand Jury report regarding "Unfunded Pension Liabilities: Shasta County and the Cities of Redding, Anderson, and Shasta Lake".

I would like to thank you for your response to the Grand Jury Report. Pursuant to the provisions of Penal Code §933, I shall transmit your response to the Office of the County Clerk to be maintained on file there. An additional copy shall be provided to the Clerk of the Court also to be maintained on file.

Thank you again for your response.

Sincerely,

A handwritten signature in cursive script that reads "Gary G. Gibson".

Gary G. Gibson  
Presiding Judge

cc: Office of the County Clerk (original response)  
Melissa Fowler-Bradley, Clerk of the Court (for Admin file)  
Grand Jury

# City of Shasta Lake

P.O. Box 777 • 1650 Stanton Drive  
Shasta Lake, CA 96019  
Phone: 530-275-7400  
Fax: 530-275-7414  
Website: [www.cityofshastalake.org](http://www.cityofshastalake.org)



June 20, 2017

Honorable Gary Gibson  
Presiding Judge, Shasta County Superior Court  
1500 Court Street, Room 205  
Redding, CA 96001

**Re: 2016/17 Grand Jury Report: Unfunded Pension Liabilities: Shasta County and the Cities of Redding, Anderson, and Shasta Lake**

Please find my invited responses to the Findings, Recommendations and Commendations contained in the 2016/17 Shasta County Grand Jury report entitled: Unfunded Pension Liabilities: Shasta County and the Cities of Redding, Anderson, and Shasta Lake:

**FINDINGS:**

**F1:** I agree with the Shasta County Grand Jury finding that unfunded pension liabilities of the City of Shasta Lake have significantly increased over the last 15 years, going from being fully funded to only partially funded.

**F2:** I am in agreement with the Shasta County Grand Jury finding in that CalPERS reducing its assumed investment rate of return from 7.5% to 7.0 that the City of Shasta Lake will be less funded over the next five years and must increase contributions.

**F3:** I agree with the Shasta County Grand Jury finding that CalPERS contributions will increase and that an increase in available revenues, a reduction in service provided, or both will be necessary to cover these contributions.

**F4:** I agree with the Shasta County Grand Jury finding that none of the local agencies have any control over their CalPERS investment returns which are directed by CalPERS and are subject to the fluctuation of the stock market.

**RECOMMENDATIONS:**

**R1:** Staff will work with the City Council and will consider implementation of the Shasta County Grand Jury recommendation by October 31, 2017, and explore the suggested options of reducing the current amortization schedules as well as exploring debt refinancing opportunities.

**R2:** The City of Shasta Lake has implemented the Shasta County Grand Jury recommendations. Staff has recommended, and City Council has approved, various measures over the past several years that have shifted pension and other post-employment benefit (OPEB) contributions from the employer to the employee. At this time, all employee groups at the City pay the full employee contribution previously

paid by the City toward their individual pensions. The City also changed its retirement formula for CalPERS classic member new hires from the 3%@60 formula to the 2%@60 formula effective January 1, 2013, further reducing the City's long-term unfunded pension liabilities.

Through recent negotiations with the City's two bargaining units, and through agreement with the City's management employees, each employee of the City now contributes \$1040 annually toward their other post-employment benefit (retiree health care) effective July 1, 2016. Additionally, staff has included in the annual budget funds to meet the City's OPEB Annual Required Contribution as recommend in the City's Governmental Accounting Standards Board Pronouncement 45 Retiree Benefit Valuation. As of June 7, 2017, the City had accumulated \$6,598,328 in an irrevocable trust fund to be used solely for retiree health care premiums. As stated in the Grand Jury's report, the City has an unfunded liability of \$1,320,440 for the retiree health post-employment benefit.

The above actions, in conjunction with contracting out certain services, have been instrumental in the City maintaining current services while maintain a balanced budget. Staff has also worked with the City Council in moving forward with refinancing the City's pension side-fund amortization as well as recommending a ballot initiative to fund law enforcement and code enforcement activities. Staff continues to look for new opportunities to reduce costs and increase revenue.

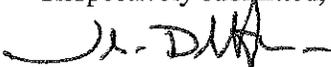
**COMMENDATIONS:**

**C1:** I acknowledge and appreciate the Shasta County Grand Jury in commending the City of Shasta Lake for recognizing the potential fiscal impact of unfunded pension liabilities and for our efforts to control the City's pension increases.

**C3:** I acknowledge and appreciate the Shasta County Grand Jury in commending the City of Shasta Lake for its efforts to reduce its pension and other post-employment benefit liabilities by refinancing its pension obligation debt.

I appreciate being provided the opportunity to respond to the 2016/17 Shasta County Grand Jury report entitled: Unfunded Pension Liabilities: Shasta County and the Cities of Redding, Anderson, and Shasta Lake. If there are any questions regarding the above responses, please contact me at 530-275-7411.

Respectively submitted,



John N. Duckett, Jr.  
City Manager, City of Shasta Lake



# Shasta County

## OFFICE OF THE AUDITOR-CONTROLLER

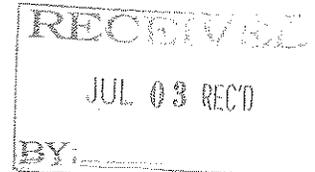
1450 Court Street, Suite 238  
Redding, California 96001-1671  
Phone (530) 225-5771

**BRIAN MUIR**  
AUDITOR-CONTROLLER

**NOLDA SHORT**  
ASST. AUDITOR-CONTROLLER

June 20, 2017

The Honorable Gary Gibson  
Presiding Judge, Shasta County Superior Court  
1500 Court Street, Room 205  
Redding, CA 96001



Re: Response of the Auditor-Controller to Fiscal Year 2016-2017 Grand Jury Report – Unfunded Pension Liabilities: Shasta County and the Cities of Redding, Anderson, and Shasta Lake

Dear Judge Gibson:

The Auditor-Controller appreciates the dedication of the Grand Jurors as well as the courtesy and professionalism shown in completing their work.

### Findings

*F1. The unfunded pension liabilities of Shasta County and the cities of Redding, Anderson, and Shasta Lake have significantly increased over the last 15 years, going from being fully funded to only partially funded.*

Response. The Auditor-Controller agrees with the finding.

*F2. Because CALPERS is reducing its assumed investment rate of return from 7.5% to 7.0%, the pension plans of Shasta County and the cities of Redding, Anderson, and Shasta Lake will be less funded over the next five years and must increase their contributions.*

Response. The Auditor-Controller agrees with the finding. Unless the agencies increase their contributions their funded ratio will decrease.

*F3. Because CALPERS contributions from Shasta County and the cities of Redding, Anderson, and Shasta Lake will increase, an increase in available revenues, a reduction in services provided, or both will be necessary to cover these contributions.*

Response. The Auditor-Controller agrees with the finding, assuming the agencies do not want their funded ratio to decrease.

*F4. None of the agencies have any control over their CALPERS investment returns, which are directed by CALPERS and are subject the fluctuations of the stock market.*

Response. The Auditor-Controller agrees with the finding.

Recommendations

*R1. By October 31, 2017, the Shasta County Board of Supervisors, with the Shasta County Auditor-Controller, and the cities of Redding, Anderson and Shasta Lake City Councils each look for ways to increase their contributions to CALPERS over the next twelve years with minimal loss of key services. Options could include reducing their current amortization schedules and exploring debt refinancing opportunities.*

Response. The recommendation has already been implemented, The Auditor-Controller regularly suggests ways to increase revenues and reduce expenditures to the County Executive Officer and his staff, and many of these are incorporated into the budget document for consideration by the Board of Supervisors. The Board of Supervisors may choose to use any savings to increase contributions to CALPERS. The County has already refinanced its major debt, and the Auditor-Controller does not believe there are any additional viable refinance opportunities at this time.

*R2. By October 31, 2017, the Shasta County Board of Supervisors, with the Shasta County Auditor-Controller, and the cities of Redding, Anderson and Shasta Lake City Councils each look for ways to increase their revenues or reduce other expenditures with minimal loss of key services, as CALPERS contributions increase.*

Response. The recommendation has already been implemented, The Auditor-Controller regularly suggests ways to increase revenues and reduce expenditures to the County Executive Officer and his staff, and many of these are incorporated into the budget document for consideration by the Board of Supervisors.

Sincerely,



Brian Muir  
Shasta County Auditor-Controller

cc: Shasta County Board of Supervisors  
Shasta County Grand Jury



# Shasta County

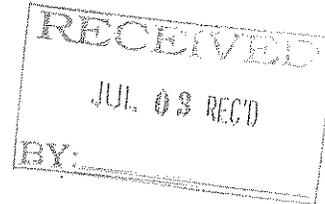
## BOARD OF SUPERVISORS

1450 Court Street, Suite 308B  
Redding, California 96001-1680  
(530) 225-5557  
(800) 479-8009  
(530) 225-5189-FAX

DAVID A. KEHOE, DISTRICT 1  
LEONARD MOTY, DISTRICT 2  
MARY RICKERT, DISTRICT 3  
STEVE MORGAN, DISTRICT 4  
LES BAUGH, DISTRICT 5

June 27, 2017

The Honorable Gary Gibson  
Presiding Judge, Shasta County Superior Court  
1500 Court St., Rm. 205  
Redding, CA 96001



Dear Judge Gibson:

**Re: Response of Board of Supervisors to Fiscal Year 2016-2017 Grand Jury Report:  
Shasta County Joint Audit Committee**

The Shasta County Board of Supervisors appreciates the time and dedication which the 2016-2017 Grand Jurors contributed to their charge. The following findings and recommendations are under serious consideration and discussions are being held regarding solutions to any unresolved problems.

### RESPONSES AND FINDINGS

#### A. Shasta County Joint Audit Committee

##### FINDINGS

The Grand Jury findings:

**F1.** *The Joint Audit Committee was not properly dissolved and therefore is still an existing committee.*

**Response:** The Board of Supervisors disagrees wholly with the finding. There is no existing Joint Audit Committee. The Joint Audit Committee's purposes were tied to the existence of a contract among the Grand Jury, the Board of Supervisors, and the outside auditor to employ an auditor for the purpose of conducting a joint audit for the County and the Grand Jury. The Board of Supervisors authorized execution on June 9, 2015, of the current contract with the outside auditor thus abolishing the Joint Audit Committee. The current contract no longer provides for a joint contract with the Grand Jury to perform a joint audit. The current contract complies with applicable law.

**F2.** *Without the opportunity to participate in Joint Audit Committee meetings, the Grand Jury loses an important tool in fulfilling its oversight role of the County's financial process pursuant to California Penal Code Section 925.*

**Response:** The Board of Supervisors disagrees wholly with the finding. A committee meeting is not required in order to review County finances. Staff of the Auditor-Controller's office are available, during normal business hours to meet with members of the Grand Jury to provide and explain County financial information. In addition, although not required by law, the County has contracted for up to 30 hours of time annually with the independent outside auditor to be used at the Grand Jury's discretion.

**F3.** *Without the Joint Audit Committee, the Board of Supervisors and other County officials lose an opportunity to further participate in the audit process.*

**Response:** The Board of Supervisors disagrees wholly with the finding. The Board of Supervisors and other County officials do not participate in the audit process; therefore, no opportunity is lost. The Shasta County Auditor-Controller is an independent elected official, so other government officials cannot influence the way the County's financial position is presented. The audit process for the County's Comprehensive Annual Financial Report or CAFR is completed solely by the independent outside contracted auditor. The Auditor-Controller is charged with creating the County's annual financial statements and the outside auditor reviews them and offers an opinion as a certified public accountant as to whether or not they accurately reflect the County's financial position and comply with generally accepted accounting principles.

**F4.** *The involvement of the Grand Jury members on the Joint Audit Committee provides greater accountability and transparency to the public regarding the County's annual external audit process.*

**Response:** The Board of Supervisors disagrees partially with the finding. Involvement of Grand Jury members on the Joint Audit Committee consisted of one-hour meetings twice per year and did provide some transparency. However, there is a much greater opportunity to assure accountability and transparency by meeting with the Auditor-Controller's staff and by taking advantage of the contracted time provided for meeting with the outside auditor.

The Honorable Gary Gibson  
Shasta County Superior Court  
June 27, 2017  
Page 3

**RECOMMENDATIONS**

The Grand Jury recommends:

**R1.** *By June 25, 2017, the Shasta County Board of Supervisors direct the Chairperson to hold a Joint Audit Committee meeting with the 2016/17 Grand Jury to discuss the committee's ongoing purpose.*

**Response:** The recommendation will not be implemented because it is not warranted. The Joint Audit Committee has been dissolved and at this time there lacks a purpose to re-establish or schedule future meetings.

**R2.** *By July 31, 2017, the Shasta County Board of Supervisors direct the Chairperson to schedule a Joint Audit Committee meetings with the 2017/18 Shasta County Grand Jury Foreperson.*

**Response:** The recommendation will not be implemented because it is not warranted. The 2017/18 Grand Jury has not been selected or sworn. Once the 2017/18 Grand Jury is selected, the Foreperson may meet with the Auditor-Controller or independent auditor regarding the County's finances.

This concludes the responses of the Shasta County Board of Supervisors to the FY 2016-2017 Grand Jury Report entitled "Shasta County Joint Audit Committee."

Sincerely,

  
DAVID A. KEHOE, Chairman  
Board of Supervisors  
County of Shasta

LGL:jd



# Shasta County

## OFFICE OF THE AUDITOR-CONTROLLER

1450 Court Street, Suite 238  
Redding, California 96001-1671  
Phone (530) 225-5771

**BRIAN MUIR**  
AUDITOR-CONTROLLER

**NOLDA SHORT**  
ASST. AUDITOR-CONTROLLER



June 20, 2017

The Honorable Gary Gibson  
Presiding Judge, Shasta County Superior Court  
1500 Court Street, Room 205  
Redding, CA 96001

Re: Response of the Auditor-Controller to Fiscal Year 2016-2017 Grand Jury Report – Shasta County Joint Audit Committee

Dear Judge Gibson:

The Auditor-Controller appreciates the dedication of the Grand Jurors as well as the courtesy and professionalism shown in completing their work.

### Findings

*F2. Without the opportunity to participate in Joint Audit Committee meetings, the Grand Jury loses an important tool in fulfilling its oversight role of the County's financial processes pursuant to California Penal Code Section 925.*

Response. The Auditor-Controller disagrees wholly with the finding. The Grand Jury does not need a committee meeting in order to review County finances. Staff of the Auditor-Controller's office are available to meet with members of the Grand Jury to provide and explain County financial information. In addition, although not required by law, the County has contracted for up to 30 hours of time annually with the independent outside auditor to be used at the Grand Jury's discretion.

*F3. Without the Joint Audit Committee, the Board of Supervisors and other County officials lose an opportunity to further participate in the audit process.*

Response. The Auditor-Controller disagrees wholly with the finding. The Board of Supervisors and other County officials do not participate in the audit process. One reason the Auditor-Controller is an independent elected official is so other government officials cannot influence the way the County's financial position is presented. The audit process for the County's Comprehensive Annual

Financial Report or CAFR is completed solely by the independent outside auditor. The Auditor-Controller is charged with creating the County's annual financial statements and the outside auditor reviews them and offers an opinion as a certified public accountant as to whether or not they accurately reflect the County's financial position and comply with generally accepted accounting principles.

*F4. The involvement of Grand Jury members on the Joint Audit Committee provides greater accountability and transparency to the public regarding the County's annual external auditing process.*

Response. The Auditor-Controller disagrees partially with the finding. Involvement of Grand Jury members on the Joint Audit Committee in two one-hour meetings did provide some additional transparency. However, there is a much greater opportunity to assure accountability and transparency by meeting with the Auditor-Controller's staff and by taking advantage of the contracted time provided for meeting with the outside auditor.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Muir", written in a cursive style.

Brian Muir  
Shasta County Auditor-Controller

cc: Shasta County Board of Supervisors  
Shasta County Grand Jury



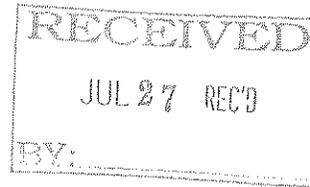
Superior Court of California  
County of Shasta

GARY G. GIBSON  
Presiding Judge

DANIEL E. FLYNN  
Asst. Presiding Judge

July 25, 2017

David A. Kehoe, Chairman  
Board of Supervisors  
County of Shasta  
1450 Court St., Suite 308B  
Redding, CA 96001



Re: Grand Jury Report re "GPS Ankle Bracelet Monitoring and Law Enforcement"

Dear Chairman Kehoe:

This is to acknowledge receipt of your response dated July 18, 2017 to the 2016-2017 Grand Jury report regarding "GPS Ankle Bracelet Monitoring and Law Enforcement".

I would like to thank you for your response to the Grand Jury Report. Pursuant to the provisions of Penal Code §933, I shall transmit your response to the Office of the County Clerk to be maintained on file there. An additional copy shall be provided to the Clerk of the Court also to be maintained on file.

Thank you again for your response.

Sincerely,

A handwritten signature in cursive script that reads "Gary G. Gibson".

Gary G. Gibson  
Presiding Judge

cc: Office of the County Clerk (original response)  
Melissa Fowler-Bradley, Clerk of the Court (for Admin file)  
Grand Jury



# Shasta County

## BOARD OF SUPERVISORS

1450 Court Street, Suite 308B  
Redding, California 96001-1680  
(530) 225-5557  
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DAVID A. KEHOE, DISTRICT 1  
LEONARD MOTY, DISTRICT 2  
MARY RICKERT, DISTRICT 3  
STEVE MORGAN, DISTRICT 4  
LES BAUGH, DISTRICT 5

July 18, 2017

The Honorable Gary Gibson  
Presiding Judge, Shasta County Superior Court  
1500 Court St., Rm. 205  
Redding, CA 96001

Dear Judge Gibson:

**Re: Response of Board of Supervisors to Fiscal Year 2016-2017 Grand Jury Report:  
GPS Ankle Bracelet Monitoring and Law Enforcement**

The Shasta County Board of Supervisors appreciates the time and dedication which the 2016-2017 Grand Jurors contributed to their charge. The following findings and recommendations are under serious consideration and discussions are being held regarding solutions to any unresolved problems.

### RESPONSES AND FINDINGS

#### FINDINGS

The Grand Jury findings:

**F1. *Due to the State's increased release of offenders to counties for supervision, the burden on the County for monitoring those offenders is increasing.***

**Response:** The Board of Supervisors agrees with the finding.

**F2. *Emerging monitoring technologies such as smart phone applications utilizing facial biometrics may offer cost-effective and efficient options to complement GPS ankle monitoring and improve offender supervision.***

**Response:** The Board of Supervisors agrees with the finding.

**F3.** *Currently, not all offenders on monitoring programs are actively monitored for compliance 24 hours every day, which may lead to delayed responses by Probation or Sheriff's Office staff to violations.*

**Response:** The Board of Supervisors disagrees partially with the finding. The Board of Supervisors disagrees with the portion of the finding that not all offenders on monitoring programs are actively monitored for compliance 24 hours every day. The Board of Supervisors disagrees that not actively monitoring all offenders 24 hours every day may lead to delayed responses by Probation or Sheriff's Office staff to violations in that not all offenders on monitoring programs require 24 hour monitoring every day.

**F4.** *GPS ankle bracelet monitors are an effective supervision tool, as evidenced by the low recidivism rates for offenders in the SOR and Work Release programs.*

**Response:** The Board of Supervisors agrees with the finding.

### RECOMMENDATIONS

The Grand Jury recommends:

**R1.** *By July 1, 2018, the Board of Supervisors and the Sheriff-Coroner direct staff to work with the Community Corrections Partnership to jointly determine if additional funding sources will be necessary to expand monitoring programs in anticipation of an increased offender population.*

**Response:** The recommendation has already been implemented. The recommendation is already a part of the County's ongoing efforts in this area. The County works with the Community Corrections Partnership routinely and seeks additional funding when it is available.

**R2.** *By March 31, 2018, the Board of Supervisors direct staff to explore and report back if smartphone applications utilizing facial biometrics would be a cost-effective option for expanding current monitoring programs.*

**Response:** The recommendation will not be implemented because it is not warranted or is not reasonable. At this time there is insufficient funding to implement the recommendation.

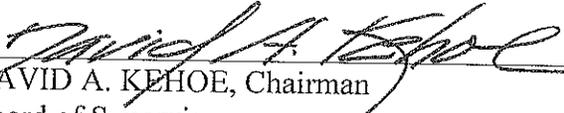
The Honorable Gary Gibson  
Shasta County Superior Court  
July 18, 2017  
Page 3

**R3.** *By December 31, 2017, the Board of Supervisors and the Sheriff-Coroner direct staff to jointly explore and report back if contracting 24-hour GPS monitoring services to SHASCOM would be cost-effective and efficient.*

**Response:** The recommendation will not be implemented because it is not warranted or is not reasonable. The offenders on the GPS monitoring system are low-level offenders and are not considered a threat to public safety. The after-hour offender violations have been low and contracting with SHASCOM, should they have the staffing available, would not be cost-effective or efficient.

This concludes the responses of the Shasta County Board of Supervisors to the FY 2016-2017 Grand Jury Report entitled "GPS Ankle Bracelet Monitoring and Law Enforcement."

Sincerely,

  
DAVID A. KEHOE, Chairman  
Board of Supervisors  
County of Shasta

LGL:jd



Superior Court of California  
County of Shasta

GARY G. GIBSON  
Presiding Judge

DANIEL E. FLYNN  
Asst. Presiding Judge

August 10, 2017

Tom Bosenko, Sheriff-Coroner  
Shasta County Office of the Sheriff  
300 Park Marina Circle  
Redding, CA 96001



Re: Grand Jury Report re "GPS Ankle Bracelet Monitoring and Law Enforcement"

Dear Sheriff Bosenko:

This is to acknowledge receipt of your response dated August 8, 2017 to the 2016-2017 Grand Jury report regarding "GPS Ankle Bracelet Monitoring and Law Enforcement".

I would like to thank you for your response to the Grand Jury Report. Pursuant to the provisions of Penal Code §933, I shall transmit your response to the Office of the County Clerk to be maintained on file there. An additional copy shall be provided to the Clerk of the Court also to be maintained on file.

Thank you again for your response.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gary G. Gibson".

Gary G. Gibson  
Presiding Judge

cc: Office of the County Clerk (original response)  
Melissa Fowler-Bradley, Clerk of the Court (for Admin file)  
Grand Jury



# SHASTA COUNTY

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## Office of the Sheriff



August 8, 2017

Tom Bosenko  
SHERIFF - CORONER

The Honorable Gary Gibson  
Presiding Judge, Shasta County Superior Court  
1500 Court Street, Room 205  
Redding, CA 96001

Dear Judge Gibson:

**Re: Response of Shasta County Sheriff's Office to Fiscal Year 2016-2017 Grand Jury Report:  
GPS Ankle Bracelet Monitoring and Law Enforcement**

As Sheriff of Shasta County, I appreciate the time and dedication which the 2016-2017 Grand Jurors contributed to their charge. The following findings and recommendations are under serious consideration and discussions are being held regarding solutions to any unresolved problems.

**RESPONSES AND FINDINGS:**

**FINDINGS**

The Grand Jury findings:

**F1.** *Due to the State's increased release of offenders to counties for supervision, the burden on the County for monitoring those offenders is increasing.*

**Response:** The Sheriff-Coroner agrees with the finding.

**F3.** *Currently, not all offenders on monitoring programs are actively monitored for compliance 24 hours every day, which may lead to delayed responses by Probation or Sheriff's Office staff to violations.*

**Response:** The Sheriff-Coroner disagrees with the finding. Not all offenders on monitoring programs are actively monitored for compliance 24 hours per day, every day. After-hour violations are very low. All offenders on GPS are passively monitored by computer 24 hours a day. Offenders on programs and monitoring, are low level offenders and not a threat to public safety.

The Honorable Gary Gibson  
Shasta County Superior Court  
GPS Ankle Bracelet Monitoring and Law Enforcement  
August 8, 2017

**RESPONSES AND FINDINGS: Continued**

The Sheriff disagrees that not actively monitoring all offenders 24 hours every day may lead to delayed responses by Sheriff's personnel, in that not all offenders require 24 hour monitoring every day.

**F4.** *GPS ankle bracelet monitors are an effective supervision tool, as evidenced by the low recidivism rates for offenders in the SOR and Work Release programs.*

**Response:** The Sheriff-Coroner agrees with the finding.

**RECOMMENDATIONS:**

The Grand Jury recommends:

**R1.** *By July 1, 2018, the Board of Supervisors and the Sheriff-Coroner direct staff to work with the Community Corrections Partnership to jointly determine if additional funding sources will be necessary to expand monitoring programs in anticipation of an increased offender population.*

**Response:** The recommendation has already been implemented. The recommendation has been part of the County's on-going efforts in this area. The Sheriff is part of the Community Corrections Partnership (CCP) Executive Committee. The Sheriff works closely with the County, Probation and the CCP to seek additional funding when needed and where available.

**R3.** *By December 31, 2017, the Board of Supervisors and the Sheriff-Coroner direct staff to jointly explore and report back if contracting 24-hour GPS monitoring services to SHASCOM would be cost-effective and efficient.*

**Response:** The recommendation will not be implemented because it is not warranted or reasonable. Offenders on GPS monitoring are low-level offenders and are not considered a threat to public safety. After-hour violations have been very low and have not been a public safety threat. SHASCOM does not have the staffing to monitor GPS offenders on the program and even if sufficient staff were available, contracting with SHASCOM would not be cost effective or efficient. Current offenders on GPS are passively computer monitored on a 24 hour basis.

This concludes the response of the Sheriff-Coroner to the Fiscal Year 2016-2017 Grand Jury Report entitled "GPS Ankle Bracelet Monitoring and Law Enforcement".

Sincerely,



TOM BOSENKO, Sheriff-Coroner  
Shasta County

TMB:ckw



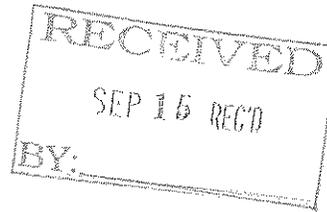
Superior Court of California  
County of Shasta

GARY G. GIBSON  
Presiding Judge

DANIEL E. FLYNN  
Asst. Presiding Judge

September 5, 2017

Brent Weaver, Mayor  
City of Redding  
P.O. Box 496071  
Redding, CA 96049-6071



Re: Grand Jury Report re "City of Redding Code Enforcement"

Dear Mayor Weaver:

This is to acknowledge receipt of your response dated August 30, 2017 to the 2016-2017 Grand Jury report regarding "City of Redding Code Enforcement".

I would like to thank you for your response to the Grand Jury Report. Pursuant to the provisions of Penal Code §933, I shall transmit your response to the Office of the County Clerk to be maintained on file there. An additional copy shall be provided to the Clerk of the Court also to be maintained on file.

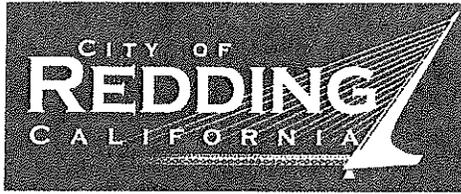
Thank you again for your response.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary G. Gibson".

Gary G. Gibson  
Presiding Judge

cc: Office of the County Clerk (original response)  
Melissa Fowler-Bradley, Clerk of the Court (for Admin file)  
Grand Jury



**CITY OF REDDING**

777 CYPRESS AVENUE, REDDING, CA 96001

P.O. Box 496071, REDDING, CA 96049-6071

**BRENT WEAVER, MAYOR**

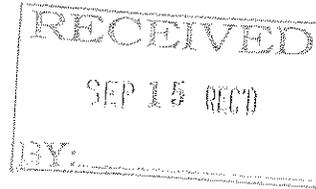
530.225.4447

530.225.4463 FAX

August 30, 2017

B-080-600-800

The Honorable Gary Gibson  
Presiding Judge  
Shasta County Superior Court  
1500 Court Street, Room 205  
Redding, CA 96001



Dear Judge Gibson:

The Shasta County Grand Jury issued a report titled "City of Redding Code Enforcement." The Grand Jury has requested that the City Council of the City of Redding respond to 10 findings and five recommendations contained within the aforementioned report. They are as follows:

**Findings**

F1. City of Redding code enforcement funds, supervision, staff, and responsibilities are spread among three departments, resulting in a lack of comprehensive planning, supervision, evaluation, communication, and follow-up.

**Response:** The respondent disagrees with the finding. While responsibilities and funding for code enforcement duties are shared by multiple departments within the City, the efforts are coordinated and effective.

F2. The Redding City Council implemented short-term "Enhanced Code Enforcement" special funding to address three long-term public safety issues.

**Response:** The respondent agrees with the finding.

F3. The Redding City Council's short-term "Enhanced Code Enforcement" special funding resulted in positions that were not integrated into the comprehensive planning, supervision, prioritization, and evaluation of the Building/Code Enforcement Division or RPD.

**Response:** The respondent disagrees with the finding. City Council has prioritized the need for code enforcement actions to address illegal encampments, vacant structures, and troubled motels. They have provided the funds needed to address these priorities.

- F4. The Redding City Council has renewed the short-term “Enhanced Code Enforcement” special funding despite a lack of evidence showing the Program’s success.

**Response:** The respondent disagrees with the finding. The City Council has renewed the funding because of the success of the project. These efforts have successfully led to the closure of two troubled motels and the collection of over 200 tons of trash from illegal encampments.

- F5. Building/Code Enforcement Division regularly responds to California Municipal Code violations affecting public safety but is supervised by the City of Redding Development Services Department rather than the Redding Police Department.

**Response:** The respondent agrees with the finding.

- F6. Due to the diffused organizational structure of code enforcement in the City, there are no opportunities for cross-training of personnel engaged in code enforcement responsibilities related to unlawful camp abatement as well as other code enforcement complaints.

**Response:** The respondent disagrees, in part, with the finding. The inability to provide cross-training for personnel is more due to time and funding constraints than the organizational structure.

- F7. Unlawful camp abatement by the Redding Police Department is accomplished without strategic planning, supervision, or evaluation.

**Response:** The respondent disagrees, in part, with the finding. While there is no “strategic planning,” the Redding Police Department resolves illegal encampments with the assistance of code enforcement personnel in response to citizen complaints. Staff is permitted to operate autonomously because they are experienced officers and have been effective in their mission. Personnel and their activities are supervised and evaluated by their supervisors.

- F8. None of the City of Redding’s code enforcement personnel have any formal procedures for prioritizing duties and assignments.

**Response:** The respondent disagrees with the finding. While a thorough prioritization plan does not exist in writing, staff responds immediately to complaints relating to substandard living conditions and life safety concerns.

- F9. Due to current workloads and limited resources, Building/Code Enforcement Division personnel may find it difficult to conduct timely follow-up or mitigate existing case backlogs.

**Response:** The respondent agrees with the finding.

F10. Building/Code Enforcement Division personnel have not responded to homes on the Redding Electric Utility's weekly "occupied without power" lists for over a year, meaning potentially unsafe living conditions go unaddressed by the City.

**Response:** The respondent disagrees, in part, with the finding. The City Council has established a process for addressing homes without power. However, with current the staffing levels, high caseloads, and other priorities, staff does not follow up with all cases in which power has been turned off by REU. Staff does respond to all multi-family units and if there are complaints or evidence suggesting that substandard living conditions exist at single family structures.

### **Recommendations**

The Grand Jury recommends:

R1. By September 30, 2017, the Redding City Council direct staff to conduct an analysis to clearly define code enforcement responsibilities and determine whether all personnel, supervision, and budgets for code enforcement should be consolidated under a single department, such as the Redding Police Department, with a single supervisor. This analysis is to be completed by December 31, 2017.

**Response:** The recommendation requires further analysis over the next six months with the input of the City's new Police Chief.

R2. By June 30, 2018, the Redding City Council end any further short-term "Enhanced Code Enforcement" special funding. The Grand Jury further recommends the Redding City Council direct staff to identify and report on potential long-term funding needs and sources for future City code enforcement activities.

**Response:** This recommendation will not be implemented. The City Council reserves its right to prioritize programs and fund them as it deems appropriate.

R3. By September 30, 2017, the Redding City Council direct staff to begin cross-training all City personnel engaged in code enforcement in responsibilities related to unlawful camp abatement as well as other code enforcement complaints.

**Response:** This recommendation will not be implemented due to limited time and resources available for this purpose. Only staff members who have been trained and equipped to handle issues related to unlawful camping are assigned those responsibilities.

R4. By September 30, 2017, the Redding City Council direct the Code Enforcement Division and the Redding Police Department to jointly develop a formal process for prioritization of workloads including case files, unlawful camps, problem motels and other code enforcement issues. This process is to be completed by December 31, 2017.

**Response:** This recommendation will be implemented by December 31, 2017.

- R5. By September 30, 2017, the Redding City Council direct Building/Code Enforcement Division staff to immediately prioritize “occupied without power” lists for enforcement.

**Response:** This recommendation will not be implemented. The City Council has established a process for addressing homes without power. However, with current the staffing levels, high caseloads, and other priorities, staff does not follow up with all cases in which power has been turned off by REU. Staff will continue to follow up with all multi-family units and with single family structures if there is a complaint or evidence suggesting that substandard living conditions exist.

Sincerely,



Brent Weaver  
Mayor

- c: City Council Members  
City Manager  
City Attorney



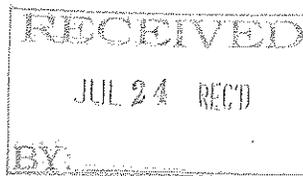
# Shasta County

## BOARD OF SUPERVISORS

1450 Court Street, Suite 308B  
Redding, California 96001-1680  
(530) 225-5557  
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DAVID A. KEHOE, DISTRICT 1  
LEONARD MOTY, DISTRICT 2  
MARY RICKERT, DISTRICT 3  
STEVE MORGAN, DISTRICT 4  
LES BAUGH, DISTRICT 5

July 18, 2017



The Honorable Gary Gibson  
Presiding Judge, Shasta County Superior Court  
1500 Court St., Rm. 205  
Redding, CA 96001

Dear Judge Gibson:

**Re: Response of Board of Supervisors to Fiscal Year 2016-2017 Grand Jury Report:  
Responses to the 2015/16 Shasta County Grand Jury**

The Shasta County Board of Supervisors appreciates the time and dedication which the 2016-2017 Grand Jurors contributed to their charge. The following findings and recommendations are under serious consideration and discussions are being held regarding solutions to any unresolved problems.

### RESPONSES AND FINDINGS

#### FINDINGS

The Grand Jury findings:

***F1. The Shasta County Board of Supervisors' responses to three Recommendations were noncompliant, requiring additional time and resources to be spent by both the Board and the Grand Jury to resolve the issue.***

***Response:*** The Grand Jury's finding is compound. The Board of Supervisors disagrees wholly with the portion of the finding that the Board of Supervisors' had three responses to recommendations that were noncompliant. The Board of Supervisors provided timely responses that were in compliance with applicable law. The Board of Supervisors agreed with certain recommendations of the Grand Jury recommending that certain staff be directed to take certain actions. The Board of Supervisors responded that the recommendation had been implemented without equivocation. Under the circumstances, it was unnecessary to merely repeat the Grand Jury's

The Honorable Gary Gibson  
Shasta County Superior Court  
July 18, 2017  
Page 2

verbiage. The Board of Supervisors agrees wholly with that portion of the finding that asserts additional time and resources were spent resolving this issue.

**RECOMMENDATIONS**

The Grand Jury recommends:

***R1. The Shasta County Board of Supervisors ensure its initial responses to any future Shasta County Grand Jury reports are compliant with California Penal Code section 933.05.***

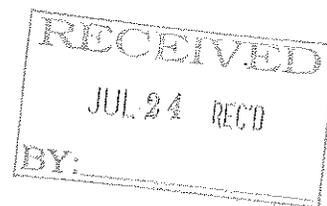
***Response:*** The recommendation will not be implemented because it is not warranted. The Shasta County Board of Supervisors' previous responses complied with California Penal Code section 933.05 and its future responses will continue to comply with California Penal Code section 933.05.

This concludes the responses of the Shasta County Board of Supervisors to the FY 2016-2017 Grand Jury Report entitled "Responses to the 2015/16 Shasta County Grand Jury."

Sincerely,

  
DAVID A. KEHOE, Chairman  
Board of Supervisors  
County of Shasta

LGL:jd





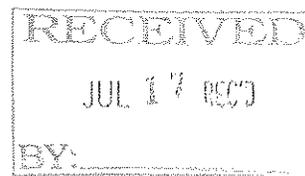
Superior Court of California  
County of Shasta

GARY G. GIBSON  
Presiding Judge

DANIEL E. FLYNN  
Asst. Presiding Judge

July 10, 2017

Irwin Fust, Chairman  
Shasta Local Agency Formation Commission  
1255 East Street, Suite 201  
Redding, CA 96002



Re: Grand Jury Report Correspondence

Dear Chairman Fust:

This is to acknowledge receipt of your response dated June 29, 2017 to the 2016-2017 Grand Jury report correspondence.

I would like to thank you for your response to the Grand Jury Report. Pursuant to the provisions of Penal Code §933, I shall transmit your response to the Office of the County Clerk to be maintained on file there. An additional copy shall be provided to the Clerk of the Court also to be maintained on file.

Thank you again for your response.

Sincerely,

A handwritten signature in black ink that reads "Gary G. Gibson".

Gary G. Gibson  
Presiding Judge

cc: Office of the County Clerk (original response)  
Melissa Fowler-Bradley, Clerk of the Court (for Admin file)  
Grand Jury

Les Baugh  
County Member

Larry Farr  
City Member

Stan Neutze  
City Member

Francie Sullivan  
City Member Alternate

Irwin Fust  
Special District Member

Mary Rickert  
County Member Alternate

Brenda Haynes  
Special District Member



Dick Fyten  
Public Member

David Kehoe  
County Member

Patricia A. Clarke  
Special District Alternate

Bob Richardson  
Public Member Alternate

George Williamson  
Executive Officer

James M. Underwood  
General Counsel

Kathy Bull  
Office Manager

June 29, 2017

Shasta County Grand Jury  
c/o Hon. Gary Gibson, Presiding Judge  
Shasta County Superior Court  
1500 Court Street, Room 205  
Redding, California 96001

**Re: Response to Shasta County Grand Jury Report Correspondence**

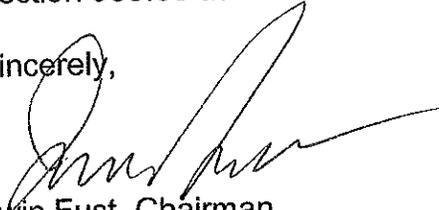
Members of the Grand Jury:

This letter is in response to the Shasta County Grand Jury Report correspondence dated June 21, 2017, on behalf of the Shasta Local Agency Formation Commission (LAFCO). The requested responses on behalf of LAFCO follow.

**1. Response to Finding F2** – As stated in the above referenced Grand Jury Report correspondence, following the restatement of original Grand Jury findings and the LAFCO responses, all seven submitted responses were in compliance with statutory requirements. Shasta LAFCO agrees that the submission of the requested responses took time and resources by LAFCO and the Grand Jury. The Grand Jury's related efforts, and its recognition that LAFCO's responses were compliant, is appreciated.

**2. Response to Recommendation R2** – Shasta LAFCO will continue to endeavor to ensure that all responses to Shasta County Grand Jury reports are timely and compliant with Penal Code Section 933.05 as to form.

Sincerely,



Irwin Fust, Chairman  
Shasta Local Agency Formation Commission



Superior Court of California  
County of Shasta

GARY G. GIBSON  
Presiding Judge

DANIEL E. FLYNN  
Asst. Presiding Judge

August 10, 2017

Tom Bosenko, Sheriff-Coroner  
Shasta County Office of the Sheriff  
300 Park Marina Circle  
Redding, CA 96001



Re: Grand Jury Report re "Responses to the 2015-2016 Shasta Grand Jury"

Dear Sheriff Bosenko:

This is to acknowledge receipt of your response dated August 8, 2017 to the 2016-2017 Grand Jury report regarding "Responses to the 2015-2016 Shasta County Grand Jury".

I would like to thank you for your response to the Grand Jury Report. Pursuant to the provisions of Penal Code §933, I shall transmit your response to the Office of the County Clerk to be maintained on file there. An additional copy shall be provided to the Clerk of the Court also to be maintained on file.

Thank you again for your response.

Sincerely,

A handwritten signature in black ink that reads "Gary G. Gibson".

Gary G. Gibson  
Presiding Judge

cc: Office of the County Clerk (original response)  
Melissa Fowler-Bradley, Clerk of the Court (for Admin file)  
Grand Jury



# SHASTA COUNTY

---

## Office of the Sheriff



August 8, 2017

Tom Bosenko  
SHERIFF - CORONER

The Honorable Gary Gibson  
Presiding Judge, Shasta County Superior Court  
1500 Court Street, Room 205  
Redding, CA 96001

Dear Judge Gibson:

**Re: Response of Shasta County Sheriff's Office to Fiscal Year 2016-2017 Grand Jury Report:  
Responses to the 2015-2016 Shasta County Grand Jury**

As Sheriff of Shasta County, I appreciate the time and dedication which the 2016-2017 Grand Jurors contributed to their charge. The following findings and recommendations are under serious consideration and discussions are being held regarding solutions to any unresolved concerns.

### RESPONSES AND FINDINGS

#### FINDINGS

The Grand Jury findings:

**F3.** *The Shasta County Sheriff-Coroner's response to four Recommendations were noncompliant, requiring additional time and resources to be spent by both the Sheriff's Office and the Grand Jury to resolve the issue. .*

**Response:** The Sheriff-Coroner partially agrees with the finding. Specific timelines were not included in the responses or the response(s) may have not been clear.

The Honorable Gary Gibson  
Shasta County Superior Court  
Responses to the 2015-2016 Shasta County Grand Jury  
Page Two  
August 8, 2017

**RECOMMENDATIONS:**

The Grand Jury recommends:

**R3.**            *The Shasta County Sheriff-Coroner ensure his initial responses to any future Shasta County Grand Jury reports are compliant with California Penal Code section 933.05.*

**Response:**    The recommendation has already been implemented in that the Sheriff-Coroner Office has reviewed the applicable law and its responses to ensure that his responses comply with California Penal Code section 933.05.

This concludes the response of the Sheriff-Coroner to the Fiscal Year 2016-2017 Grand Jury Report entitled "Responses to the 2015-2016 Shasta County Grand Jury".

Sincerely,



TOM BOSENKO, Sheriff-Coroner  
Shasta County

TMB:ckw



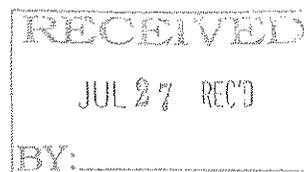
Superior Court of California  
County of Shasta

GARY G. GIBSON  
Presiding Judge

DANIEL E. FLYNN  
Asst. Presiding Judge

July 25, 2017

David A. Kehoe, Chairman  
Board of Supervisors  
County of Shasta  
1450 Court St., Suite 308B  
Redding, CA 96001



Re: Grand Jury Report re "Shasta County Sheriff's Office – Animal Regulation Unit"

Dear Chairman Kehoe:

This is to acknowledge receipt of your response dated July 18, 2017 to the 2016-2017 Grand Jury report regarding "Shasta County Sheriff's Office – Animal Regulation Unit".

I would like to thank you for your response to the Grand Jury Report. Pursuant to the provisions of Penal Code §933, I shall transmit your response to the Office of the County Clerk to be maintained on file there. An additional copy shall be provided to the Clerk of the Court also to be maintained on file.

Thank you again for your response.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary G. Gibson".

Gary G. Gibson  
Presiding Judge

cc: Office of the County Clerk (original response)  
Melissa Fowler-Bradley, Clerk of the Court (for Admin file)  
Grand Jury



# Shasta County

## BOARD OF SUPERVISORS

1450 Court Street, Suite 308B  
Redding, California 96001-1680  
(530) 225-5557  
(800) 479-8009  
(530) 225-5189-FAX

DAVID A. KEHOE, DISTRICT 1  
LEONARD MOTY, DISTRICT 2  
MARY RICKERT, DISTRICT 3  
STEVE MORGAN, DISTRICT 4  
LES BAUGH, DISTRICT 5

July 18, 2017

The Honorable Gary Gibson  
Presiding Judge, Shasta County Superior Court  
1500 Court St., Rm. 205  
Redding, CA 96001

Dear Judge Gibson:

**Re: Response of Board of Supervisors to Fiscal Year 2016-2017 Grand Jury Report:  
Shasta County Sheriff's Office – Animal Regulation Unit**

The Shasta County Board of Supervisors appreciates the time and dedication which the 2016-2017 Grand Jurors contributed to their charge. The following findings and recommendations are under serious consideration and discussions are being held regarding solutions to any unresolved problems.

### RESPONSES AND FINDINGS

#### FINDINGS

The Grand Jury findings:

**F5. *The Shasta County Sheriff's Office, as the County's agent, has not met the contractual obligation of the Personal Services Agreement with Haven Humane Society which requires annual evaluations of the Agreement.***

**Response:** The Board of Supervisors disagrees wholly with the finding. Shasta County has met the contractual obligations with Haven Humane Society. Monthly statistics are reviewed by the County and the Agreement is evaluated to ensure all obligations are met and if any modifications to the agreement are necessary.

The Honorable Gary Gibson  
Shasta County Superior Court  
July 18, 2017  
Page 2

**RECOMMENDATIONS**

The Grand Jury recommends:

**R1.** *By June 30, 2018, the Shasta County Sheriff-Coroner direct staff to fulfill the provisions of the County's Personal Services Agreement with Haven Humane Society that calls for annual evaluations of the Agreement. The results of these annual evaluations should be reported to the Board of Supervisors.*

**Response:** The recommendation will not be implemented because it is not warranted. County Department Heads have the authority to perform evaluations of contracts without the Board's involvement. Furthermore, the County reviews the monthly statistics throughout the year thus resulting in an ongoing evaluation that exceeds those of the agreement.

This concludes the responses of the Shasta County Board of Supervisors to the FY 2016-2017 Grand Jury Report entitled "Shasta County Sheriff's Office – Animal Regulation Unit."

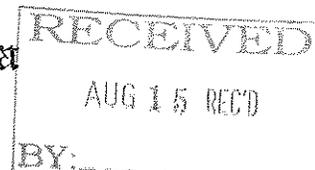
Sincerely,

  
DAVID A. KEHOE, Chairman  
Board of Supervisors  
County of Shasta

LGL:jd



Superior Court of California  
County of Shasta



GARY G. GIBSON  
Presiding Judge

DANIEL E. FLYNN  
Asst. Presiding Judge

August 10, 2017

Tom Bosenko, Sheriff-Coroner  
Shasta County Office of the Sheriff  
300 Park Marina Circle  
Redding, CA 96001

Re: Grand Jury Report re "Shasta County Sheriff's Office – Animal Regulation Unit"

Dear Sheriff Bosenko:

This is to acknowledge receipt of your response dated August 8, 2017 to the 2016-2017 Grand Jury report regarding "Shasta County Sheriff's Office – Animal Regulation Unit".

I would like to thank you for your response to the Grand Jury Report. Pursuant to the provisions of Penal Code §933, I shall transmit your response to the Office of the County Clerk to be maintained on file there. An additional copy shall be provided to the Clerk of the Court also to be maintained on file.

Thank you again for your response.

Sincerely,

A handwritten signature in cursive script that reads "Gary G. Gibson".

Gary G. Gibson  
Presiding Judge

cc: Office of the County Clerk (original response)  
Melissa Fowler-Bradley, Clerk of the Court (for Admin file)  
Grand Jury



# SHASTA COUNTY

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## Office of the Sheriff



August 8, 2017

Tom Bosenko  
SHERIFF - CORONER

The Honorable Gary Gibson  
Presiding Judge, Shasta County Superior Court  
1500 Court Street, Room 205  
Redding, CA 96001

Dear Judge Gibson:

**Re: Response of Shasta County Sheriff's Office to Fiscal Year 2016-2017 Grand Jury Report:  
Shasta County Sheriff's Office – Animal Regulation Unit**

As Sheriff of Shasta County, I appreciate the time and dedication which the 2016-2017 Grand Jurors contributed to their charge. The following findings and recommendations are under serious consideration and discussions are being held regarding solutions to any unresolved concerns.

### RESPONSES AND FINDINGS

#### FINDINGS

The Grand Jury findings:

**F1.** *The lack of a written and legally vetted animal seizure policy and procedures leaves AROs unable to use their professional discretion to determine if seizure of an animal is lawful and to act on that determination without contacting County Counsel.*

**Response:** The Sheriff–Coroner disagrees partially with the finding. The law and case decisions dictate when animals may be seized or impounded, thus the Sheriff's Animal Regulations Officers work with County Counsel on such matters. ARO's routinely use their professional discretion to determine if seizure of an animal is lawful and seek legal counsel on such determination in accordance with the law whenever feasible and on as-needed and ongoing basis.

**F2.** *The lack of policies and procedures related to record-keeping and case tracking hinders the ability of AROs to consistently provide timely follow-up to determine if corrective action has been taken to resolve the original complaint.*

**RESPONSES AND FINDINGS: (Continued)**

**Response:** The Sheriff-Coroner disagrees partially with the finding. The Sheriff's Animal Regulation Unit's past practice of record keeping and case tracking may be improved. Changes will be developed and implemented, as staffing levels allow.

**F3** *The Unit's dedicated phone line received calls for service without policy or procedures for answering, logging and tracking them and duplicates call services provided by SHASCOM.*

**Response:** The Sheriff-Coroner agrees with the finding.

**F4.** *The ARO III position has been unfilled, and the Animal Regulation Unit supervisors have not developed or maintained policies or procedures for the Unit. As a direct consequence, the supervising Patrol Operations Sergeants do not have policies and procedural references to guide them in their supervision of the Animal Regulation Unit.*

**Response:** The Sheriff-Coroner disagrees wholly with the finding. Information provided to the Grand Jury explained the position was unfunded for Fiscal Year 2016-2017. The position was deleted in Fiscal Year 2017-2018. Patrol Sergeants can supervise the Animal Control Officers.

**F5.** *The Shasta County Sheriff's Office, as the County's agent, has not met the contractual obligation of the Personal Services Agreement with Haven Humane Society which requires annual evaluation of the Agreement.*

**Response:** The Sheriff-Coroner disagrees wholly with the finding. Evaluation by the County of the Personal Services Agreement with Haven Humane Society has occurred monthly and at other times throughout each year of the contract as needed.

**RECOMMENDATIONS:**

The Grand Jury recommends:

**R1.** *By September 30, 2017, the Shasta County Sheriff-Coroner direct Animal Regulation Unit supervisors to create and seek legal County Counsel approval of an animal seizure policy and procedures.*

**RECOMMENDATIONS: (Continued)**

**Response:** Consultation and communication with County Counsel on these matters is confidential and subject to the attorney-client privilege and attorney work product doctrine. Notwithstanding and without waiving these privileges the Sheriff-Coroner agrees with the recommendation to have written policies and procedures for animal seizure. The Animal Regulation Unit currently seeks legal advice and counsel from County Counsel on an ongoing and as needed basis. The deadline of September 30, 2017, is a recommendation. Options for policy and procedures will be analyzed and implemented as time and resources reasonably allow. There is no legal requirement for written policy and procedure for the seizure of animals. Staff must perform their essential job functions and duties and in particular, frequently answer numerous calls for service. Such matters will necessarily take priority over development of the recommendation's policy.

**R2.** *By December 31, 2017, the Shasta County Sheriff-Coroner direct Animal Regulation Unit Supervisors to create written policies and procedures for record-keeping and case-tracking in the Animal Regulation Unit.*

**Response:** The Sheriff-Coroner agrees with the recommendation. Staff is currently reviewing and amending current policy and procedures for animal seizures, record keeping, and tracking. There is no legal requirement to have a written policy and procedure. Animal Regulation Officers follow the law and seek legal counsel when necessary or when appropriate. The Sheriff's office plans to begin implementation of a new Records Management System in the next 18 months. The deadline of December 31, 2017, is a recommendation. Options for policies and procedures will be analyzed and implemented as time and resources reasonably allow. Staff must also perform their essential job functions and duties, and in particular, frequently answer numerous calls for service. Such matters will necessarily take priority over development of the recommendation's policy. Staff is required to perform their duties in priority order and may not meet the recommended deadline. Staff has been working on policies and procedures prior to the receipt of the report.

**R3.** *By September 30, 2017, the Shasta County Sheriff-Coroner direct Animal Regulation Unit supervisors to discontinue the use of the dedicated Animal Regulation Unit phone line and update its website and voicemail to direct callers to the SHASCOM-non-emergency line.*

**Response:** The Sheriff-Coroner partially agrees with the recommendation. The recommendation by the Grand Jury will not be implemented at this time. A modification of the Grand Jury recommendation was implemented prior to the Grand Jury Report. Telephone messages received on the ARU telephone line are forwarded to the ARO's mobile phone. The website will be reviewed to determine what changes may be necessary. Options for discontinued use of the dedicated Animal Regulation Unit phone line and updates to the website and voicemail will continue to be analyzed and implemented as time and resources reasonably allow. The deadline of September 30, 2017, is a recommendation.

The Honorable Gary Gibson  
Shasta County Superior Court  
Shasta County Sheriff's Office – Animal Regulation Unit  
August 8, 2017

**RECOMMENDATIONS: (Continued)**

**R4.** *By September 30, 2017, the Shasta County Sheriff-Coroner direct Animal Regulation Unit supervisors to develop, maintain, and enforce comprehensive policies and procedures or delegate this responsibility to an officer in the Animal Regulation Unit.*

**Response:** This recommendation will not be implemented because it is not warranted or is not reasonable. The ARO III position was not funded for Fiscal Year 2016-2017. The position was deleted in Fiscal Year 2017-2018. The Grand Jury was aware of this prior to completion of this report. Current Sheriff's Patrol Sergeant(s) supervise Animal Regulations Officers.

**R5.** *By June 30, 2018, the Shasta County Sheriff-Coroner direct staff to fulfill the provision of the County's Personal Services Agreement with Haven Humane Society that calls for annual evaluations of the Agreement. The results of these annual evaluations should be reported to the Board of Supervisors.*

**Response:** The recommendation will not be implemented because it is not warranted or is not reasonable. The Sheriff and staff have met the contractual obligation with Haven Humane Society. Monthly statistics and monthly billings are reviewed by Sheriff's staff. Any contractual concerns or disputes are discussed with Haven Humane Society's Director to ensure all obligations are met and if any modifications to the agreement may be necessary. Such review and discussion occur on a regular basis.

This concludes the response of the Sheriff-Coroner to the Fiscal Year 2016-2017 Grand Jury Report entitled "Shasta County Sheriff's Office – Animal Regulation Unit".

Sincerely,



TOM BOSENKO, Sheriff-Coroner  
Shasta County

TMB:ckw

COMMUNICATIONS  
OCT 10 2017



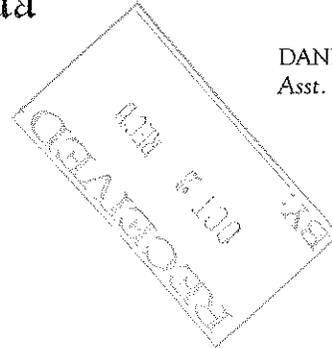
RECEIVED  
SEP 29 2017  
CLERK OF THE BOARD

Superior Court of California  
County of Shasta

GARY G. GIBSON  
Presiding Judge

DANIEL E. FLYNN  
Asst. Presiding Judge

September 26, 2017



Ted Chase, Vice Chairman  
Shasta Lake Fire Protection District  
4126 Ashby Court  
Shasta Lake, CA 96019-9215

Re: Grand Jury Report re "Shasta Lake Fire Protection District – Where There's Smoke, Is There Fire?"

Dear Vice Chairman Chase:

This is to acknowledge receipt of your response dated September 15, 2017 to the 2016-2017 Grand Jury report regarding "Shasta Lake Fire Protection District – Where There's Smoke, Is There Fire?".

I would like to thank you for your response to the Grand Jury Report. Pursuant to the provisions of Penal Code §933, I shall transmit your response to the Office of the County Clerk to be maintained on file there. An additional copy shall be provided to the Clerk of the Court also to be maintained on file.

Thank you again for your response.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gary G. Gibson".

Gary G. Gibson  
Presiding Judge

cc: Office of the County Clerk (original response)  
Melissa Fowler-Bradley, Clerk of the Court (for Admin file)  
Grand Jury



# **SHASTA LAKE FIRE PROTECTION DISTRICT**

4126 Ashby Court Shasta Lake, CA 96019-9215 ~ (530) 275-7474 ~ fax (530) 275-6502 ~ www.shastalakefiredistrict.com



September 15, 2017

The Honorable Gary Gibson  
Presiding Judge, Shasta County Superior Court  
1500 Court Street  
Redding, CA 96001

Dear Judge Gibson:

The Shasta Lake Fire Protection District ("District") would like to thank the Grand Jurors for all of their hard work and dedication, as well as the courtesy and professionalism shown in completing their work. As required under Penal Code Section 933.05, the District would like to offer the following response to the report titled, "Shasta Lake Fire Protection District- Where There's Smoke, Is There Fire?":

**Finding F1:**

Without a long term financial plan, the Shasta Lake Fire Protection District faces possible future layoffs once the SAFER grant funding expires.

**Response:**

The District agrees with the finding.

**Finding F2:**

The Shasta Lake Fire Protection District fails to take advantage of potential additional revenue streams such as a fee for service schedule and organizing community fundraising events.

**Response:**

The District agrees with the finding.

**Finding F3:**

The Shasta Lake Fire Protection District's outdated website does not encourage public involvement, lacks volunteer recruitment component, and fails to inform citizens of current District matters.

**Response:**

The District agrees with the finding.

**RECEIVED**  
**SEP 22 2017**  
CLERK OF THE  
SUPERIOR COURT

**Recommendation 1:**

By December 31, 2017, the Shasta Lake Fire Protection District Board direct staff to explore alternative revenue sources. Options may include creating a reasonable fee for service schedule including emergency medical services, and organizing additional community fundraising events.

**Response:**

The District agrees with this recommendation. The implementation of the recommendation has begun. The Board has directed staff to move forward with the funding measure that was mentioned in the report. Obtain information towards the possibility of creating a reasonable fee for service schedule including emergency medical service. The district will be applying for a second SAFER Grant when it becomes available. The implementation exploring those alternative revenue sources will meet the December 31, 2017 deadline.

**Recommendation 2:**

By September 30, 2017, the Shasta Lake Fire Protection District Board direct staff to ensure that the District's website is updated, a schedule for website updates is implemented, and District matters are advertised on the website.

**Response:**

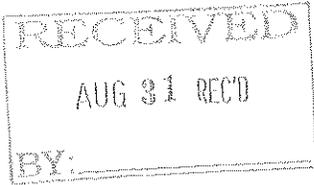
The District agrees with this recommendation. The recommendation has been implemented as of August 9, 2017. The District is in the process of updating the website, complete a schedule for website updates, and advertise District matters on the website. The website will be operational by September 30, 2017.

The Shasta Lake Fire Protection District appreciates this opportunity to respond to relevant portions of the 2016-2017 Shasta County Grand Jury Final Report.

Sincerely,



Ted Chase  
Vice Chairman  
Shasta Lake Fire Protection District



Superior Court of California  
County of Shasta

GARY G. GIBSON  
*Presiding Judge*

DANIEL E. FLYNN  
*Asst. Presiding Judge*

August 28, 2017

Dennis J. Beck, Fire Chief  
Shasta Lake Fire District  
4126 Ashby Court  
Shasta Lake, CA 96019-9215

Re: Grand Jury Report re "Shasta Lake Fire Protection District – Where There's Smoke, Is There Fire?"

Dear Chief Beck:

This is to acknowledge receipt of your response dated August 21, 2017 to the 2016-2017 Grand Jury report regarding "Shasta Lake Fire Protection District – Where There's Smoke, Is There Fire?".

I would like to thank you for your response to the Grand Jury Report. Pursuant to the provisions of Penal Code §933, I shall transmit your response to the Office of the County Clerk to be maintained on file there. An additional copy shall be provided to the Clerk of the Court also to be maintained on file.

Thank you again for your response.

Sincerely,

Gary G. Gibson  
Presiding Judge

cc: Office of the County Clerk (original response)  
Melissa Fowler-Bradley, Clerk of the Court (for Admin file)  
Grand Jury



# SHASTA LAKE FIRE PROTECTION DISTRICT

4126 ASHBY COURT

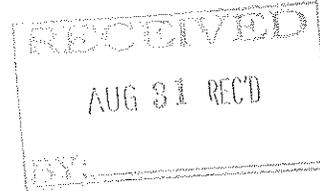
SHASTA LAKE, CALIFORNIA 96019-9215

(530) 275-7474

FAX (530) 275-6502

August 21, 2017

The Honorable Gary Gibson  
Presiding Judge, Shasta County Superior Court  
1500 Court Street  
Redding, CA 96001



Dear Judge Gibson:

As the Fire Chief of the Shasta Lake Fire Protection District I would like to thank the Grand Jurors for all of their efforts and dedication in conducting their investigation. I was met with courtesy and professionalism in all facets of interaction with this investigative body. As required under Penal Code Section 933.05, I would like to offer the following response to the report titled, "Shasta Lake Fire Protection District- Where There's Smoke, Is There Fire?".

**Finding F1:**

Without a long term financial plan, the Shasta Lake Fire Protection District faces possible future layoffs once the SAFER grant funding expires.

**Response:**

I agree with the finding.

**Finding F2:**

The Shasta Lake Fire Protection District fails to take advantage of potential additional revenue streams such as a fee for service schedule and organizing community fundraising events.

**Response:**

I agree with the finding.

**Finding F3:**

The Shasta Lake Fire Protection District's outdated website does not encourage public involvement, lacks volunteer recruitment component, and fails to inform citizens of current District matters.

**Response:**

I agree with the finding.

**Recommendation 1:**

By December 31, 2017, the Shasta Lake Fire Protection District Board direct staff to explore alternative revenue sources. Options may include creating a reasonable fee for

service schedule including emergency medical services, and organizing additional community fundraising events.

**Response:**

I agree with this recommendation. The recommendation has been implemented as of July 10, 2017. I have been directed by the Board to move forward with the attempt to secure a funding measure for future personnel needs. The District will be applying for a second SAFER grant when it becomes available. A reasonable fee for service schedule including emergency medical service is a possibility. Due to the fact that some of the actions proposed are pursuant to ballot measures, and grant application dates that are later than December 31, 2017, the results will not be known until July 31, 2018.

**Recommendation 2:**

By September 30, 2017, the Shasta Lake Fire Protection District Board directs staff to ensure that the District's website is updated, a schedule for website updates is implemented, and District matters are advertised on the website.

**Response:**

I agree with this recommendation. This recommendation has been implemented as of August 9, 2017. The District is in the process of generating a new website. The new site will address all of the items from the Grand Jury report. The website is planned to be completed by September 30, 2017.

I appreciate this opportunity to respond to relevant portions of the 2016-2017 Shasta County Grand Jury Final Report.

Sincerely,



Dennis J. Beck  
Fire Chief

